The School Building Authority of West Virginia (the "Authority") is authorized to issue revenue bonds for the purposes of, among other things, providing funds to finance the cost of construction, acquisition, improvement and equipping of public school facilities and refunding all or any portion of any revenue bonds issued by the Authority to finance the costs of construction, acquisition, improvement and equipping of public school facilities. The Authority's $63,640,000 Excess Lottery Revenue Refunding Bonds, Series 2015 A (the "Series 2015 A Bonds") are being issued by the Authority pursuant to a Resolution adopted on June 22, 2015, the Master Trust Indenture dated as of August 1, 2008 (the "Master Indenture"), and by and between the Authority and The Bank of New York Mellon, as Trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture dated as of August 15, 2008 (the "First Supplemental Indenture"), and by and between the Authority and the Trustee, as amended and supplemented by the Amendatory and Second Supplemental Trust Indenture dated as of July 23, 2009 (the "Second Supplemental Indenture"), and by and between the Authority and the Trustee, as supplemented by the Third Supplemental Trust Indenture dated as of December 15, 2009 (the "Third Supplemental Indenture"), and by and between the Authority and the Trustee, as supplemented by the Fourth Supplemental Trust Indenture dated as of July 8, 2010 (the "Fourth Supplemental Indenture"), and by and between the Authority and the Trustee, as supplemented by the Fifth Supplemental Trust Indenture dated as of July 27, 2010 (the "Fifth Supplemental Indenture"), by and between the Authority and the Trustee, and as supplemented by the Sixth Supplemental Trust Indenture dated as of November 19, 2015 (the "Sixth Supplemental Indenture," together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, collectively, the "Indenture"), and by and between the Authority and the Trustee, and under the provisions of the School Building Authority Act and the Lottery Act, as such terms are defined herein.

Interest on the Series 2015 A Bonds will be payable on each January 1 and July 1, commencing July 1, 2016. Principal of the Series 2015 A Bonds is payable on the maturity dates set forth on the inside cover. The proceeds of the Series 2015 A Bonds will be used to (i) advance refund certain maturities outstanding of the School Building Authority of West Virginia Excess Lottery Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), namely the Series 2008 Bonds maturing on July 1, 2019, through the final maturity of July 1, 2028 (the "2008 Bonds to be Refunded"), (ii) pay a portion of the costs of acquiring, constructing, equipping and improving the Project (as defined herein), and (iii) pay costs of issuance of the Series 2015 A Bonds.


The Authority may issue Additional Bonds under the Indenture. See “SECURITY FOR THE SERIES 2015 A BONDS – Additional Bonds” herein.

This cover page contains certain summary information regarding the Series 2015 A Bonds and is not a complete summary of the Series 2015 A Bonds or the security therefor. Investors should read this entire Official Statement to obtain information necessary to the making of an informed investment decision.

The Series 2015 A Bonds will be offered when, as and if issued by the Authority and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approving legal opinion of White Law Offices, PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Goodwin & Goodwin, LLP, Charleston, West Virginia and Spilman Thomas & Battle, PLLC, Charleston, West Virginia, as disclosure counsel to the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Steptoe & Johnson PLLC, Charleston, West Virginia. It is expected that the Series 2015 A Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about November 19, 2015.
$63,640,000  
STATE OF WEST VIRGINIA  
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA  
EXCESS LOTTERY REVENUE REFUNDING BONDS, SERIES 2015 A  

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS

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<thead>
<tr>
<th>Year</th>
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<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP**</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>$ 85,000</td>
<td>3.000%</td>
<td>0.590%</td>
<td>103.871</td>
<td>95639DLE8</td>
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<tr>
<td>2018</td>
<td>90,000</td>
<td>3.000%</td>
<td>0.820%</td>
<td>105.631</td>
<td>95639DLF5</td>
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<tr>
<td>2019</td>
<td>5,080,000</td>
<td>4.000%</td>
<td>1.060%</td>
<td>110.403</td>
<td>95639DLG3</td>
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<tr>
<td>2020</td>
<td>5,345,000</td>
<td>5.000%</td>
<td>1.300%</td>
<td>116.525</td>
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<td>2021</td>
<td>5,555,000</td>
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<td>118.428</td>
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<tr>
<td>2022</td>
<td>5,830,000</td>
<td>5.000%</td>
<td>1.790%</td>
<td>119.943</td>
<td>95639DLK4</td>
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<td>2024</td>
<td>6,430,000</td>
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<td>2.240%</td>
<td>121.516</td>
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<td>2026</td>
<td>7,090,000</td>
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<td>2027</td>
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<td>2028</td>
<td>7,815,000</td>
<td>5.000%</td>
<td>2.750%</td>
<td>118.896*</td>
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* Priced to the first optional redemption date of July 1, 2025.

** CUSIP Numbers have been assigned by an independent company not affiliated with the Authority and are included on this cover page solely for the convenience of the Owners of the Series 2015 A Bonds only at the time of issuance of the Series 2015 A Bonds. Neither the Underwriters nor the Authority make any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 A Bonds.
YOU SHOULD MAKE YOUR OWN DECISION WHETHER THIS OFFERING MEETS YOUR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED, DISAPPROVED, ENDORSED OR RECOMMENDED THIS OFFERING. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE, NOR WHETHER IT IS COMPLETE. THE WEST VIRGINIA SECURITIES COMMISSION HAS NOT REVIEWED THE DISCLOSURE CONTAINED HEREIN AND THE AUTHORITY IS RELYING ON AN EXEMPTION FROM REGISTRATION BY QUALIFICATION UNDER THE WEST VIRGINIA SECURITIES ACT. IMPORTANT RISK FACTORS ARE EXPLAINED HEREIN UNDER “INVESTMENT CONSIDERATIONS.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 A BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.


IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2015 A BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION INCLUDING, BUT NOT LIMITED TO, THE WEST VIRGINIA SECURITIES COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR COMPLETENESS OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION CONTAINED HEREIN HAS BEEN FURNISHED BY THE STATE, THE AUTHORITY AND OTHER SOURCES (OTHER THAN THE STATE), WHICH ARE BELIEVED TO BE RELIABLE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THE SECURITIES OFFERED HEREBY, OR AN OFFER TO SELL OR SOLICITATION OF OFFERS TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2015 A BONDS, BY ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFER, OR SOLICITATION OR SALE WOULD BE UNLAWFUL IN SUCH JURISDICTION. NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL
STATEMENT IN CONNECTION WITH THE OFFERING CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY OR ANY OTHER PERSON. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY SERIES 2015 A BONDS IMPLIES THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED HEREIN UNDER THE HEADING “THE AUTHORITY,” “PUBLIC EDUCATION IN WEST VIRGINIA,” AND “THE PROGRAM” HAS BEEN FURNISHED BY THE AUTHORITY. ALL OTHER INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE STATE, THE AUTHORITY AND OTHER SOURCES (OTHER THAN THE AUTHORITY), WHICH ARE BELIEVED TO BE RELIABLE. SUCH OTHER INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE RELIED UPON AS OR CONSTRUED AS A PROMISE OR REPRESENTATION BY, THE STATE, THE AUTHORITY OR THE UNDERWRITERS. NO REPRESENTATION, WARRANTY OR GUARANTY IS MADE BY THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT, AND NOTHING CONTAINED IN THIS OFFICIAL STATEMENT IS OR SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION BY THE UNDERWRITERS. THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH AND AS PART OF THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE “FORWARD LOOKING STATEMENTS” AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS “ESTIMATED,” “FORECASTED,” “INTENDED,” “EXPECTED,” “ANTICIPATED,” “PROJECTED,” 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 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.
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INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning the School Building Authority of West Virginia (the “Authority”), and its $63,640,000 Excess Lottery Revenue Refunding Bonds, Series 2015 A (the “Series 2015 A Bonds”). The Series 2015 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the “State”), including Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the “School Building Authority Act”), Chapter 29, Article 22 of the Code of West Virginia, 1931, as amended (the “Lottery Act”), and a Resolution of the Authority adopted June 22, 2015, authorizing the issuance of the Series 2015 A Bonds (the “Resolution”). The Series 2015 A Bonds are being issued as tax-exempt bonds under the School Building Authority Act.

SUMMARY

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2015 A Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page, and the Appendices.

The Issuer

The issuer of the Series 2015 A Bonds is the Authority. See “THE AUTHORITY” herein. The Authority is a public corporation created under the School Building Authority Act.

Issuance Authority

The Series 2015 A Bonds will be issued pursuant to the Resolution, the Master Trust Indenture dated as of August 1, 2008 (the “Master Indenture”), by and between the Authority and The Bank of New York Mellon, as Trustee (the “Trustee”), as supplemented by the First Supplemental Trust Indenture dated as of August 15, 2008 (the “First Supplemental Indenture”), by and between the Authority and the Trustee, as amended and supplemented by the Amendatory and Second Supplemental Trust Indenture dated as of July 23, 2009 (the “Second Supplemental Indenture”), by and between the Authority and the Trustee, as supplemented by the Third Supplemental Trust Indenture dated as of December 15, 2009 (the “Third Supplemental Indenture”), by and between the Authority and the Trustee, as supplemented by the Fourth Supplemental Trust Indenture dated as of July 8, 2010 (the “Fourth Supplemental Indenture”), by and between the Authority and the Trustee, as supplemented by the Fifth Supplemental Trust Indenture dated as of July 27, 2010 (the
“Fifth Supplemental Indenture”), by and between the Authority and the Trustee, and as supplemented by the Sixth Supplemental Trust Indenture dated as of November 19, 2015 (the “Sixth Supplemental Indenture,” together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, collectively, the “Indenture”), by and between the Authority and the Trustee, and the School Building Authority Act and the Lottery Act. The Authority authorized the execution and delivery of the Sixth Supplemental Indenture and the issuance of the Series 2015 A Bonds pursuant to its adoption of the Resolution.

Use of Proceeds

The proceeds of the Series 2015 A Bonds will be used by the Authority to (i) advance refund certain maturities of the Authority’s Excess Lottery Revenue Bonds, Series 2008 (the “Series 2008 Bonds”), namely the Series 2008 Bonds maturing on July 1, 2019 through the final maturity of July 1, 2028 (the “2008 Bonds to be Refunded”), (ii) pay a portion of the costs of acquiring, constructing, equipping and improving the Project, as described in APPENDIX A – THE PROJECT (the “Project”), and (iii) pay costs of issuance of the Series 2015 A Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Series 2015 A Bonds

Interest on the Series 2015 A Bonds will be payable each January 1 and July 1, commencing July 1, 2016. The Series 2015 A Bonds shall mature on the dates and in the principal amounts, and bear interest at the rates, all as set forth on the inside cover of the Official Statement.

Security and Source of Payment

Under the Indenture, the Authority has pledged the Trust Estate as security for the payment of the Bonds, as defined herein. The Trust Estate is comprised of (i) the Pledged Revenues, as defined herein, (ii) all moneys and securities held from time to time by the Trustee under and subject to the terms of the Indenture, excepting therefrom all amounts held in the Purchase Fund and the Rebate Fund established under the Indenture; and (iii) all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred as and for additional security for the payment of the Bonds (as hereinafter defined).

The Series 2015 A Bonds are secured ratably by a first lien on the Trust Estate, which is on parity as to lien and source of payment with the portion of the Series 2008 Bonds to remain outstanding after issuance of the Series 2015 A Bonds in the amount of $13,690,000 (the “Unrefunded Series 2008 Bonds”), the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 A (Tax Credit Bonds) (the “Series 2009 A Tax Credit Bonds”), the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction
Bonds), Series 2009 B (Tax Credit Bonds) (the “Series 2009 B Tax Credit Bonds”), the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010 A (Tax Credit Bonds) (the “Series 2010 A Tax Credit Bonds”), the Authority’s Excess Lottery Revenue Bonds, Series 2010 B (Tax-Exempt) (the “Series 2010 B Bonds” and together with the Unrefunded Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds and any Additional Bonds issued under the Indenture are collectively referred to as the “Parity Bonds”). The Series 2015 A Bonds and the Parity Bonds are hereinafter sometimes collectively referred to as the “Bonds.” See “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION” herein. See also “THE AUTHORITY – History and Experience of Authority in the Issuance of Bonds” and “SECURITY FOR THE SERIES 2015 A BONDS.”

The Series 2015 A Bonds are special, limited obligations of the Authority payable solely from and secured by the Trust Estate pledged under the Indenture on a parity basis with the Parity Bonds. The Series 2015 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State or any county, municipality or any other political subdivision thereof. The Owners of the Series 2015 A Bonds shall have no right to have taxes levied by the State Legislature or the taxing authority of any county, municipality or any other political subdivision of the State for the payment of the principal and interest on the Series 2015 A Bonds, but the Series 2015 A Bonds, together with the principal and interest on the Parity Bonds, shall be payable equally and ratably and solely from the Trust Estate pledged under the Indenture. The Authority has no taxing power.

**Pledged Revenues**

“Pledged Revenues” means all amounts contained in the Excess Lottery School Building Debt Service Fund, and all income and receipts on the funds and accounts held by the Trustee under the Indenture (but not including any moneys required to be deposited into the Rebate Fund or the Purchase Fund (if any)). See “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION” herein.

**Additional Bonds**

Under the terms of the Indenture, the Authority may issue Additional Bonds on parity as to lien and source of payment with the Parity Bonds and the Series 2015 A Bonds, assuming certain conditions are met. See “SECURITY FOR THE SERIES 2015 A BONDS – Additional Bonds” herein.

**Redemption of Bonds**

The Series 2015 A Bonds are subject to optional redemption prior to maturity in the manner set forth herein. See “THE SERIES 2015 A BONDS – Redemption.”
**Ratings**

**Investment Considerations**
Investment in the Series 2015 A Bonds involves certain risks. The discussion of certain risk factors herein should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2015 A Bonds. This discussion does not purport to be comprehensive or definitive.

The Series 2015 A Bonds are subject to the risk, among others, that the revenues of the West Virginia Lottery (the “West Virginia Lottery”) deposited into the State Excess Lottery Revenue Fund will be adversely affected by competition inside and outside of the State of West Virginia. See “INVESTMENT CONSIDERATIONS – Competition” herein.

**Bond Counsel Opinion**
In the opinion of White Law Offices, PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants of the Authority, interest on the Series 2015 A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Under the School Building Authority Act, the Series 2015 A Bonds shall, together with the interest thereon, be exempt from all taxation by the State of West Virginia and any county, school district, municipality and political subdivision thereof. See “TAX MATTERS” herein and **APPENDIX E – FORM OF OPINION OF BOND COUNSEL**.

**General**
Definitions of certain terms used in this Official Statement and a description of certain portions of the Indenture are set forth in **APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS**. Unless otherwise defined, all capitalized terms used in this Official Statement that are defined in the Indenture shall have the same meanings ascribed to them in the Indenture. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the Authority or the Underwriters.

**Information and Documents**
Information, instruments and documents regarding the Series 2015 A Bonds are available by contacting Garry Stewart, Director of Finance, at the School Building Authority of West Virginia, 2300 Kanawha Boulevard, East, Charleston, West Virginia 25311-2306, (304) 558-2541.
THE AUTHORITY

The Authority is a public corporation that was created under the School Building Authority Act to facilitate and provide funds for the acquisition, construction, equipping or improvement of school facilities so as to meet the educational needs of the people of the State in an efficient and economical manner.

The Authority is authorized to issue the Series 2015 A Bonds and to pledge the Pledged Revenues as security therefor pursuant to the School Building Authority Act. The Authority is issuing the Series 2015 A Bonds pursuant to the Resolution, the Indenture and the School Building Authority Act.

An eleven-member board governs the Authority. The Governor, or his designee, serves as the Chair of the Authority. The Governor has designated Peter G. Markham as the Chair of the Authority. The remaining ten members consist of the State Superintendent of Schools, three members of the State Board of Education elected by the State Board of Education and six citizens of the State appointed by the Governor. The members of the Authority and their terms are as follows:

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<th>Name</th>
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<th>Term</th>
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<td>Governor Earl Ray Tomblin</td>
<td>Governor and President Ex-Officio</td>
<td></td>
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<tr>
<td>Peter G. Markham</td>
<td>Governor’s Designated Chair Ex-Officio</td>
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<tr>
<td>Steven L. Burton</td>
<td>Vice Chair July 31, 2015*</td>
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<tr>
<td>Dr. Michael J. Martirano</td>
<td>State Superintendent of Schools Ex-Officio</td>
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<tr>
<td>Victor L. Gabriel</td>
<td>Member July 31, 2015*</td>
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<tr>
<td>Thomas Campbell</td>
<td>Member November 4, 2016</td>
<td></td>
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<tr>
<td>Tina H. Combs</td>
<td>Member November 4, 2017</td>
<td></td>
</tr>
<tr>
<td>Robert E. Holroyd, Esquire</td>
<td>Member July 31, 2015*</td>
<td></td>
</tr>
<tr>
<td>Tom Lange</td>
<td>Member July 31, 2015*</td>
<td></td>
</tr>
<tr>
<td>Dr. William M. White</td>
<td>Member November 4, 2018</td>
<td></td>
</tr>
<tr>
<td>Chris Morris</td>
<td>Member July 31, 2015*</td>
<td></td>
</tr>
<tr>
<td>Eric J. Lewis</td>
<td>Member July 31, 2016</td>
<td></td>
</tr>
</tbody>
</table>

* Term continues until successor is selected and duly appointed

Biographical Information of Certain Officers of the Authority

The principal officers of the Authority are David A. Sneed, Executive Director, Scott Raines, Director of Architectural Services, and Garry Stewart, Director of Finance. Pertinent biographical information of the principal officers of the Authority is included below:

David A. Sneed, Executive Director –

The Executive Director of the Authority is David A. Sneed. He originally began his career with the Authority on August 16, 1990, as the Chief of Architectural Services. He served in that capacity until his retirement in June of 2012. When the Executive Director position became vacant in 2014, Governor Tomblin appointed Mr. Sneed to the position as the Executive Director of the Authority beginning on July 1, 2014.

Mr. Sneed earned a Bachelor of Science degree in Architectural Technology from West Virginia State University. Mr. Sneed began his career working in the private sector where he worked on design and construction administration of schools, banks and other public facilities. He began his public service career in Kanawha County Schools as Director of School Planning, managing their capital improvement
Mr. Sneed is a member of the Council of Educational Facilities Planners International (“CEFPI”) and is a Recognized Educational Facilities Planner (“REFP”). In 2005, Mr. Sneed received the CEFPI President’s Award for outstanding educational planning and service to the State of West Virginia. Mr. Sneed is an Associate Member of the American Institute of Architects, West Virginia Chapter of the American Institute of Architects and is a member of the State Chapter of the Educational Facilities Planners International.

Scott Raines, Director of Architectural Services –

The Director of Architectural Services for the Authority is Scott Raines. Mr. Raines began working for the Authority in April 2005. Mr. Raines began working as Director of Architectural Services in June 2012. He is a native West Virginian who completed his undergraduate studies at West Virginia State University, earning an Associate of Science degree in Architectural Technology. Before joining the Authority, Mr. Raines was employed as an educational planner and designer for various architectural firms in the Charleston, West Virginia area. Mr. Raines has over 20 years’ experience in public and private business in the field of school planning, design and construction. He is a nationally recognized educational facilities planner and a member of the CEFPI and is a REFP.

Garry Stewart, Director of Finance –

The Director of Finance for the Authority is Garry Stewart. Mr. Stewart is a Certified Public Accountant, and began working for the Authority in August 1990. Mr. Stewart, a native West Virginian, completed his Bachelor of Science in Business Administration studies at West Virginia University. Prior to joining the Authority, he was employed at various local CPA firms where he specialized in the finance and construction industries.

History and Experience of Authority in the Issuance of Bonds

Since its inception in 1989, the Authority has issued 20 series of bonds representing an aggregate principal amount of $1,485,395 including the Series 2015 A Bonds. Ten of these series of bonds, namely the Authority’s Capital Improvement Revenue Refunding Bonds, Series 2007 A (the “Series 2007 A Bonds”), the Unrefunded Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds, the Series 2010 B Bonds, the Lottery Capital Improvement Revenue Bonds, Series 2012 A (the “Series 2012 A Bonds”), the Lottery Capital Improvement Revenue Bonds, Series 2013 A (the “Series 2013 A Bonds”), the Lottery Capital Improvement Revenue Bonds, Series 2014 A (the “Series 2014 A Bonds”) and, upon issuance thereof, the Series 2015 A Bonds remain outstanding. See the following table for a summary of the Authority’s outstanding bonds, excluding the Series 2015 A Bonds, and the source of the revenue from which debt service is paid. See also “SECURITY FOR THE SERIES 2015 A BONDS” and “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION” herein.
<table>
<thead>
<tr>
<th>Series Name</th>
<th>Original Principal</th>
<th>Amount of Bonds Outstanding as of July 1, 2015</th>
<th>Revenues From Which Debt Service Is Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2007 A Bonds</td>
<td>$185,980,000</td>
<td>$109,075,000</td>
<td>State Appropriations</td>
</tr>
<tr>
<td>Series 2008 Bonds</td>
<td>102,145,000</td>
<td>76,910,000</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2009 A Tax Credit Bonds</td>
<td>30,000,000</td>
<td>18,000,000</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2009 B Tax Credit Bonds</td>
<td>48,200,000</td>
<td>32,198,564</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2010 A Tax Credit Bonds</td>
<td>72,280,000</td>
<td>51,213,646</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2010 B Bonds</td>
<td>25,000,000</td>
<td>21,870,000</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2012 A Bonds</td>
<td>25,575,000</td>
<td>24,075,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2013 A Bonds</td>
<td>24,425,000</td>
<td>23,095,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2014 A Bonds</td>
<td>26,055,000</td>
<td>24,840,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Totals</td>
<td>$539,600,000</td>
<td>$381,277,210</td>
<td></td>
</tr>
</tbody>
</table>


(2) Excludes the Series 2015 A Bonds.

(3) After issuance of the Series 2015 A Bonds, the Unrefunded Series 2008 Bonds will remain outstanding in the amount of $13,690,000.

The Trust Estate, which includes Pledged Revenues deposited into the Excess Lottery School Building Debt Service Fund, does not secure the Series 2007 A Bonds, the Series 2012 A Bonds, the Series 2013 A Bonds or the Series 2014 A Bonds, and no part of the principal and premium, if any, and interest on such bonds, is payable out of the Pledged Revenues or other moneys, accounts or property held by the Trustee under the Indenture. Funds appropriated from the State Legislature are used to pay debt service on the Authority’s Series 2007 A Bonds. The Series 2012 A Bonds, the Series 2013 A Bonds and the Series 2014 A Bonds are secured ratably by and payable from moneys transferred by the Lottery Director from the State Lottery Fund (as hereinafter defined) to the School Building Debt Service Fund (as hereinafter defined). The Series 2012 A Bonds, the Series 2013 A Bonds and the Series 2014 A Bonds are not secured by the Trust Estate pledged under the Indenture. The Series 2015 A Bonds, together with the Parity Bonds are secured ratably by a first lien on the Trust Estate.

In *Winkler v. State School Building Authority*, 189 W. Va. 748, 434 S.E.2d 420 (1993), the Supreme Court of Appeals of West Virginia (the “Court”) declared unconstitutional those provisions of the School Building Authority Act whereby the West Virginia State Legislature appropriated funds from the general revenues of the State for the purpose of retiring all or a portion of bonds issued to finance the Program (as defined herein). The decision, however, was expressly determined by the Court to apply prospectively, and not retroactively. Consequently, while no new bond issue can make use of the aforesaid funding mechanism to retire all or a portion of such bonds, the Court held that bonds could be issued and payable from such funding mechanism to refund bonds of the Authority issued and payable under the aforesaid funding mechanism and that all bonds payable from such funding mechanism issued prior to *Winkler* could continue to be retired from such funding mechanism.
This holding was reaffirmed in State of West Virginia ex. rel. School Building Authority of West Virginia v. Dr. Henry R. Marockie, President, School Building Authority of West Virginia, Case No. 23675 (filed December 13, 1996).

The Authority also has previously issued bonds payable solely from revenues of the West Virginia Lottery. In State ex rel. Marockie v. Wagoner, 446 S.E.2d 680 (W.Va. 1994), the Court upheld the constitutionality of an amendment to the School Building Authority Act permitting proceeds of the West Virginia Lottery to be used to retire bonds issued under the School Building Authority Act. The Authority subsequently issued its Capital Improvement Revenue Bonds, Series 1994 in the original principal amount of $135,600,000 (the “Series 1994 Bonds”) and the $141,600,000 Lottery Capital Improvement Revenue Bonds, Series 2004 (the “Series 2004 Bonds”), which are no longer outstanding, as well as the Series 2008 Bonds, Series 2009 A Tax Credit Bonds, Series 2009 B Tax Credit Bonds, Series 2010 A Tax Credit Bonds, Series 2010 B Bonds, Series 2012 A Bonds, the Series 2013 A Bonds and the Series 2014 A Bonds payable from certain revenues of the West Virginia Lottery as set forth in the chart above on the previous page. The Series 2015 A Bonds will also be payable from such revenues.

The School Building Authority Act provides that the maximum aggregate amount of bonds outstanding at any time, for which the moneys in the School Building Debt Service Fund or the Excess Lottery School Building Debt Service Fund are to be pledged, is $500 million; however, any amount of bonds for which moneys have been deposited in a sinking fund, reserve fund or other fund established to provide payment of principal or interest on the bonds shall be excluded from the calculation of the maximum aggregate amount of bonds outstanding at any time. Following the issuance of the Series 2015 A Bonds, the amount of bonds outstanding, as reflected in the table immediately above, together with the Series 2015 A Bonds, for which moneys in the School Building Debt Service Fund or the Excess Lottery School Building Debt Service Fund are pledged does not exceed $500 million.

WEST VIRGINIA LOTTERY

The West Virginia Lottery was constitutionally authorized on November 6, 1984. The Lottery Act was enacted during the 1985 legislative session of the State Legislature. The Lottery Act created the Lottery Commission, which sets policy and direction for the West Virginia Lottery. The West Virginia Lottery sold its first scratch-off tickets on January 9, 1986, and sales for online games began in November of that same year. In 1989, as part of a general reorganization of the State’s government, the Lottery Commission was made a party of the newly created Department of Revenue, presided over by a Cabinet Secretary.

The West Virginia Lottery derives its revenues from six basic types of lottery games: instant, online, racetrack video lottery games (“Racetrack Video Lottery”), limited video lottery games (“Limited Video Lottery”), racetrack table games (“Racetrack Table Games”) and casino games at the Greenbrier Resort. Instant and online lottery games have been designated by the West Virginia Lottery as “Traditional” games. See APPENDIX B – THE WEST VIRGINIA LOTTERY for additional information about the West Virginia Lottery.

PUBLIC EDUCATION IN WEST VIRGINIA

General

The inadequate condition of public education has come to the forefront of discussion at the federal and state level, particularly the issue of the inequities that occur among school districts when state funding is based on the relative abilities of school districts to raise local dollars for public education from property taxes.
Recent History of Public Education Policy

In addition to the constitutionally preferred status enjoyed by public education in West Virginia, the Governor and the State Legislature have placed high priority on improving public education throughout the State. During the 1989 legislative session, former Governor Caperton and the Legislature adopted a legislative program to address three primary areas in public education: modern facilities, the teaching force and improved curriculum. The issue of modern facilities was addressed by creating the Authority and providing funding for the Program. See “THE PROGRAM.” In 2013, the West Virginia Legislature enacted Senate Bill 359, a landmark education reform bill, designed to, among other things, raise student achievement by giving local school boards more flexibility to develop school calendars while ensuring 180 instructional classroom days, providing optional full day, five day per week four-year old preschool programs in every county, and ensuring that all students read on their grade level by the end of the third grade. Funding for school construction has not decreased as a result of passage of Senate Bill 359.

THE PROGRAM

The Authority administers a program of funding select construction and improvement projects benefitting public schools throughout the State (the “Program”). The Authority receives its funding from the following sources: appropriations from the State Legislature, the sale of bonds authorized under the School Building Authority Act, such as the Series 2015 A Bonds, transfers by the Lottery Director from the State Lottery Fund and the State Excess Lottery Revenue Fund required by the Lottery Act, transfers from the West Virginia Department of Revenue of the portion of the Consumer Sales and Services Tax required by Chapter 11, Article 15 of the Code of West Virginia, 1931, as amended, the federal government and other sources (collectively, the “SBA Funds”). The SBA Funds are allocated among the following funds to be disbursed in accordance with the School Building Authority Act for the benefit of county boards of education and other entities whose projects may be funded by the Authority: School Building Capital Improvements Fund, School Construction Fund, School Major Improvement Fund, School Building Debt Service Fund, Excess Lottery School Building Debt Service Fund and School Access Safety Fund.

Funds appropriated from the State Legislature are used to pay principal, premium, if any, and interest on the Authority’s Series 2007 A Bonds. Funds deposited into the School Building Debt Service Fund are used to pay principal, premium, if any, and interest on the Authority’s Series 2012 A Bonds, Series 2013 A Bonds and Series 2014 A Bonds. Funds deposited into the Excess Lottery School Building Debt Service Fund are used to pay principal, premium, if any, and interest, as applicable, on the Parity Bonds and will be used to pay principal, premium, if any, and interest on the Series 2015 A Bonds. To the extent that funds remain in the School Building Debt Service Fund and/or the Excess Lottery School Building Debt Service Fund in any fiscal year after payment of all required principal, premium, if any, interest on, coverage requirements and reserve funds associated with such bonds, the remaining funds are available for transfer, at the discretion of the Authority, to the School Construction Fund. During the fiscal year ended June 30, 2015, the Authority received $92,523,547 in allocations from the State to fund the Program.

From time to time, county boards of education and other eligible entities submit project proposals to the Authority seeking funding for their respective facilities related projects. In order to be eligible to receive SBA Funds, county boards of education must file with the Authority a ten-year Countywide Comprehensive Educational Facilities Plan (“CEFP”). A CEFP must: (a) address the existing school facilities and facility needs of the county to provide a thorough and efficient education; (b) best serve the needs of individual students, the general school population and the communities served by the facilities; (c) include a School Major Improvement Plan, as hereafter discussed; (d) include the county board’s
school access safety plan; (e) be updated annually to reflect projects completed, current enrollment projections and new or continuing needs; and (f) be approved by the State Board of Education and the Authority prior to the distribution of state funds pursuant to the School Building Authority Act.

A School Major Improvement Plan (“SMIP”) is a ten-year school maintenance plan prepared by a county board of education as part of its CEFP or by the State board of education or the administrative council of an area vocational educational center, as applicable. It must: (a) address the regularly scheduled maintenance for all school facilities of the county or under the jurisdiction of the entity seeking funding; (b) include a projected repair and replacement schedule for all school facilities of the county or of the entity seeking funding; (c) address the major improvement needs of each school within the county or under the jurisdiction of the entity seeking funding; and (d) be submitted to the Authority prior to the distribution of state funds for a major improvement project pursuant to the School Building Authority Act.

The entities filing CEFPs and SMIPs with the Authority must rank the projects identified therein in order of priority. All projects for which funding is requested from the Authority must be included, as appropriate, in the CEFPs and the SMIPs.

The Authority evaluates project proposals requesting SBA Funds to ensure that the proposed project furthers the purposes of the respective CEFP and/or SMIP. In its evaluation of project proposals, the Authority considers the requesting party’s prioritization of projects as set forth in its CEFPs and SMIPs, as applicable. The objective criteria used by the Authority in its evaluation of project proposals includes, but are not limited to, the following: (a) how the current facilities fail to meet and how the facilities benefitted by the project proposal will meet certain criteria specified in the School Building Authority Act following completion of the project; and (b) how the project will assure the prudent and resourceful expenditure of State funds and achieve the purposes of the School Building Authority Act for constructing, expanding, renovating or otherwise improving and maintaining school facilities throughout the State.

After completing its evaluation of project proposals, but prior to taking any final action approving projects for funding, the Authority is required to submit a certified list of the projects to the State Joint Committee on Government and Finance. Thereafter, the Authority may make its final funding decisions in accordance with the School Building Authority Act, which directs that certain percentages of SBA Funds be available for certain types of projects specified therein. The Authority seeks to utilize all sources of SBA Funds, including the proceeds of Additional Bonds issued in the future, in the most efficient and economical manner to fund the improvement and construction of school facilities throughout the State.

In fiscal years 2014 and 2015, the Authority expended $121,685,866 and $97,932,072, respectively, on projects throughout the State.

THE PROJECT

In accordance with the procedures described in the section entitled “The Program” above, the Authority, by official action on March 23, 2015, selected the project listed in APPENDIX A to receive a portion of the proceeds of the Series 2015 A Bonds (the “Project”). The cost of the Project will be financed by a portion of the proceeds of the Series 2015 A Bonds and local and other funds available to the Brooke County Board of Education. See APPENDIX A – THE PROJECT.
THE SERIES 2015 A BONDS

General

The Series 2015 A Bonds are issued in fully-registered form in Authorized Denominations of $5,000 or any integral multiple thereof. The Series 2015 A Bonds are payable in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. Except as provided for herein, the Series 2015 A Bonds will be dated, will mature on the dates and in the principal amounts, and bear interest at the rates, all as set forth on the inside cover page of this Official Statement.

Interest on the Series 2015 A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2016. The Series 2015 A Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the dated date, payable on each Interest Payment Date until the date of maturity or redemption, which ever first occurs. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2015 A Bonds are subject to redemption prior to maturity as described below under “THE SERIES 2015 A BONDS – Redemption” or acceleration as described under “THE INDENTURE – Defaults and Remedies” in APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS.

Certain capitalized terms used herein are taken from the Indenture. All times used herein are New York City times, unless otherwise indicated.

As described below under the caption “THE SERIES 2015 A BONDS - Book-Entry Only System,” the Series 2015 A Bonds will initially be issued exclusively in “book-entry” form.

Authority for Issuance

The Series 2015 A Bonds are issued pursuant to the provisions of the School Building Authority Act and the Resolution, which authorized the issuance of not to exceed $75 million of tax-exempt bonds under the Indenture.

The Series 2015 A Bonds will be issued pursuant to the Indenture. The Series 2015 A Bonds are issued under the Indenture on a parity with the Parity Bonds. The Series 2015 A Bonds and the Parity Bonds shall be secured equally and ratably and solely by the Trust Estate. See APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS.

Redemption

Optional Redemption. The Series 2015 A Bonds maturing on or after July 1, 2026, are subject to redemption prior to their maturity on and after July 1, 2025, at the option of the Authority, in whole or in part, at any time from amounts deposited with the Trustee by the Authority and from other funds available therefor at 100% of par (expressed as a percentage of the principal amount redeemed), plus accrued interest thereon to the date fixed for redemption.

Notice of Redemption. Notice of redemption of the Series 2015 A Bonds will be mailed by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date (i) by first class mail to the respective Owners of Series 2015 A Bonds at the addresses appearing on the registration books of the Trustee, and (ii) as may be further required in accordance with the Indenture. Each notice of redemption shall state the date of such notice, the date of delivery and Series designation of the Series 2015 A Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption.
(including the name and appropriate address or addresses of the Trustee), the CUSIP number of the Series 2015 A Bonds to be redeemed and, in the case of Series 2015 A Bonds to be redeemed in party only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2015 A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2015 A Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such Series 2015 A Bond shall cease to accrue and be payable and shall require that such Series 2015 A Bond be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Notice of redemption of Series 2015 A Bonds shall be given by the Trustee at the expense of the Authority. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any party required to receive such notice shall not affect the sufficiency of the proceedings for redemption with respect to the Holder or Holders to whom such notice was mailed.

With respect to notice of any optional redemption of the Series 2015 A Bonds, unless moneys sufficient to pay the redemption price of the Series 2015 A Bonds to be redeemed shall have been received by the Trustee prior to the giving of that notice, the notice shall state that the redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for the redemption and the satisfaction of other conditions required in the Indenture. If such moneys shall not have been so received, the notice shall be of no force and effect, the Series 2015 A Bonds shall not be redeemed pursuant thereto and the Trustee shall give notice, in the manner in which notice of redemption was given, that such moneys were not received.

Selection of Bonds for Redemption. Whenever less than all of the Series 2015 A Bonds are to be redeemed, the Trustee shall select the Series 2015 A Bonds to be redeemed, in Authorized Denominations, by lot, in any manner which the Trustee in its sole discretion shall deem appropriate and fair. The Trustee shall promptly notify the Authority in writing of any redemption of the Series 2015 A Bonds or portions thereof so selected for redemption. The selection of Series 2015 A Bonds shall be at such time as determined by the Trustee. The foregoing notwithstanding, the Authority may select the Series 2015 A Bonds to be redeemed.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Series 2015 A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Series 2015 A Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice to the date fixed for redemption, interest on the Series 2015 A Bonds so called for redemption shall cease to accrue, said Series 2015 A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2015 A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price.

Book-Entry Only System

The Series 2015 A Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2015 A Bonds. One fully-registered Series 2015 A Bond will be issued for each maturity, and will be deposited with the DTC.

Purchases of the Series 2015 A Bonds will be made only in book-entry form through DTC Participants in the principal amount of $5,000 and integral multiples thereof and no physical delivery of
the 2015 A Bonds will be made to purchasers. Unless otherwise provided herein, payments of the principal, interest and premium, if any, will be made to purchasers by DTC through its Participants.

Except as otherwise provided herein or in APPENDIX G – BOOK-ENTRY ONLY SYSTEM, each actual purchaser of each Series 2015 A Bond (“Beneficial Owner”) will not be or be considered to be and will not have any rights as, owners or holders of the Series 2015 A Bonds under the Indenture. For additional information about DTC and the book-entry-only system, see APPENDIX G – BOOK-ENTRY ONLY SYSTEM.

Acceleration of Series 2015 A Bonds upon Default

Pursuant to the Indenture, the Series 2015 A Bonds are subject to acceleration upon an Event of Default, as such term is defined therein. If an Event of Default occurs and is continuing, the Trustee shall, after the giving of any applicable notice and lapse of any required cure period, accelerate the principal of the Series 2015 A Bonds. The Trustee shall declare the principal of and interest on all the Series 2015 A Bonds due immediately and payable; provided, however, that in the case of acceleration by the Trustee, the payment of all principal on the Series 2015 A Bonds then Outstanding shall be repayable solely from the Pledged Revenues, as defined herein, and any other funds then held or thereafter received by the Trustee and applied in accordance with and subject to the provisions of the Indenture. See APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS. The Trustee shall then immediately provide notice to the Holders of the Series 2015 A Bonds that the Series 2015 A Bonds have been accelerated pursuant to the Indenture. The Parity Bonds are also subject to acceleration, under certain circumstances, under the Indenture.

SECURITY FOR THE SERIES 2015 A BONDS

Trust Estate

Under the Indenture, the Authority has pledged the Trust Estate as security for the payment of the principal, premium, if any, and interest, as applicable, on the Series 2015 A Bonds and the Parity Bonds. The Trust Estate is comprised of (i) the Pledged Revenues, as defined herein, (ii) all moneys and securities held from time to time by the Trustee under and subject to the terms of the Indenture, excepting therefrom all amounts held in the Purchase Fund and the Rebate Fund established under the Indenture, and (iii) all other property or every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred as and for additional security for the payment of the Series 2015 A Bonds.

“Pledged Revenues” means all amounts contained in the Excess Lottery School Building Debt Service Fund, and all income and receipts on the funds and accounts held by the Trustee under the Indenture (but not including any moneys required to be deposited into the Rebate Fund and Purchase Fund (if any)). See “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION” herein.

The Series 2015 A Bonds will be secured equally and ratably and solely by the Trust Estate, on parity as to lien and source of payment with the Parity Bonds. Until Additional Bonds are issued, however, the Parity Bonds and the Series 2015 A Bonds will be the only bonds payable out of the Trust Estate.
Limited Obligations

The Series 2015 A Bonds are special, limited obligations of the Authority payable solely from the Trust Estate pledged under the Indenture. The Series 2015 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State or of any county, municipality or any other political subdivision thereof. The Owners of the Series 2015 A Bonds shall have no right to have taxes levied by the State Legislature or the taxing authority of any county, municipality or any other political subdivision of the State for the payment of the principal of or interest on the Series 2015 A Bonds, but the Series 2015 A Bonds, together with the principal of and interest on the Parity Bonds shall be payable equally and ratably and solely from the Trust Estate pledged under the Indenture. The Authority has no taxing power.

Flow of Funds

All funds received by the Trustee from the Excess Lottery School Building Debt Service Fund shall be deposited into the Revenue Fund and held and administered in accordance with the terms of the Indenture.

On the first Business Day of each month, beginning on July 1 of each fiscal year, the Trustee shall simultaneously transfer from the Revenue Fund an amount equal to one-tenth (1/10) of the interest that will be due and payable on the Unrefunded Series 2008 Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds to the applicable Interest Fund as set forth in the Indenture. All amounts in the applicable Interest Funds shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Unrefunded Series 2008 Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds as the same becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity under the Indenture).

Next, on the first Business Day of each month, beginning on July 1 of each fiscal year, the Trustee shall simultaneously transfer from the Revenue Fund an amount equal to one-tenth (1/10) of the principal that will be due and payable on the Unrefunded Series 2008 Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds, as well as an amount equal to one-tenth (1/10) of the amount determined by the Trustee to be necessary to satisfy the annual Series 2009 A Accumulated Mandatory Sinking Account Payment, the annual Series 2009 B Accumulated Mandatory Sinking Account Payment and the annual Series 2010 A Accumulated Mandatory Sinking Account Payment, to the applicable Principal Fund all as set forth in the Indenture. If the Revenue Fund does not contain sufficient moneys to make the principal payments on the Unrefunded Series 2008 Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds, and the Accumulated Mandatory Sinking Account Payments on the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds and the Series 2010 A Tax Credit Bonds, then the Trustee shall apply the moneys in the Revenue Fund on a pro rata basis to such payments. With regard to the Series 2015 A Bonds, see APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS – SIXTH SUPPLEMENTAL TRUST INDENTURE.

Additional Bonds

The Indenture provides that the Authority may, in certain circumstances, issue Additional Bonds in accordance with the School Building Authority Act. Under the Indenture, the Authority may issue Additional Bonds (1) to pay for all or a portion of the costs of acquiring, constructing, equipping and improving project for public schools in the State authorized to be funded by the Authority in accordance with the School Building Authority Act, or (2) to refund, at the discretion of the Authority, Bonds issued and outstanding pursuant to the provisions of the School Building Authority Act and under the Indenture.
Prior to issuing any Additional Bonds, the Authority must deliver to the Trustee, with respect to an issue of Additional Bonds for the purpose described in (1) above, a Certificate of the Authority to the effect that (A) for the immediately preceding Fiscal Year, the State Excess Lottery Revenues (as defined in the Indenture) equaled or exceeded 200% of the Maximum Annual Debt Service payable on all obligations (including the Additional Bonds then to be issued) payable from the Excess Lottery School Building Debt Service Fund, and (B) the Maximum Annual Debt Service on all obligations (including the Additional Bonds then to be issued) payable from the Excess Lottery School Building Debt Service Fund does not exceed the maximum amount which may be allocated thereto pursuant to the Lottery Act.

With respect to an issue of Additional Bonds for the purpose described in (2) above, the Authority must deliver to the Trustee a Certificate of the Authority to the effect that for each Fiscal Year the Maximum Annual Debt Service on the Additional Bonds and any Outstanding Bonds does not exceed the maximum amount available for payment of debt service from the Excess Lottery School Building Debt Service Fund under the Lottery Act.

Following the issuance of the Series 2015 A Bonds, the $19 million statutory allocation of revenues from the State Excess Lottery Revenue Fund to the Excess Lottery School Building Debt Service Fund contained in the Lottery Act will be fully leveraged until July 1, 2024, for all practical purposes, to pay the debt service associated with the Parity Bonds and the Series 2015 A Bonds. See “DEBT SERVICE REQUIREMENTS.” Accordingly, the Authority’s ability to issue Additional Bonds following the issuance of the Series 2015 A Bonds will be limited by the $19 million statutory allocation contained in the Lottery Act unless the State Legislature enacts legislation increasing such statutory allocation. See APPENDIX D – FORM OF THE PRINCIPAL BOND DOCUMENTS.

Adverse Action

In accordance with the School Building Authority Act, after the issuance of the Bonds, the revenues pledged for the repayment of the principal, premium, if any, and interest on the Bonds, as applicable, shall not be reduced as long as any of the Bonds are outstanding and unpaid, except under the terms, provisions and conditions that are contained in the Resolution, the Indenture or other proceedings under which the Bonds were issued. This restriction in the School Building Authority Act does not, however, specifically preclude the State Legislature from amending Section 18a of the Lottery Act to either increase or reduce the amount that the Lottery Director is required to transfer from the State Excess Lottery Revenue Fund into the Excess Lottery School Building Debt Service Fund. Such an amendment, if made, could materially affect the Authority’s ability to repay the Bonds. See “INVESTMENT CONSIDERATIONS” herein.

PLAN OF FINANCE

The proceeds of the Series 2015 A Bonds will provide funds to (i) advance refund the 2008 Bonds to be Refunded, (ii) pay a portion of the costs of acquiring, constructing, equipping and improving the Project and (iii) pay costs of issuance of the Series 2015 A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

A portion of the proceeds of the Series 2015 A Bonds, together with certain moneys held in the Series 2008 Principal Fund and the Series 2008 Interest Fund, will be deposited into an irrevocable escrow deposit trust fund (the “Escrow Fund”) created and established pursuant to the Escrow Agreement, as defined below, and shall be used to pay the interest due on the 2008 Bonds to be Refunded prior to their redemption and the principal of and interest on the 2008 Bonds to be Refunded (the “Redemption Price”) on July 1, 2018 (the “Redemption Date”). Such proceeds and moneys will be deposited with The Bank of New York Mellon, as escrow agent (the “Escrow Agent”) in trust for the
payment of the Redemption Price of the 2008 Bonds to be Refunded pursuant to the terms of the Escrow Agreement dated as of the date of closing, between the Authority and the Escrow Agent (the “Escrow Agreement”). Upon execution of the Escrow Agreement, the Escrow Agent shall receive a sum which will be deposited into the Escrow Fund created pursuant to the Escrow Agreement and shall be applied by the Escrow Agent to the purchase of certain Investment Securities, which shall mature and shall bear interest in such amounts and at such times as shall be sufficient to pay the interest due on 2008 Bonds to be Refunded prior to the Redemption Date and the Redemption Price on July 1, 2018. Upon the deposit of such proceeds and obligations in trust with the Escrow Agent, the 2008 Bonds to be Refunded will be deemed paid and the covenants, agreements and other obligations of the Authority to the holders of the 2008 Bonds to be Refunded shall be discharged and satisfied. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Project consists of the acquisition, construction, equipping and improving of public school facilities described more fully in APPENDIX A – THE PROJECT hereto. The Project will be constructed with moneys deposited in the Series 2015 A Project Fund, along with amounts contributed by the respective county board of education.

### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

#### SOURCES OF FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of the Series 2015 A Bonds</td>
<td>$63,640,000.00</td>
</tr>
<tr>
<td>Plus: Original Issue Premium</td>
<td>$12,153,804.50</td>
</tr>
<tr>
<td>Plus: Series 2008 Interest Fund Transfer</td>
<td>$1,286,767.50</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$77,080,572.00</td>
</tr>
</tbody>
</table>

#### USES OF FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to Escrow Fund</td>
<td>$70,984,915.58</td>
</tr>
<tr>
<td>Deposit to Series 2015 A Project Fund</td>
<td>$5,608,203.57</td>
</tr>
<tr>
<td>Costs of Issuance*</td>
<td>$249,850.00</td>
</tr>
<tr>
<td>Underwriters’ Discount</td>
<td>$237,602.85</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$77,080,572.00</td>
</tr>
</tbody>
</table>

*Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, the Escrow Agent, the Escrow Agent’s Counsel, rating agencies, Verification Agent, Financial Advisor, printing costs and other miscellaneous fees and expenses relating to the issuance of the Series 2015 A Bonds.
DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending July 1, the amounts required annually for the payment of principal and interest on the Unrefunded Series 2008 Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds, together with the payment of the Series 2009 A Accumulated Mandatory Sinking Account Payments associated with the Series 2009 A Tax Credit Bonds, the payment of the Series 2009 B Accumulated Mandatory Sinking Account Payments associated with the Series 2009 B Tax Credit Bonds, and the payment of the Series 2010 A Accumulated Mandatory Sinking Account Payments associated with the Series 2010 A Tax Credit Bonds.

<table>
<thead>
<tr>
<th>Year Ending July 1</th>
<th>Series 2015 A Bonds Principal</th>
<th>Series 2015 A Bonds Interest</th>
<th>Aggregate Debt Service on the Parity Bonds</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$-</td>
<td>$1,928,748</td>
<td>$17,061,626</td>
<td>$18,990,374</td>
</tr>
<tr>
<td>2017</td>
<td>85,000</td>
<td>3,127,700</td>
<td>15,779,758</td>
<td>18,992,458</td>
</tr>
<tr>
<td>2018</td>
<td>90,000</td>
<td>3,125,150</td>
<td>15,779,683</td>
<td>18,994,833</td>
</tr>
<tr>
<td>2019</td>
<td>5,080,000</td>
<td>3,122,450</td>
<td>10,786,296</td>
<td>18,988,746</td>
</tr>
<tr>
<td>2020</td>
<td>5,345,000</td>
<td>2,919,250</td>
<td>10,728,546</td>
<td>18,992,796</td>
</tr>
<tr>
<td>2021</td>
<td>5,555,000</td>
<td>2,652,000</td>
<td>10,787,021</td>
<td>18,994,021</td>
</tr>
<tr>
<td>2022</td>
<td>5,830,000</td>
<td>2,374,250</td>
<td>10,782,696</td>
<td>18,986,946</td>
</tr>
<tr>
<td>2023</td>
<td>6,125,000</td>
<td>2,082,750</td>
<td>10,784,096</td>
<td>18,991,846</td>
</tr>
<tr>
<td>2024</td>
<td>6,430,000</td>
<td>1,776,500</td>
<td>10,789,297</td>
<td>18,995,797</td>
</tr>
<tr>
<td>2025</td>
<td>6,750,000</td>
<td>1,455,000</td>
<td>8,788,097</td>
<td>16,993,097</td>
</tr>
<tr>
<td>2026</td>
<td>7,090,000</td>
<td>1,117,500</td>
<td>8,785,696</td>
<td>16,993,196</td>
</tr>
<tr>
<td>2027</td>
<td>7,445,000</td>
<td>763,000</td>
<td>8,266,554</td>
<td>16,474,554</td>
</tr>
<tr>
<td>2028</td>
<td>7,815,000</td>
<td>390,750</td>
<td>3,999,250</td>
<td>12,205,000</td>
</tr>
<tr>
<td>2029</td>
<td></td>
<td></td>
<td>3,996,500</td>
<td>3,996,500</td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td>3,995,250</td>
<td>3,995,250</td>
</tr>
<tr>
<td>Total</td>
<td>$63,640,000</td>
<td>$26,835,048</td>
<td>$151,110,366</td>
<td>$241,585,414</td>
</tr>
</tbody>
</table>

PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION

In General

Under the Indenture, the Authority has pledged the Trust Estate as security for the payment of the Series 2015 A Bonds and the Parity Bonds. The Trust Estate is comprised of (i) the Pledged Revenues, (ii) all moneys and securities held from time to time by the Trustee under and subject to the terms of the Indenture, excepting therefrom all amounts held in the Purchase Fund and the Rebate Fund established under the Indenture, and (iii) all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred as and for additional security for the payment of the Bonds.

“Pledged Revenues” means all amounts contained in the Excess Lottery School Building Debt Service Fund, and all income and receipts on the funds and accounts held by the Trustee under the Indenture (but not including any moneys required to be deposited into the Rebate Fund or the Purchase Fund (if any)). Pledged Revenues do not include, however, moneys on deposit in the State Excess
Lottery Revenue Fund (as hereinafter defined) or the State Lottery Fund (as hereinafter defined) that have not been transferred by the Lottery Director into the Excess Lottery School Building Debt Service Fund.

Under the Lottery Act, a special revenue fund named the State Excess Lottery Revenue Fund has been created (the “State Excess Lottery Revenue Fund”). The State Excess Lottery Revenue Fund currently receives the State’s share of net profits from: (1) Limited Video Lottery, (2) the Racetrack Video Lottery, as described herein, as well as certain fees related to Limited Video Lottery, (3) certain revenues generated by racetrack table games and (4) certain revenues generated by casino gaming at the Greenbrier Resort. The Lottery Act also creates a special revenue fund named the State Lottery Fund (the “State Lottery Fund”). The State Lottery Fund receives the State’s share of net profits from lottery tickets, materials and games (except the Veterans’ Instant Lottery) and thirty percent of the net terminal income from the Racetrack Video Lottery.

On March 14, 2014, the State Legislature enacted House Bill 101 and House Bill 106 during the First Extraordinary Session of the 2014 legislative session (together, the “2014 Legislation”) that affected the State Lottery Fund and the State Excess Lottery Revenue Fund. The 2014 Legislation reiterated existing law that any and all remaining funds in the State Lottery Fund after payment of debt service on Lottery Bonds (as hereinafter defined) issued pursuant to Section 18 of the Lottery Act shall be made available to pay debt service on Excess Lottery Bonds (as hereinafter defined) issued pursuant to Sections 18a, 18d and 18e of the Lottery Act including, but not limited to, the Series 2015 A Bonds and any refunding bonds or Additional Bonds issued under the Resolution. The 2014 Legislation directs that certain revenues previously transferred pursuant to statutory direction and distributed to certain entities prior to being deposited into either the State Lottery Fund or the State Excess Lottery Revenue Fund now be deposited into the State Excess Lottery Revenue Fund and made available, first, for the payment of debt service on Excess Lottery Bonds. The 2014 Legislation also provides that any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of debt service on all Excess Lottery Bonds, shall be made available to pay debt service on Lottery Bonds if and to the extent needed for such purposes. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Summary of 2014 Legislation” herein.

**Funding of the Excess Lottery School Building Debt Service Fund**

The Lottery Act provides that funds on deposit in the State Excess Lottery Revenue Fund will be transferred to certain funds, including the Excess Lottery School Building Debt Service Fund, in the order of priority specified therein. See “State Excess Lottery Revenue Fund” herein. Pursuant to the Lottery Act, the Lottery Commission is directed to transfer $19 million annually from the State Excess Lottery Revenue Fund to the Excess Lottery School Building Debt Service Fund. The Lottery Act and the transfers of funds from the State Excess Lottery Revenue Fund required therein are subject to amendment by the State Legislature.

The Lottery Act provides that, beginning on or before the 28th day of each month, as long as revenue bonds or refunding bonds are outstanding, the Lottery Director shall allocate from the State Excess Lottery Revenue Fund first to the Economic Development Project Fund an amount equal to one-tenth of the projected annual principal, interest and coverage ratio requirements on any and all revenue bonds issued by the West Virginia Economic Development Authority under Section 18a of the Lottery Act, as certified to the Lottery Director, and second, to the Excess Lottery School Building Debt Service Fund to pay debt service on Bonds issued by the Authority pursuant to Section 18a, the West Virginia Water Development Authority pursuant to Section 18d, the Higher Education Policy Commission pursuant to Section 18a and the West Virginia Economic Development Authority pursuant to Section 18e of the Lottery Act, an amount equal to one-tenth of the projected annual principal, interest and coverage
ratio requirements on any and all such revenue bonds issued, or to be issued, as certified to the Lottery Director.

In any year in which the funds deposited into the Excess Lottery School Building Debt Service Fund exceed the amount required to pay principal and interest on, and coverage requirements associated with, the Series 2015 A Bonds and the Parity Bonds, as certified by the Authority to the Lottery Director, the School Building Authority Act provides that the Authority may use such excess funds to either redeem outstanding bonds, purchase outstanding bonds at market price or transfer such excess funds to the School Construction Fund established under the School Building Authority Act. Funds on deposit in the School Construction Fund may be used by the Authority in its discretion to finance the cost of school construction or improvement projects authorized under the School Building Authority Act, which might include a portion of the Project.

Upon the issuance of the Series 2015 A Bonds, the maximum annual amount of approximately $19 million presently earmarked for transfer from the State Excess Lottery Revenue Fund into the Excess Lottery School Building Debt Service Fund will be required to pay the annual principal and interest on the Series 2015 A Bonds, the Unrefunded Series 2008 Bonds and the Series 2010 B Bonds, and the annual Accumulated Mandatory Sinking Fund Account Payments for the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds and the Series 2010 A Tax Credit Bonds. Any excess funds on deposit in the Excess Lottery School Building Debt Service Fund will be available to the Authority under the School Building Authority Act to fund projects financed with local funds, funds in the School Construction Fund or other funds available therefor.

Summary of 2014 Legislation

On March 14, 2014, the State Legislature enacted the 2014 Legislation, which affected the State Lottery Fund and the State Excess Lottery Revenue Fund.

House Bill 101 created a mechanism by which revenues that were previously transferred pursuant to statutory direction and distributed to certain entities prior to being deposited to either the State Lottery Fund or the State Excess Lottery Revenue Fund are now deposited directly to the State Excess Lottery Revenue Fund. This new deposit of funds represents additional deposits of: (i) certain video lottery net terminal income and table games adjusted gross receipts from the State’s four racetrack casinos; and (ii) certain gross terminal income and certain net income from the Greenbrier Resort. These additional deposits into the State Excess Lottery Revenue Fund are available for payment of debt service for bonds issued pursuant to Section 18a of the Lottery Act by the Authority, the Economic Development Authority and the Higher Education Policy Commission, for bonds issued by the West Virginia Water Development Authority issued pursuant to Section 18d of the Lottery Act and for any bonds issued pursuant to Section 18e of the Lottery Act by the Economic Development Authority for state park improvements (bonds issued pursuant to Sections 18a, 18d and 18e of the Lottery Act are referred to as “Excess Lottery Bonds” and the debt service on Excess Lottery Bonds is referred to as “Excess Lottery Bonds Debt Service”), and then are available for payment of Lottery Bonds Debt Service, as defined in “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION – State Lottery Fund – Third Priority Transfers” herein (to the extent there are insufficient funds on deposit in the State Lottery Fund to make payments of Lottery Bonds Debt Service), and then become available for appropriation by the State Legislature. The bill also mandated that such appropriations be paid on a pro rata basis from moneys that remain in any given month after the payment of debt service. See APPENDIX B – THE WEST VIRGINIA LOTTERY – “The State Excess Lottery Revenue Fund.”

House Bill 106, a companion to House Bill 101, amended the Lottery Act to make available any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of Excess Lottery
Bonds Debt Service to support the payment of Lottery Bonds Debt Service. House Bill 106 reiterated the existing law that also makes available any and all remaining funds in the State Lottery Fund, after payment of Lottery Bonds Debt Service, to support the payment of Excess Lottery Bonds Debt Service, if and to the extent needed for such purpose from time to time. See APPENDIX B – THE WEST VIRGINIA LOTTERY – “The State Excess Lottery Revenue Fund and The State Lottery Fund.”

The cumulative effect of the 2014 Legislation was to increase the percentage of certain gaming dollars deposited into the State Excess Lottery Revenue Fund, provide a clarification of the prioritization for the payment of Excess Lottery Bonds Debt Service and broaden the revenues that are available to pay Excess Lottery Bonds Debt Service and Lottery Bonds Debt Service. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Historical, Estimated And Projected West Virginia Lottery Revenues - Table I – Historical, Estimated and Projected Revenues” herein for the effect of the 2014 Legislation on sources available to pay debt service on the Series 2015 A Bonds.

**Priority Given to Pay Debt Service on Bonds from the State Excess Lottery Revenue Fund**

In general, the Lottery Act requires that priority be given to debt service payments on bonds payable from the revenues of the State Excess Lottery Revenue Fund, as certified to the Lottery Director, over the other transfers required to be made therefrom. First, if revenues of the State Excess Lottery Revenue Fund are insufficient to make all of the transfers required by Section 18a of the Lottery Act, then the Lottery Director is required to prioritize transfers to funds from which debt service on bonds is payable out of revenues of the State Excess Lottery Revenue Fund. Second, if the revenues of the State Excess Lottery Revenue Fund are insufficient to pay all of the debt service on such bonds, the Lottery Act specifies that revenues from the State Lottery Fund, if available after certain required payments therefrom have been made, shall be transferred to the State Excess Lottery Revenue Fund to pay the remainder of such debt service. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Lottery Fund” herein.

**TABLES II AND III ON PAGES 30 AND 32 SUMMARIZE THE REVENUES OF (1) THE STATE EXCESS LOTTERY REVENUE FUND AND (2) THE COMBINED REVENUES OF THE STATE EXCESS LOTTERY REVENUE FUND AND STATE LOTTERY FUND AVAILABLE TO PAY DEBT SERVICE ON BONDS PAYABLE FROM REVENUES OF THE STATE EXCESS LOTTERY REVENUE FUND, INCLUDING THE SERIES 2015 A BONDS.**

The Lottery Act also provides a mechanism for the Lottery Director’s monthly transfer of moneys from the State Excess Lottery Revenue Fund to fund debt service on bonds payable from revenues of the State Excess Lottery Revenue Fund. Section 18f(c) of the Lottery Act provides that once bonds have been issued for projects under Section 18a of the Lottery Act or for the Authority, infrastructure pursuant to Section 18d of the Lottery Act, higher education or state park improvements pursuant to Section 18e of the Lottery Act the debt service of which is payable from revenues of the State Excess Lottery Revenue Fund, then the Lottery Director shall allocate (i) first to the Economic Development Project Fund, on a monthly basis, one-tenth of the projected annual principal, interest and coverage requirements on bonds issued, or to be issued, as certified to the Lottery Director, and (ii) second to the fund or funds from which debt service is to be paid on bonds issued under Section 18a of the Lottery Act by the Authority, infrastructure pursuant to Section 18d of the Lottery Act, higher education, and state park improvements pursuant to Section 18e of the Lottery Act, on a monthly basis, an amount equal to one-tenth of the projected annual principal, interest and coverage requirements on all such revenue bonds issued, or to be issued as certified to the Lottery Director. In the event there are insufficient funds available in any month to transfer such amounts, the deficiency shall be added to the amount transferred in the next succeeding months in which revenues are available to satisfy the deficiency.
The Authority is required by Section 6(c) of the School Building Authority Act to include in each annual certification to the Lottery Director, on or prior to May 1 of each year, the amount of the principal and interest and coverage ratio requirements, as applicable, for the following fiscal year on the Series 2015 A Bonds and the Parity Bonds.

**THIS EXPLANATION OF THE PLEDGE OF REVENUES, THE WEST VIRGINIA LOTTERY, THE STATE EXCESS LOTTERY REVENUE FUND AND THE STATE LOTTERY FUND CONTAINED IN THIS SECTION DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OR EXPLANATION OF THE INFORMATION CONTAINED IN THE OFFICIAL STATEMENT. Investors should read APPENDIX B – THE WEST VIRGINIA LOTTERY and APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE WEST VIRGINIA LOTTERY FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014 to obtain the necessary information to make an informed evaluation of the Pledged Revenues.**

Future funding of the Excess Lottery School Building Debt Service Fund from the State Excess Lottery Revenue Fund is subject to the following risks, among others: (i) competition from lotteries and other gaming facilities in the State and the surrounding states; (ii) changes in legislation affecting the funding of or allocation or distribution of funds from the State Excess Lottery Revenue Fund and the State Lottery Fund; (iii) changes in the gaming practices of West Virginia Lottery patrons; (iv) the possibility of recall elections in one or more racetrack counties that, if successful, would repeal a racetrack’s ability to offer video lottery (slot machine) gaming or table games to its patrons; (v) disruptions in the operation of the private businesses that sell the Lottery’s products to the general public; and (vi) dissolution of the West Virginia Lottery. See “INVESTMENT CONSIDERATIONS” herein.

**State Excess Lottery Revenue Fund**

The Lottery Act creates the “State Excess Lottery Revenue Fund” as a special revenue fund. The State Excess Lottery Revenue Fund currently receives the State’s share of net profits from: (1) Racetrack Video Lottery, (2) Limited Video Lottery, as well as certain licensing, permit and other fees related to Limited Video Lottery, (3) certain revenues generated by racetrack table games and (4) certain revenues generated by casino gaming at the Greenbrier Resort. The Racetrack Video Lottery Act, as set forth in Chapter 29, Article 22A of the Code of West Virginia, 1931, as amended (the “Racetrack Video Lottery Act”), and the Limited Video Lottery Act, as set forth in Chapter 29, Article 22B of the Code of West Virginia, 1931, as amended, together provide a system through which a portion of the net profits from Racetrack Video Lottery and from Limited Video Lottery, as well as Limited Video Lottery licensing, permit and other fees, are transferred to the State Excess Lottery Revenue Fund.

In addition, the 2014 Legislation increased the amount of funds that are transferred to the State Excess Lottery Revenue Fund commencing with the fiscal year beginning July 1, 2014. Such transfers are transfers of additional revenue from Racetrack Video Lottery, the Racetrack Table Games Fund and the Historic Resort Hotel Fund. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Summary of 2014 Legislation” herein. For fiscal year 2014, $266.8 million was transferred to the State Excess Lottery Revenue Fund, compared to $347 million in fiscal year 2015.

The Racetrack Video Lottery Act establishes two permanent benchmarks for each racetrack based on the fiscal year ended June 30, 2001 results. The first of these two benchmarks is based on a track’s gross terminal income, net of prizes (the “Gross Benchmark”). The aggregate Gross Benchmark for all tracks equals $438.1 million. The Racetrack Video Lottery Act also establishes a benchmark based on a track’s
net terminal income (the “Net Benchmark”). Prior to the 2014 Legislation, no deposit to the State Excess Lottery Revenue Fund occurred until the benchmarks for a given racetrack were exceeded during the respective fiscal year. Beginning July 1, 2014, certain transfers that were previously distributed by statutory instruction are now transferred to the State Excess Lottery Revenue Fund without reference to any benchmark. After the benchmarks are met, a portion of net terminal income in excess of the benchmark is deposited to the State Excess Lottery Revenue Fund. For further discussion of the State’s share of the Racetrack Video Lottery and Limited Video Lottery that is transferred to the State Excess Lottery Revenue Fund, see APPENDIX B – THE WEST VIRGINIA LOTTERY – “The State Excess Lottery Revenue Fund.”

Transfers from the State Excess Lottery Revenue Fund are required by the Lottery Act to be made in the following priority:

First Priority Transfers: First, a portion of the State Excess Lottery Revenue Fund is transferred to West Virginia Department of Revenue for the purpose of providing funding for a senior citizen tax credit for real estate taxes paid on the first $20,000 of assessed value of the taxpayer’s owner-occupied dwelling (the “Refundable Credit”). The Refundable Credit totaled approximately $10 million for fiscal years 2011 through 2015. The West Virginia Department of Revenue projects that the annual Refundable Credit will be $10 million during the next three fiscal years.

[Remainder of Page Intentionally Left Blank]
**Second Priority Transfers:** Second, a portion of the State Excess Lottery Revenue Fund is then transferred to the following ten funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Account</td>
<td>$65.0 million</td>
</tr>
<tr>
<td>Education Improvement Fund (Promise Scholarship Fund)</td>
<td>$29.0 million</td>
</tr>
<tr>
<td>Economic Development Project Fund</td>
<td>$19.0 million</td>
</tr>
<tr>
<td>Excess Lottery School Building Debt Service Fund</td>
<td>$19.0 million</td>
</tr>
<tr>
<td>West Virginia Infrastructure Fund</td>
<td>$40.0 million²</td>
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<tr>
<td>West Virginia Infrastructure Lottery Revenue Debt Service Fund</td>
<td>$6.0 million</td>
</tr>
<tr>
<td>Higher Education Improvement Fund</td>
<td>$15.0 million</td>
</tr>
<tr>
<td>State Park Improvement Fund</td>
<td>$5.0 million</td>
</tr>
<tr>
<td>Racing Commission Transfers</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Lottery Statutory Transfers Fund³</td>
<td>$72.0 million</td>
</tr>
</tbody>
</table>

If, after funding the Refundable Credit, the remaining funds in the State Excess Lottery Revenue Fund are insufficient to fund all of the foregoing ten transfers, the remaining funds on deposit in the State Excess Lottery Revenue Fund, will be transferred in the following priority:

1. First, a transfer of approximately $19 million to the Economic Development Project Fund to pay debt service on the $249,895,000 West Virginia Economic Development Authority State of West Virginia Excess Lottery Revenue Bonds (Federally Taxable), Series 2004 (the “EDA - Excess Lottery Grant Bonds”) coming due in a particular year, as certified to the Lottery Director, which shall be transferred by the Lottery Director to the Economic Development Project Fund in one-tenth increments on a monthly basis.

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¹ Prior to the issuance of bonds payable from revenues of the State Excess Lottery Revenue Fund, the Lottery Act does not prescribe the timing or manner in which the Lottery Director must make the transfers to these ten funds in years when the revenues of the State Excess Lottery Revenue Fund are sufficient to make all such transfers. Following the issuance of bonds, however, the Lottery Act provides that the Lottery Director shall, on a monthly basis, first transfer to the Economic Development Project Fund one-tenth of the projected annual principal, interest and coverage requirements coming due on the EDA Excess Lottery Grant Bonds in a particular year, as certified to the Lottery Director, and second transfer to the fund or funds from which debt service is paid on bonds issued for the Authority, infrastructure, higher education, and park improvements pursuant to Section 18a of the Lottery Act, infrastructure pursuant to Section 18d of the Lottery Act and state park improvements pursuant to Section 18e of the Lottery Act in an amount equal to one-tenth of the projected annual principal, interest and coverage requirements coming due on those respective bonds in a particular year, as certified to the Lottery Director. Presently, this second required transfer is only made to the Higher Education Improvement Fund, the Excess Lottery School Building Debt Service Fund and the West Virginia Infrastructure Lottery Revenue Debt Service Fund, to pay such amounts coming due in a particular year. In years when revenues of the State Excess Lottery Revenue Fund are sufficient to make all of the transfers to these funds, the Lottery Act does not prohibit the Lottery Director from making transfers to funds from which debt service is not payable in the manner he deems appropriate following the one-tenth transfers referred to above. For a discussion of the priority in which transfers must be made from the State Excess Lottery Revenue Fund in years where revenues are insufficient to make all transfers required by the Lottery Act, see discussion in (2) of this section, below.

² The 2014 Legislation decreased the amount of money deposited into the West Virginia Infrastructure Fund for the fiscal year beginning July 1, 2014 only to $20 million. Then, on March 11, 2015, House Bill 2213 amended and reenacted Section 18d of the Lottery Act by decreasing the amount of money deposited into the West Virginia Infrastructure Fund for the fiscal year beginning July 1, 2015, only to $30 million. For the fiscal year beginning July 1, 2016, and all fiscal years thereafter, as currently written, the West Virginia Infrastructure Fund will be allocated $40 million.

³ With the passage of the 2014 Legislation, distributions to certain funds that were previously made pursuant to statute and did not flow through the State Excess Lottery Revenue Fund are now, after payment of debt service on Excess Lottery Bonds and after satisfying any shortfalls in the payment of debt service on Lottery Bonds, distributed to those funds pursuant to an appropriation from the State Excess Lottery Revenue Fund. See [APPENDIX B – THE WEST VIRGINIA LOTTERY – “THE STATE EXCESS LOTTERY REVENUE FUND – Transfer of Racetrack Video Lottery Net Terminal Income to the State Excess Lottery Revenue Fund.”](#) The Lottery Statutory Transfers Fund is a fund created in 2014 by the State Legislature to administratively track the amount of moneys distributed from the State Excess Lottery Revenue Fund, after payment of all debt service, to each such fund pursuant to appropriation. $72.0 million was transferred from the State Excess Lottery Revenue Fund pursuant to appropriation in fiscal year 2015. For fiscal year 2016, $65.6 million is to be transferred from the State Excess Lottery Revenue Fund pursuant to appropriation. The appropriated amount to be deposited into the State Excess Lottery Revenue Fund will change from year to year.
(2) Second, transfers to such of the other five debt service funds from which debt service is payable in amounts necessary to pay the respective debt service on such bonds coming due in a particular year, as certified to the Lottery Director, which shall be transferred to such funds in one-tenth increments on a monthly basis; provided that, to the extent that sufficient State Excess Lottery Revenues are not available to pay debt service on all such revenue bonds, transfers will be made on a pro rata, parity basis. Presently, the second-priority, parity transfers include a $15 million transfer to the Higher Education Improvement Fund to pay debt service on bonds issued by the West Virginia Higher Education Policy Commission, and a transfer to the Excess Lottery School Building Debt Service Fund of approximately $19 million to pay debt service on the Bonds issued by the Authority and a $6 million transfer to the West Virginia Infrastructure Lottery Revenue Debt Service Fund to pay debt service on bonds issued by the West Virginia Water Development Authority. An additional second-priority, parity transfer may be required in the future as a result of the issuance of revenue bonds by the West Virginia Economic Development Authority as authorized by the State Legislature. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Previously Authorized But Unissued Debt” herein.

(3) Third, to the extent necessary, transfers to makeup a shortfall of Lottery Bonds Debt Service.

(4) Fourth, transfers to the Education Improvement Fund, transfers to the General Purpose Account, transfers to the Racing Commission, transfers to a newly created fund designated by the State Legislature as the Lottery Statutory Transfers Fund to then be distributed pursuant to an appropriation, and all other distributions required by Section 18a of the Lottery Act on a pro-rata basis.

NO PORTION OF THE STATE EXCESS LOTTERY REVENUE FUND OR THE STATE LOTTERY FUND IS PLEDGED AS PART OF THE TRUST ESTATE TO SECURE THE SERIES 2015 A BONDS. ONLY AMOUNTS ON DEPOSIT IN THE EXCESS LOTTERY SCHOOL BUILDING DEBT SERVICE FUND CONSTITUTE PLEDGED REVENUES UNDER THE INDENTURE.

Previously Authorized But Unissued Debt

The State Legislature has authorized the issuance of a new series of bonds that, if and when issued, will also be paid from the State Excess Lottery Revenue Fund. The West Virginia Economic Development Authority was authorized in 2012 to issue up to $52,500,000 of bonds for capital improvements to Cacapon Resort State Park and Beech Fork State Park, payable from an amount equal to the certified debt service requirements, not to exceed $3 million per fiscal year, that will be deposited in the Cacapon and Beech Fork State Park Lottery Revenue Debt Service Fund. The West Virginia Economic Development Authority has been authorized by the State Legislature to issue one or more series of bonds to finance the capital improvements at Cacapon Resort State Park and Beech Fork State Park at a date yet to be determined.

State Lottery Fund

The Lottery Act creates the “State Lottery Fund” as a special revenue account. The State Lottery Fund receives the net profits from lottery tickets, materials and games (except the Veterans’ Instant Lottery) (collectively, the “Traditional Games”) and thirty percent of the net terminal income from the Racetrack Video Lottery.

A minimum annual average of forty-five percent of the gross amount received from Traditional Games is allocated and disbursed as prizes, and not more than fifteen percent of the gross amount
received from Traditional Games can be allocated to and disbursed, as necessary, for fund operation and administrative expenses. The excess of the gross amount received from the lotteries described above over the sum of the amount distributed for prizes and administrative expenses shall be allocated as net profit.

For Racetrack Video Lottery, the State Lottery Fund receives fiscal year revenues equal to thirty percent of net terminal income up to the Net Benchmark, plus the excess of allowed administrative costs over actual incurred administrative costs derived from racetrack video lottery gross terminal income, less authorized transfers of up to $10 million a year for deposit into the Racetrack Modernization Fund. The annual maximum amount that may be deposited into the Racetrack Modernization Fund was reduced by the 2014 Legislation to $9 million a year beginning in State fiscal year 2015 and continuing through State fiscal year 2020. Any portion of the amounts deposited into a Racetrack’s Modernization Fund that has not been spent by such Racetrack during the period of time permitted by law is also deposited to the State Lottery Fund. In fiscal year 2015, $3.2 million was transferred from the Racetrack Modernization Fund to the State Lottery Fund.

Transfers from the State Lottery Fund are required by the Lottery Act to be made in the following priority:

First Priority Transfers: First, a portion of the net profits from Traditional Games and a portion of Racetrack Video Lottery Income is transferred monthly to the School Building Debt Service Fund established under the Lottery Act in an amount not to exceed $1,800,000 to pay the annual principal, interest and coverage requirement on all Bonds issued, or to be issued, by the Authority on or after April 1, 1994, payable from revenues of the State Lottery Fund (the “SBA Lottery Bonds”). The maximum amount to be transferred annually shall not exceed $18 million. The current annual debt service on the Authority’s Series 2012 A Bonds, Series 2013 A Bonds and Series 2014 A Bonds, which are the only SBA Lottery Bonds, is approximately $7.5 million. THE SBA LOTTERY BONDS ARE NOT SECURED BY THE INDENTURE, WERE NOT ISSUED ON PARITY AS TO LIEN OR SOURCE OF PAYMENT WITH THE PARITY BONDS AND ARE NOT PAYABLE OUT OF THE EXCESS LOTTERY SCHOOL BUILDING DEBT SERVICE FUND.

Second Priority Transfers: Second, a portion of the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income is then transferred to the Education, Arts, Sciences and Tourism Debt Service Fund established under Chapter 5, Article 6, Section 11a of the Code of West Virginia, 1931, as amended (the “EAST Fund”), as necessary to pay debt service on revenue bonds issued and payable from such source pursuant to the Lottery Act (the “EAST Lottery Bonds”). The West Virginia Economic Development Authority issued bonds payable from funds on deposit in the EAST Fund in August 2010. The EAST Lottery Bonds were issued in an amount fully leveraging the $10 million allocation of revenues deposited into the EAST Fund from the State Lottery Fund. The EAST Lottery Bonds mature by their terms on June 15, 2040.

Third Priority Transfers: Third, a portion of the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income is then transferred to the Community and Technical College Capital Improvement Fund to pay the annual principal, interest and coverage ratio requirements on all revenue bonds payable from the Community and Technical College Capital Improvement Fund pursuant to the Lottery Act (the “CTC Lottery Bonds” and together with the SBA Lottery Bonds, the EAST Lottery Bonds and any future bonds issued pursuant to Section 18 of the Lottery Act, the “Lottery Bonds” and the payment of debt service from the School Building Debt Service Fund, the EAST Fund and the Community and Technical College Capital Improvement Fund is referred to as the “Lottery Bonds Debt Service”). The maximum monthly amount cannot exceed $500,000 and the total allocation cannot exceed the lesser of the principal and interest required to be annually paid or $5 million. The current annual principal and interest on the CTC Lottery Bonds is approximately $5 million and these
bonds mature by their terms in 2039. Upon the maturity of the CTC Lottery Bonds, the $5 million allocated annually to the Community and Technical College Capital Improvement Fund shall become available for debt service on additional CTC Lottery Bonds (“Additional CTC Lottery Bonds”), which are authorized pursuant to Section 18 of the Lottery Act and would be considered Lottery Bonds as that term is defined herein. The priority of the transfer of $5 million from the State Lottery Fund to the Community and Technical College Capital Improvement Fund to pay debt service on Additional CTC Lottery Bonds, if issued, vis-à-vis the priority of the transfer of up to $10 million from the State Lottery Fund to the EAST Fund to pay debt service on any bonds payable therefrom shall be determined as provided in the Lottery Act at the time of issuance of the Additional CTC Lottery Bonds.

Fourth Priority Transfers: Fourth, after first satisfying the requirements for funds dedicated to retire Lottery Bonds, as the case may be, the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income are then made available to pay debt service in connection with Excess Lottery Bonds if and to the extent needed for such purpose from time to time.

Fifth Priority Transfers: Last, subject to certain limitations described in this paragraph, the remaining net profits from Traditional Games and the remaining Racetrack Video Lottery Income may be appropriated by the State Legislature annually, in such proportions as it deems beneficial, to (i) the Lottery Education Fund; (ii) the School Construction Fund; (iii) the Lottery Senior Citizens Fund; and (iv) the Division of Natural Resources and West Virginia Development Office; provided, however, these fifth priority payments may only be made if: (i) a default does not exist with respect to the debt service on Lottery Bonds; and (ii) the net Profits from Traditional Games and the portion of Racetrack Video Lottery Income deposited into the State Lottery Fund for the preceding twelve months is equal to at least 150% of the Lottery Bonds Debt Service.

For fiscal year 2015, $160.8 million was received in the State Lottery Fund, a decrease of approximately $2.8 million over fiscal year 2014 figures. Of the $160.8 million received by the State Lottery Fund, $18 million was transferred to the School Building Debt Service Fund, $10 million was transferred to the EAST Fund, and $5 million was transferred to the Community and Technical College Capital Improvement Fund, leaving $127.8 million available to satisfy any shortfall in the State Excess Lottery Revenue Fund to pay debt service on bonds payable from the State Excess Lottery Revenue Fund, and, thereafter, to make the other distributions set forth in the Lottery Act. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Historical, Estimated And Projected West Virginia Lottery Revenues - Table II – Revenues of State Excess Lottery Revenue Fund, Debt Service and Coverages” herein.


Historical, Estimated and Projected West Virginia Lottery Revenues

THE PROJECTIONS INCLUDED IN TABLES I, II AND III HAVE BEEN PREPARED BY THE WEST VIRGINIA LOTTERY AND SHOULD NOT BE RELIED UPON OR CONSTRUED AS STATEMENTS OF FACT. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR; THEREFORE, THE ACTUAL RESULTS ACHIEVED DURING THE PERIODS FOR WHICH THE PROJECTIONS HAVE BEEN PROVIDED WILL VARY FROM THE PROJECTIONS, AND SUCH VARIATIONS MAY OR MAY NOT BE MATERIAL.
Neither the Lottery Commission’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The Lottery Commission does not as a matter of course make public projections as to future revenues, increases in net assets, or other results. However, the Lottery Commission prepared the prospective financial information included in Tables I, II, and III below at the request of the Authority to present projected annual debt service coverage information related to the Series 2015 A Bonds. The prospective financial information was prepared for internal management purposes and was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. Nevertheless, in the view of the Lottery Commission, the prospective financial information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of the Lottery Commission’s knowledge and belief, the expected course of action and the expected future financial performance of the West Virginia Lottery. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

The following Table I displays historical lottery revenues for the last five fiscal years as well as projected lottery revenues for the three-year period beginning in fiscal year 2016 through fiscal year 2018. Table I shows gross lottery revenues and net revenues for each lottery game and the lottery funds into which the State’s share is deposited. For fiscal year 2015, actual gross lottery revenues decreased by 4.1% from the prior fiscal year. However, due to conservative forecasting, gross lottery revenues were 6.4% ahead of fiscal year 2015 forecast. In addition to conservative forecasting, the changes in the Lottery Act described above in “Summary of 2014 Legislation,” combined to produce results which were 10.4% ahead of forecasts on a net basis.

Lottery revenue is affected by many factors including but not limited to general economic conditions, employment and wage trends and competition from other gaming and entertainment options. In terms of gaming competition, the States of Ohio and Maryland and the Commonwealth of Pennsylvania opened 14 casino or destination resort gaming venues from 2012 to date. On August 26, 2014, Maryland opened the Horseshoe Casino at Baltimore. Additionally, the State of Ohio opened Hollywood Slots at Mahoning Valley Race Course in September 2014. The State of Maryland is continuing its efforts to expand full service casinos within its jurisdiction. Voters approved a referendum in November 2012 to allow table games at its existing casinos and permit the issuance of an additional casino license at National Harbor near Washington, D.C. Pennsylvania may be nearing a maturity point in its implementation of video lottery and table gaming. The near term impact is that aggregate West Virginia gaming revenues are expected to decline by 10.9% in fiscal year 2016 over fiscal year 2015, led by a 17.2% decline in anticipated racetrack video lottery revenues based on expanding competition from Ohio, Pennsylvania and Maryland. Limited Video Lottery sales are anticipated to increase by approximately 1.4% from fiscal year 2015 levels, while Traditional Games lottery sales are anticipated to decline by approximately 8.6% in fiscal year 2016 from fiscal year 2015 primarily due to general economic conditions and employment conditions within larger industries operating within the State. See “INVESTMENT CONSIDERATIONS – Competition from Surrounding States” herein.

For purposes of calculating sales of racetrack video games and limited video lottery games, as represented on Table I, sales are reported net of prizes. This method of reporting video lottery was chosen due to the unusual volume of play and replay of winnings in these types of games.
## Table I
Historical, Estimated and Projected Revenues*
(In Millions)

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<td><strong>Lottery Revenues</strong>¹</td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Instant games</td>
<td>$115.7</td>
<td>117.7</td>
<td>108.6</td>
<td>105.6</td>
<td>103.3</td>
<td>95.0</td>
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<td>Online games</td>
<td>77.9</td>
<td>83.6</td>
<td>87.0</td>
<td>83.1</td>
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<td>69.5</td>
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<td>Racetrack video lottery</td>
<td>727.0</td>
<td>764.9</td>
<td>655.7</td>
<td>590.9</td>
<td>557.8</td>
<td>462.0</td>
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<td>Limited video lottery</td>
<td>397.5</td>
<td>406.1</td>
<td>399.2</td>
<td>377.2</td>
<td>373.2</td>
<td>368.0</td>
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<td>Racetrack table games (tax)</td>
<td>68.2</td>
<td>78.1</td>
<td>70.3</td>
<td>50.5</td>
<td>46.9</td>
<td>36.5</td>
<td>37.0</td>
<td>37.0</td>
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<td>Historic resort lottery</td>
<td>6.2</td>
<td>7.1</td>
<td>7.6</td>
<td>7.0</td>
<td>6.1</td>
<td>6.1</td>
<td>5.5</td>
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<td><strong>Total Gross Revenues</strong></td>
<td>1,392.5</td>
<td>1,457.5</td>
<td>1,328.4</td>
<td>1,214.3</td>
<td>1,164.0</td>
<td>1,037.1</td>
<td>1,004.1</td>
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<td><strong>Net Revenues</strong>²</td>
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<tr>
<td>Instant games</td>
<td>14.2</td>
<td>19.2</td>
<td>18.1</td>
<td>13.6</td>
<td>17.1</td>
<td>12.4</td>
<td>12.0</td>
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<tr>
<td>Online games</td>
<td>21.4</td>
<td>26.6</td>
<td>28.7</td>
<td>23.9</td>
<td>23.6</td>
<td>20.4</td>
<td>18.5</td>
<td>18.5</td>
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<tr>
<td>Sub-Total (Traditional)</td>
<td>35.6</td>
<td>45.8</td>
<td>46.8</td>
<td>37.5</td>
<td>40.7</td>
<td>32.8</td>
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<tr>
<td>Racetrack Video Lottery Fund</td>
<td>128.6</td>
<td>132.6</td>
<td>130.6</td>
<td>126.1</td>
<td>120.1</td>
<td>103.6</td>
<td>105.0</td>
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<td>Racetrack Video Lottery - SEP</td>
<td>129.7</td>
<td>141.4</td>
<td>95.8</td>
<td>77.5</td>
<td>134.6</td>
<td>99.4</td>
<td>92.0</td>
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<td>Limited Video Lottery Fund</td>
<td>189.6</td>
<td>193.9</td>
<td>190.4</td>
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<td>173.1</td>
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<td>Limited Video Lottery Fees</td>
<td>9.6</td>
<td>71.3</td>
<td>9.4</td>
<td>9.4</td>
<td>9.6</td>
<td>7.5</td>
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<td>Racetrack Table Games Fund</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>23.0</td>
<td>17.9</td>
<td>18.4</td>
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<td>Historic Resort Lottery Fund</td>
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<td>0.0</td>
<td>2.3</td>
<td>2.4</td>
<td>2.1</td>
<td>2.1</td>
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<tr>
<td>Total Racetrack and Limited Video Lottery Net Revenues</td>
<td>457.5</td>
<td>539.2</td>
<td>426.2</td>
<td>392.9</td>
<td>467.1</td>
<td>403.9</td>
<td>389.5</td>
<td>389.5</td>
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<td><strong>Total Net Revenues Available for Appropriation</strong></td>
<td>493.1</td>
<td>585.0</td>
<td>473.0</td>
<td>430.4</td>
<td>507.8</td>
<td>436.7</td>
<td>420.0</td>
<td>420.0</td>
</tr>
</tbody>
</table>

| Available for Appropriation |       |       |       |       |       |       |       |       |
| State Excess Lottery Revenue Fund | 328.9 | 406.6 | 295.6 | 266.8 | 347.0 | 300.3 | 284.5 | 284.5 |
| State Lottery Fund            | 164.2 | 178.4 | 177.4 | 163.6 | 160.8 | 136.4 | 135.5 | 135.5 |
| **Total**                     | 493.1 | 585.0 | 473.0 | 430.4 | 507.8 | 436.7 | 420.0 | 420.0 |

* Totals may not add due to rounding
** Based on audited financial statements
¹ Represents Total Sales
² Represents amount Available to State
³ In certain years deposits may exceed the 30% of net terminal income due to administrative surplus deposits.
⁴ The legislature enacted HB 101 in the First Extraordinary Session of 2014 that identified certain revenues that were previously transferred by statutory instruction to various entities and directed those identified funds for deposit to the State Excess Lottery Revenue Fund beginning in fiscal year 2015.
⁵ Projections for 2016 were made in September 2014. Projections for 2017 and beyond were made in September 2015.

Source: West Virginia Lottery
Revenues of State Excess Lottery Revenue Fund, Debt Service and Coverages

Table II below shows the amount of revenues of the State Excess Lottery Revenue Fund available for making the second-priority debt service transfers therefrom. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Excess Lottery Revenue Fund” herein.

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Table II
Revenues of State Excess Lottery Revenue Fund Available For Second-Priority Debt Service Transfers*
(In Millions)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Deposit to State Excess Lottery Revenue Fund (&quot;SELRF&quot;)</td>
<td>328.9</td>
<td>406.6</td>
<td>295.6</td>
<td>266.8</td>
<td>347.0</td>
<td>300.3</td>
<td>284.5</td>
<td>284.5</td>
</tr>
<tr>
<td>Less: Refundable Credit</td>
<td>9.6</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>Less: First-Priority Debt Service Transfer* From SELRF - EDA Excess Lottery Grant Bonds</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Revenues of SELRF Available For Second-Priority Debt Service Transfers* From SELRF</td>
<td>300.3</td>
<td>377.6</td>
<td>266.6</td>
<td>237.8</td>
<td>318.0</td>
<td>271.3</td>
<td>255.5</td>
<td>255.5</td>
</tr>
</tbody>
</table>

**Second-Priority Debt Service Transfers* From SELRF**
- School Building Authority Excess Lottery Revenue Bonds | 19.0  | 19.0  | 19.0  | 19.0  | 19.0  | 19.0  | 19.0  | 19.0  |
- HEPC Higher Education Facilities Bonds | 15.0  | 15.0  | 15.0  | 15.0  | 15.0  | 15.0  | 15.0  |
- WDA Infrastructure Council Chesapeake Bonds | 0.0   | 0.0   | 0.0   | 0.0   | 6.0   | 6.0   | 6.0   |
- EDA Parks Bonds ** | 0.0   | 0.0   | 0.0   | 0.0   | 3.0   | 3.0   |
| Total Second-Priority Debt Service Transfers* From SELRF | 34.0  | 34.0  | 34.0  | 34.0  | 40.0  | 43.0  | 43.0  |

**Coverage of Second-Priority Debt Service Transfers* From SELRF Using Revenues of SELRF**
- 8.8 | 11.1 | 7.8 | 7.0 | 8.0 | 6.3 | 5.9 | 5.9 |

**Coverage of First and Second-Priority Debt Service Transfers From SELRF Using Revenues of SELRF**
- 6.0 | 7.5 | 5.4 | 4.8 | 5.7 | 4.7 | 4.4 | 4.4 |

Source: West Virginia Lottery
* For a complete discussion of the priority in which transfers are made from the SELRF to pay debt service on bonds, see "PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Excess Lottery Revenue Fund" above. Debt service transfers are only prioritized to the extent of the monthly transfers of one-tenth of the debt service coming due on such bonds in a particular year.

** Bonds are legislatively authorized under Section 18e but not issued. However, the authorized debt service amounts have been included in the calculation of coverage.
Revenues of State Excess Lottery Revenue Fund and State Lottery Fund, Debt Service and Coverages

Table III below shows the combined amount of revenues of the State Excess Lottery Revenue Fund and the State Lottery Fund available for making the second-priority debt service transfers from the State Excess Lottery Revenue Fund. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Excess Lottery Revenue Fund” and “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Lottery Fund” herein.

[Remainder of Page Intentionally Left Blank]
<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Projected</th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Deposit to State Excess Lottery Revenue Fund (&quot;SELRF&quot;)</td>
<td>328.9</td>
<td>406.6</td>
<td>295.6</td>
<td>266.8</td>
<td>347.0</td>
<td>300.3</td>
<td>284.5</td>
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<tr>
<td>Less: Refundable Credit</td>
<td>10.0</td>
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<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
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</tr>
<tr>
<td>Less: First-Priority Debt Service Transfer* From SELRF - EDA Excess Lottery Grant Bonds</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Revenues of SELRF Available For Second-Priority Debt Service Transfers* From SELRF</td>
<td>299.9</td>
<td>377.6</td>
<td>266.6</td>
<td>237.8</td>
<td>318.0</td>
<td>271.3</td>
<td>255.5</td>
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<tr>
<td>Deposit to State Lottery Fund (&quot;SLF&quot;)</td>
<td>164.2</td>
<td>178.4</td>
<td>177.4</td>
<td>163.6</td>
<td>160.8</td>
<td>136.4</td>
<td>135.5</td>
<td>135.5</td>
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<td></td>
</tr>
<tr>
<td>Less: First-Priority Debt Service Transfer From SLF - SBA Lottery Bonds **</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Less: Second-Priority Debt Service Transfer From SLF - EAST Lottery Bonds</td>
<td>8.2</td>
<td>8.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>Less: Third-Priority Debt Service Transfer From SLF - CTC Lottery Bonds</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
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</tr>
<tr>
<td>Revenues of SLF Available For Second-Priority Debt Service Transfers* From SLRF</td>
<td>133.0</td>
<td>147.4</td>
<td>144.4</td>
<td>130.6</td>
<td>127.8</td>
<td>103.4</td>
<td>102.5</td>
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<td></td>
</tr>
<tr>
<td>Combined Revenues of SELRF and SLF Available For Second-Priority Debt Service Transfers* From SELRF</td>
<td>432.9</td>
<td>525.0</td>
<td>411.0</td>
<td>368.4</td>
<td>445.8</td>
<td>374.7</td>
<td>358.0</td>
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</tr>
<tr>
<td>Second-Priority Debt Service Transfers* From SELRF</td>
<td></td>
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<tr>
<td>School Building Authority Excess Lottery Revenue Bonds</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
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<tr>
<td>HEPC Higher Education Facilities Bonds</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
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<tr>
<td>WDA Infrastructure Council Chesapeake Bonds</td>
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<td>0.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
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</tr>
<tr>
<td>EDA Parks Bonds**</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Total Second-Priority Debt Service Transfers* From SELRF</td>
<td>34.0</td>
<td>34.0</td>
<td>34.0</td>
<td>34.0</td>
<td>40.0</td>
<td>43.0</td>
<td>43.0</td>
<td>43.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage of Second-Priority Debt Service Transfers* From SELRF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using Combined Revenues of SELRF and SLF</td>
<td>12.7</td>
<td>15.4</td>
<td>12.1</td>
<td>10.8</td>
<td>11.1</td>
<td>8.7</td>
<td>8.3</td>
<td>8.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage of First and Second-Priority Debt Service Transfers* From SELRF</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using Combined Revenues of SELRF and SLF</td>
<td>8.5</td>
<td>10.3</td>
<td>8.1</td>
<td>7.3</td>
<td>7.9</td>
<td>6.4</td>
<td>6.1</td>
<td>6.1</td>
<td></td>
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</tr>
</tbody>
</table>

Source: West Virginia Lottery

* For a complete discussion of the priority in which transfers are made from the SELRF to pay debt service on bonds, see "PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Excess Lottery Revenue Fund" above. Debt service transfers are only prioritized to the extent of the monthly transfers of one-tenth of the debt service coming due on such bonds in a particular year.

** Bonds are legislatively authorized under Section 18e but not issued. However, the authorized debt service amounts have been included in the calculation of coverage.
The second-priority debt service transfers from the State Excess Lottery Revenue Fund referred to in Tables II and III above are on a parity with one another, and include transfers to pay debt service on all of the Excess Lottery Bonds, including the Series 2015 A Bonds. Additional second-priority, parity transfers may be required in the future as a result of the issuance of Additional Bonds and/or the issuance of revenue bonds the debt service of which is payable out of the Higher Education Improvement Fund, the State Park Improvement Fund or the Cacapon and Beech Fork State Park Lottery Revenue Debt Service Fund.

See also **APPENDIX B – THE WEST VIRGINIA LOTTERY** for additional information about the West Virginia Lottery.

**INVESTMENT CONSIDERATIONS**

The purchase of the Series 2015 A Bonds involves certain investment risks, which are discussed throughout this Official Statement. Certain of these risks are described below. Accordingly, each prospective bond purchaser should make an independent evaluation of all of the information presented in this Official Statement, including the risk factors described below, in order to make an informed investment decision.

**No Mortgage or Other Interest in Projects**

The Authority will not own the Project financed with the proceeds of the Series 2015 A Bonds, and no lien or security interest in the Project is being granted to the Owners of the Series 2015 A Bonds. As a result, in the event amounts deposited in the State Excess Lottery Revenue Fund or otherwise available from the State Lottery Fund are insufficient to pay debt service on the Series 2015 A Bonds, neither the Trustee nor the Owners will have any rights with respect to the Project.

**Enforceability of Rights of Owners Against the State or the Authority**

The remedies available to the Trustee or the Owners of the Series 2015 A Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2015 A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Delay in the availability of such remedies or the absence thereof, could have a material adverse effect upon the market value of the Series 2015 A Bonds and upon the availability to Owners of the Series 2015 A Bonds of full and timely payment thereon.

In addition, extraordinary remedies would not be available to require the State Legislature to appropriate amounts sufficient to pay debt service on the Series 2015 A Bonds.

**Effect of Changes in Allocation or Dissolution of West Virginia Lottery**

Current law provides that the Lottery Commission allocate, as a second priority allocation, up to $19 million from the State Excess Lottery Revenue Fund each fiscal year for deposit into the Excess Lottery School Building Debt Service Fund until all outstanding bonds of the Authority secured by funds on deposit in the Excess Lottery School Building Debt Service Fund are paid. Although the annual allocation of moneys to the State Excess Lottery Revenue Fund could be increased, decreased or
otherwise altered by future action of the Legislature, the Authority believes that the importance of the Project funded with the proceeds of the Series 2015 A Bonds makes a decrease in the allocation unlikely. Any such change would require statutory amendment.

Since the Revenues are derived from transfers from the State Excess Lottery Revenue Fund, dissolution of the West Virginia Lottery would leave the Excess Lottery School Building Debt Service Fund without a source of funding unless the State Legislature acted to provide an alternative source of funding. The Lottery Commission, an agency within the West Virginia Department of Revenue, is subject to periodic legislative review under the West Virginia Performance Review Act. All state agencies except for constitutional officers are subject to review under Chapter 4, Article 10 of the Code of West Virginia, 1931, as amended (the “West Virginia Performance Review Act”). The West Virginia Department of Revenue made presentations to the Joint Standing Committee on Government Organization and the Joint Committee on Government Organization (collectively the “Committees”) during the 2010 legislative interim period. Following the 2010 review, the Committees made a recommendation to the State Legislature that the Department of Revenue, including the Lottery Commission, should be continued. The Department of Revenue is subject to review again in accordance with the West Virginia Performance Review Act in 2017. While there can be no assurance that the State Legislature will continue the Lottery Commission, the Lottery Commission is not aware of any matters which would cause the State Legislature to terminate the Lottery Commission.

Competition from other Gaming

The West Virginia Lottery faces competition from gaming within West Virginia and increasing competition from states surrounding West Virginia that may introduce new lottery games or gaming facilities or otherwise enhance existing lottery games or gaming facilities comparable to those in West Virginia. While there is no way of currently assessing the effect of the introduction of games and/or gaming facilities by such states upon the amount of Revenues received, the introduction of such games and/or gaming facilities by such states could have a material adverse effect upon the amount of Revenues received. See “Competition from Surrounding States” herein.

Competition within West Virginia

In 1999, the State Legislature enacted legislation that permitted casino gaming at a historic resort hotel. In 2007, the State Legislature authorized the Lottery Commission to issue up to four racetracks table games licenses (the “Table Games Act”). By 2010, the Greenbrier Resort, located in White Sulphur Springs, West Virginia, commenced full casino gaming operations and a permanent on-site casino, and by 2010, table games were offered at all four of West Virginia’s racetracks that hold video lottery licenses. Prior to the enactment of the 2014 Legislation, none of the State’s share of revenues from either the Greenbrier Resort or racetrack table games was available to pay debt service on any bonds supported by deposits to the State Excess Lottery Revenue Fund or the State Lottery Fund. While certain funds from racetrack table games and casino gaming at the Greenbrier Resort are now deposited into the State Excess Lottery Revenue Fund and available to pay Excess Lottery Bonds Debt Service and Lottery Bonds Debt Service after the payment of all Excess Lottery Bonds Debt Service, no assurance can be given that the State Legislature will not enact legislation in the future that permits casino gaming, video lottery gaming or traditional games but does not require the receipts therefrom to be deposited to either the State Excess Lottery Revenue Fund or the State Lottery Fund. If such legislation is enacted, such games may compete for gaming revenue with games that are currently required to deposit revenues in the State Excess Lottery Revenue Fund and State Lottery Fund.

West Virginia currently has no Native American reservations or treaty lands. In order for land to be converted to Indian lands upon which a tribal council could decide to construct a casino, land would

34
need to be offered to the United States Secretary of the Interior, and the Secretary has the option to accept it for the purpose of conversion to a reservation. If the Secretary accepted the conveyance, the State’s Governor would also have the option to accept. Management of the West Virginia Lottery believes that such an occurrence is improbable in West Virginia.

In 2010, the State Legislature enacted SB 577, which made it a felony for charitable raffle licensees and others to offer electronic versions of raffle games. Targeted versions of such games look and play like video lottery terminals and have flourished in other states.

**Competition from Surrounding States**

**Maryland**: In 2008, Maryland voters approved a statewide referendum authorizing up to 15,000 slot machines in the city of Baltimore and the counties of Allegany, Anne Arundel, Cecil and Worcester. There is no requirement that any of the slot venues be racetracks. The first operating casino opened at Hollywood Casino Perryville in Cecil County in late September 2010. A second casino, Casino at Ocean Downs, opened in Worcester County on Maryland’s Eastern Shore on January 4, 2011. In November 2010, voters in Anne Arundel County approved a zoning change for Maryland Live Casino at the Arundel Mills Mall. The facility opened in June 2012. On April 26, 2012, Maryland’s Video Lottery Facility Location Commission awarded a license to develop a slot machine facility at Rocky Gap Lodge and Golf Resort located in Allegany County, which is in Maryland’s western panhandle, which opened in May 2013. Finally, Horseshoe Casino in Baltimore opened on August 26, 2014, as a joint venture between Caesars Entertainment Corp. and Rock Gaming LLC. Despite the Chapter 11 bankruptcy filing made in January 2015 by Caesars Entertainment Operating Co., the subsidiary of Caesars Entertainment Corp. that operates Horseshoe Casino in Baltimore, the operator has reported that there will be no impact to operations or customer rewards programs at the Baltimore casino, which was not part of the bankruptcy filing.

In November 2012, Maryland voters approved a referendum to legalize table games at the existing slot casinos. Hollywood Casino Perryville introduced Maryland’s first table games on March 6, 2013, when it instituted seven day a week, twenty four-hour per day operations. Maryland Live Casino began offering table games as of April 11, 2013. Rocky Gap Casino Resort operates just ten table games in its western Maryland facility. In addition, voters approved the addition of a sixth facility to be located at the National Harbor in Prince George’s County, just outside of Washington, D.C. The Maryland Video Lottery Facility Location Commission received bids for construction and operation of the Prince George’s County facility on May 10, 2013, MGM was awarded the bid, and it is expected the Prince George’s County facility will be open in mid-2016.

The number of video lottery terminals and table games at each casino/racino discussed above is shown below:

<table>
<thead>
<tr>
<th>Casino/Racino</th>
<th>Number of Video Lottery Terminals</th>
<th>Number of Table Games</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollywood Casino Perryville</td>
<td>850</td>
<td>22</td>
</tr>
<tr>
<td>Casino at Ocean Downs</td>
<td>800</td>
<td>N/A</td>
</tr>
<tr>
<td>Maryland Live Casino</td>
<td>4,060</td>
<td>202</td>
</tr>
<tr>
<td>Rocky Gap Casino Resort</td>
<td>577</td>
<td>17</td>
</tr>
<tr>
<td>Horseshoe Baltimore</td>
<td>2,203</td>
<td>179</td>
</tr>
</tbody>
</table>

**Ohio**: On July 13, 2009, the Ohio Legislature passed a budget bill implicitly recognizing former Governor Ted Strickland’s authority to expand Ohio’s Lottery to include electronic slot machines at
Ohio’s seven horseracing tracks. Governor Strickland had issued a directive to the Ohio Lottery Commission to begin the process of adding up to 2,500 electronic slot machines at each track.


Caesars Entertainment Corp. recently announced that it was transitioning the operation of Horseshoe Casino in Cleveland, Horseshoe Casino in Cincinnati and Thistledown Racecourse in Cuyahoga County, which is discussed in the succeeding paragraph, to its partner, Detroit-based Rock Gaming LLC. Rock Gaming LLC has owned these properties since February 2015, but Caesars had been managing the gaming aspects of the business until November 2, 2015. Rebranding of the three properties is expected to occur by June 2016. The properties will remain open during the rebranding process. Once rebranding is completed, the properties will no longer be tied to either the Caesars name or its customer rewards programs.

Expanded gaming operations in Ohio will impact the revenues of the West Virginia Lottery and could potentially impact such revenues more significantly than projected by the West Virginia Lottery. The Ohio Legislature passed legislation allowing racetrack casinos to transfer their licenses to a new location for a fee. Ohio’s seven racetracks are also continuing to add video slots, but not table games, at those facilities. Scioto Downs in the Columbus area opened on June 1, 2012, Thistledown Racecourse in Cuyahoga County opened in April 2013, Hard Rock Rocksino Northfield Park, in Summit, Ohio, opened in December 2013, and Miami Valley Gaming opened in December 2013 after having moved from Lebanon. Eldorado, Inc., which owns Scioto Downs, recently announced that it has entered into a joint venture to construct a new 118-room hotel at the racino.


The number of video lottery terminals and table games at each casino/racino discussed above is shown below:

<table>
<thead>
<tr>
<th>Casino/Racino</th>
<th>Number of Video Lottery Terminals</th>
<th>Number of Table Games</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollywood Casino Toledo</td>
<td>2,045</td>
<td>80</td>
</tr>
<tr>
<td>Horseshoe Casino Cleveland</td>
<td>1,652</td>
<td>121</td>
</tr>
<tr>
<td>Hollywood Casino Columbus</td>
<td>2,234</td>
<td>114</td>
</tr>
<tr>
<td>Horseshoe Casino Cincinnati</td>
<td>1,996</td>
<td>122</td>
</tr>
<tr>
<td>Scioto Downs</td>
<td>2,151</td>
<td>N/A</td>
</tr>
<tr>
<td>Thistle Downs Racecourse</td>
<td>1,283</td>
<td>N/A</td>
</tr>
<tr>
<td>Hard Rock Rocksino Northfield Park</td>
<td>2,280</td>
<td>N/A</td>
</tr>
<tr>
<td>Miami Valley Gaming</td>
<td>1,590</td>
<td>N/A</td>
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<tr>
<td>Hollywood Gaming at Dayton Raceway</td>
<td>866</td>
<td>N/A</td>
</tr>
<tr>
<td>Hollywood Slots at Mahoning</td>
<td>990</td>
<td>N/A</td>
</tr>
<tr>
<td>Belterra Park River Downs</td>
<td>1,313</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Kentucky:** Legislation was introduced in Kentucky that would have authorized casino-style gaming at Kentucky racetracks, but the legislation was not enacted. Kentucky Governor Steve Beshear recently announced his interest in exploring expanded gaming in Kentucky. The Kentucky Senate considered a constitutional amendment in February 2012 to open Kentucky to casinos, but the legislation was not successful. Kentucky again discussed the possibility during its 2014 session of authorizing casino gaming in the Commonwealth, but no authority has been granted to date. It is unknown whether similar legislation will be introduced in the future and, if so, whether such legislation will receive sufficient legislative support to be enacted. Additionally, the Kentucky Lottery Commission’s board of directors reportedly took action on March 22, 2013, to begin Internet-based sales of lottery tickets and to offer Keno as a new lottery game in Kentucky.

**Pennsylvania:** In early July 2004, Governor Ed Rendell signed the Pennsylvania Race Horse Development and Gaming Act (HB2330) providing for up to seven slot machine licenses for existing and planned horseracing facilities (Category 1), up to five slot machine licenses for non-racing venues (Category 2) and up to two slot machine licenses for existing resort hotels with at least 275 rooms each (Category 3). When fully exercised, fourteen licensees could operate as many as 61,000 slot machines. As of March 31, 2014, the eleven licensees operated 26,574 machines.

At the end of calendar year 2007, the Pennsylvania Gaming Control Board (“PGCB”) approved permanent licenses for six Category 1 racetrack slot machine applicants which may operate a maximum of 5,000 slot machines each at existing horse racing facilities:

- Chester Downs and Marina, LLC (*Harrah’s Chester Downs*, Delaware County). The racino in Chester, Pa., opened in January 2007.
- Downs Racing, LP (*Mohegan Sun Pocono*, Luzerne County). The racino located near Wilkes-Barre was the first to begin operations in Pennsylvania, opening on November 14, 2006.
- The PGCB also approved five Category 2 licenses for stand-alone slots facilities, which may operate a maximum of 5,000 slot machines each:
  - HSP Gaming, LP. HSP’s *SugarHouse Casino* is located along the Delaware River near the Girard Avenue exit of Interstate 95 in Philadelphia.
  - PITG Gaming, LLC. *The Rivers Casino* is operated in Pittsburgh by owner Majestic Star. It is located on the North Shore west of Heinz Field and the Carnegie Science Center.
  - Mount Airy #1, LLC (*Mount Airy Casino*, Monroe County). Based at the Mount Airy resort in Paradise Township in the Poconos, the *Mount Airy Casino* opened in October 2007.
  - Sands Bethworks Gaming, LLC (*Sands Bethlehem*, Northampton/Lehigh Counties). The *Sands Bethlehem Casino* is located at the former Bethlehem Steel Co. plant in the City of Bethlehem. It opened in May 2009.
  - On November 18, 2014, the PGCB awarded its final Category 2 gaming license in the City of Philadelphia to The Cordish Companies and Greenwood Gaming and Entertainment, Inc. for their proposed LIVE! Hotel & Casino Philadelphia project to be constructed at 900 Packer Avenue, on the corner of 9th and Darien Streets, in the heart of the stadium district in South Philadelphia. Construction is expected to be completed sometime in 2018 or 2019.
The PGCB has approved two Category 3 licenses. A Category 3 license was placed at Valley Forge Casino Resort in King of Prussia, Pennsylvania, and began operations at midnight on March 31, 2012. Woodlands Fayette, LLC which operates a slot casino at Nemacolin Woodlands Resort, which opened on July 1, 2013. Pennsylvania’s Category 3 license is similar to the license granted by the West Virginia Lottery to the Greenbrier Resort in that patrons must have a certain level of contact with the facility to be granted access to the casino.

In January 2010, the Pennsylvania Legislature enacted legislation authorizing the operation of table games in Pennsylvania’s 14 planned slot machine locations. The PGCB has issued table games certificates to the ten Category 1 and 2 licensees to operate up to 250 table games for the initial six months of operation, after which they may petition the PGCB to increase the number of table games. As of July 31, 2014, 1,097 tables were in operation across the ten facilities. On a smaller scale, the Pennsylvania legislation permits the Category 3 facilities to seek a table games certificate to operate up to 50 table games. The Pennsylvania legislation permits an increase in the number of slot machines operated at Category 3 facilities to 600 after a table games certificate is obtained, and authorized the addition of a third Category 3 license after July 20, 2017. Valley Forge Casino Resort, which opened on March 31, 2012, was approved in February 2012 to offer table games. The Category 3 casino at Nemacolin Woodlands Resort currently operates table games as well. Expanded gaming operations in Pennsylvania will continue to impact the revenues of the West Virginia Lottery and could potentially impact such revenues more significantly than projected by the West Virginia Lottery.

On November 27, 2013, Governor Tom Corbett signed a law legalizing tavern gaming that will allow tavern raffles for a charitable or public purpose, pull-tab games and daily drawings at certain licensed establishments. Under the new law, retail alcohol beverage licensees may be eligible to apply for the Tavern Gaming License, with the exception of certain facilities, including grocery stores, professional sporting venues, and casinos.

The number of video lottery terminals and table games at each casino/racino discussed above is shown below:

<table>
<thead>
<tr>
<th>Casino/Racino</th>
<th>Number of Video Lottery Terminals</th>
<th>Number of Table Games</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohegan Sun Pocono</td>
<td>2,332</td>
<td>91</td>
</tr>
<tr>
<td>Parx Casino</td>
<td>3,240</td>
<td>164</td>
</tr>
<tr>
<td>Harrah’s Chester Downs</td>
<td>2,797</td>
<td>116</td>
</tr>
<tr>
<td>Presque Isle Downs &amp; Casino</td>
<td>1,710</td>
<td>42</td>
</tr>
<tr>
<td>Meadows Racetrack and Casino</td>
<td>3,210</td>
<td>85</td>
</tr>
<tr>
<td>Mount Airy Casino</td>
<td>1,870</td>
<td>80</td>
</tr>
<tr>
<td>Hollywood Casino at Penn National Race Course</td>
<td>2,423</td>
<td>70</td>
</tr>
<tr>
<td>Sands Casino</td>
<td>3,013</td>
<td>207</td>
</tr>
<tr>
<td>The Rivers Casino</td>
<td>2,980</td>
<td>114</td>
</tr>
<tr>
<td>SugarHouse Casino</td>
<td>1,606</td>
<td>84</td>
</tr>
<tr>
<td>Valley Forge Casino Resort</td>
<td>600</td>
<td>50</td>
</tr>
<tr>
<td>Nemacolin Woodlands Resort</td>
<td>591</td>
<td>29</td>
</tr>
</tbody>
</table>

The following graphic depicts the casino and racino locations in West Virginia and its bordering states:
New Local Option Elections

The Racetrack Video Lottery Act, the Table Games Act and Article 29, Chapter 25, Section 7 of the Code of West Virginia, 1931, as amended, provide that in the event voters of a county approve Racetrack Video Lottery and/or Racetrack Table Games and/or a video lottery and table games at the Greenbrier Resort, another local option election on the issue may be held, provided that such new local option election occurs no sooner than at least five years after the date upon which voters of a county approved Racetrack Video Lottery and/or Racetrack Table Games and/or video lottery and table games at the Greenbrier Resort, and, further provided, that at least five percent of the number of qualified voters residing within the county who were registered to vote in the next preceding general election file a written petition with the county commission of such county to hold such new local option election.

To date, although all local option elections in the State for which voters approved Racetrack Video Lottery, Racetrack Table Games and video lottery and table games at the Greenbrier Resort occurred more than five (5) years ago, there has been no attempt to hold a new local option election within any county in which Racetrack Video Lottery, Racetrack Table Games or video lottery and table games at the Greenbrier Resort has previously been approved. A successful recall election in any one or more of the counties in which there is Racetrack Video Lottery or Racetrack Table Games or in the county in which the Greenbrier Resort is located could have a material adverse effect on the availability of revenues available to pay debt service on the Series 2015 A Bonds. If Racetrack Video Lottery gaming or Racetrack Table Games is ever successfully voted out in a county or video lottery or table games at the Greenbrier Resort is ever voted out in Greenbrier County, supporters of Racetrack Video Lottery, Racetrack Table Games or video lottery and table games at the Greenbrier Resort, as applicable, must wait 104 weeks to hold another election on whether Racetrack Video Lottery, Racetrack Table Games or video lottery and table games at the Greenbrier Resort, as applicable, can be operated.

Non-renewal of Table Games License; Cessation of Greyhound Dog Racing

Due to increased competition in surrounding states, the revenue from table games at the racetracks has declined and is expected to decline further as more competition opens. However, all of the State’s racetracks renewed their table game licenses on July 1, 2015. If table game revenues continue to decline, no guarantee can be made that all tracks will renew their table game licenses in the future. In such event, reduced table games revenues could adversely affect the payment of debt service on the Series 2015 A Bonds.
Thirty-nine states have passed legislation prohibiting greyhound dog racing, and four other states have closed their tracks and ceased live racing without legislative action. Presently, only 7 states allow greyhound dog racing, including West Virginia. Legislation could be introduced in the State Legislature to cease greyhound dog racing at both the Wheeling Island Hotel-Casino-Racetrack and at Mardi Gras Casino & Resort, which, if enacted, could negatively impact attendance at those tracks and result in reduced video lottery and racetrack table games revenues.

Lottery Games Sold and Operated by Private Businesses

Lottery games are offered to the public through private businesses operating throughout West Virginia. By way of example and not limitation, traditional games are sold through licensed lottery retailers, limited video lottery games are operated by licensed limited video lottery retailers, and racetrack video lottery and table games are operated by the four licensed racetracks in West Virginia. Inherent in these types of distribution/operation arrangements are the risks that the sale of lottery games will be negatively impacted by disruptions in the operation of the private businesses that sell the Lottery’s products to the general public. These disruptions could materially and adversely affect the revenues of the Lottery that are deposited into the State Excess Lottery Revenue Fund and the State Lottery Fund, especially if the disruptions are widespread and/or lengthy. See APPENDIX B – THE WEST VIRGINIA LOTTERY – “Traditional Games,” “Racetrack Video Lottery Games” and “Racetrack Table Games” herein.

Tax-Exempt Status of the Series 2015 A Bonds

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2015 A Bonds, to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and facilities financed with bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States and a requirement that the Authority file an information report with the Internal Revenue Service (the “IRS”). The Authority has agreed to comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Series 2015 A Bonds as taxable for purposes of federal income taxation. Such adverse treatment may be retroactive to the date of issuance. See also “TAX MATTERS” herein.

Current and future legislative proposals, if enacted into law, may cause the interest on the Series 2015 A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Series 2015 A Bonds from realizing the full current benefit of such interest. The introduction or enactment of any such legislative proposals may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 A Bonds. Prospective purchasers of the Series 2015 A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

THE STATE

The State of West Virginia is bordered by the states of Maryland, Pennsylvania, Ohio, Kentucky and Virginia. West Virginia is approximately 24,000 square miles of predominately rural and mountainous area. West Virginia had an estimated population of approximately 1,850,326 in 2014. Total estimated personal income in West Virginia was approximately $67.804 billion in 2014. The West Virginia economy is based primarily on manufacturing, mineral extraction, services and tourism. Manufacturing, mineral extraction, construction, transportation and public utilities, trade, finance,
insurance and real estate, education and health services and government account for approximately 98.6% of total employment according to Workforce West Virginia. The government of the State of West Virginia is comprised of three branches, the Executive Department, the Legislature and the Judiciary. The Governor, Treasurer, Auditor, Secretary of State, Attorney General and Commissioner of Agriculture comprise the primary body of the Executive Department with seven departments, three bureaus and some independent boards and commissions comprising the remainder of the Executive Department. The legislative power of the State of West Virginia is vested in the Senate and the House of Delegates. The judicial power of the State is granted to The Supreme Court of Appeals, Circuit Courts, judges thereof and county magistrates.

INDEPENDENT AUDITOR’S REPORT

The audited financial statements of the West Virginia Lottery for the fiscal years ended June 30, 2015 and 2014, included in APPENDIX C to this Official Statement have been audited by Gibbons & Kawash, A.C., Independent Auditors, for the periods indicated in their report, as stated in their report. The independent auditors did not review this Official Statement and the Authority and the West Virginia Lottery did not request the consent of the independent auditors to attach the financial statements of the West Virginia Lottery for the fiscal years ended June 30, 2015 and June 30, 2014 and the related independent auditors’ reports as an appendix to this Official Statement. The independent auditors did not perform any procedures relating to any of the information in this Official Statement and are therefore not associated with the issuance of the Series 2015 A Bonds.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2015 A Bonds, or in any manner contesting or affecting the validity of the Series 2015 A Bonds, or the proceedings taken with respect to the authorization, issuance and sale thereof.

LEGAL MATTERS

The authorization and issuance of the Series 2015 A Bonds are subject to the approval of legality by White Law Offices, PLLC, Charleston, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the same form set forth in APPENDIX E to this Official Statement. Certain legal matters will be passed upon for the Authority by its counsel, Goodwin & Goodwin, LLP, Charleston, West Virginia and disclosure matters will be passed upon for the State by Spilman Thomas & Battle, PLLC, Charleston, West Virginia as disclosure counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Steptoe & Johnson PLLC, Charleston, West Virginia.

TAX MATTERS

General

The following discussion of “Tax Matters” is a brief discussion of certain income tax matters with respect to the Series 2015 A Bonds under existing applicable law. It does not purport to deal with all aspects of taxation that may be relevant to the owner of a bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the tax consequences of owning and disposing of the Series 2015 A Bonds.
Federal Income Tax Exemption of the Series 2015 A Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, published rulings and court decisions, as presently written and applied, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2015 A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is taken into account in determining the adjusted current earnings of certain corporations for purpose of calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel for the Series 2015 A Bonds is set forth in APPENDIX E hereto.

Assumed Compliance with Certain Covenants and Federal Tax Requirements

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 Series 2015 A Bonds. The Authority has covenanted to comply with certain restrictions designed to insure that interest on the Series 2015 A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2015 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015 A Bonds. The opinion of Bond Counsel assumes 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 the date of issuance of the Series 2015 A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series 2015 A Bonds. Prospective purchasers of Series 2015 A Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

The tax status of the Series 2015 A Bonds could be affected by post-issuance events. There are various requirements of the Code that must be observed or satisfied after the issuance of the Series 2015 A Bonds in order for the Series 2015 A Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the Series 2015 A Bonds, use of the facilities financed by the Series 2015 A Bonds or the Bonds to Be Refunded, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Authority.

The Internal Revenue Service (the “IRS”) conducts an audit program to examine compliance with the requirements regarding tax-exempt status. If the Series 2015 A Bonds become the subject of an audit, under current IRS procedures, the Authority would be treated as the taxpayer, and the owners of the Series 2015 A Bonds may have no right to participate in the audit process. The initiation of an audit with respect to the Series 2015 A Bonds could adversely affect the market value and liquidity of the Series 2015 A Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2015 A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2015 A Bonds.

Certain requirements and procedures contained or referred to in the Resolution, the Indenture, the Tax Compliance Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2015 A Bonds) may be taken or omitted under the
circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2015 A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than White Law Offices, PLLC.

**Bonds Issued at a Premium**

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond. **Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.**

**Information Reporting and Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015 A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. In any event, backup withholding does not affect the excludability of the interest on the Series 2015 A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to the backup withholding should be allowed as a refund or a credit against any owner’s federal income tax once the required information is furnished to the IRS.

**State Income Tax Exemption**

In the opinion of Bond Counsel, under the School Building Authority Act, the Series 2015 A Bonds together with the interest on the bonds shall be exempt from all taxation by the State of West Virginia, or by any county, school district, municipality or political subdivision thereof.

**Individual Circumstances**

Although Bond Counsel is of the opinion that interest on the Series 2015 A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 A Bonds may otherwise affect an owner’s federal liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any
such other tax consequences. Ownership of the Series 2015 A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2015 A Bonds. Bond Counsel will express no opinion regarding any such consequences.

Future Tax Changes

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2015 A Bonds. Prospective purchasers of the Series 2015 A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2015 A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the application regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel Obligations

Bond Counsel’s engagement with respect to the Series 2015 A Bonds ends with the issuance of the Series 2015 A Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2015 A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2015 A Bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 A Bonds for audit, or the course or result of such audit, or an audit of tax-exempt bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015 A Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

Bond Counsel’s opinions represent its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but are not a guarantee of result or binding on the IRS or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinions or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.
UNDERWRITING

The Underwriters identified on the cover page of this Official Statement have agreed to purchase the Series 2015 A Bonds at an aggregate purchase price of $75,556,201.65 (par less an Underwriters’ discount of $237,602.85, plus an original issue premium of $12,153,804.50), pursuant to a bond purchase agreement among the Authority and the Underwriters. The Underwriters may offer and sell the Series 2015 A Bonds to certain dealers (including dealers depositing such Series 2015 A Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The Underwriters will purchase all the Series 2015 A Bonds if any are purchased. The public offering price set forth on the cover page hereof may be changed after the initial offering by the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Series 2015 A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015 A Bonds.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2015 A Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co. Piper Jaffray & Co. has also entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase Series 2015 A Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015 A Bonds that CS&Co sells.

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is serving as Financial Advisor in connection with the issuance of the Series 2015 A Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor has not and is not obligated to undertake or to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION AGENT

The accuracy of the mathematical computations supporting the adequacy of the bond proceeds and certain amounts deposited from the Series 2008 Principal Fund and the Series 2008 Interest Fund into the Escrow Fund pursuant to the Escrow Agreement to pay, when due, the Redemption Price of the Series 2008 Bonds to be Refunded, and the accuracy of certain mathematical computations supporting the conclusion that the Series 2015 A Bonds will not be “arbitrage bonds” under Section 148 of the Code, will be verified by Grant Thornton LLP as a condition to delivery of the Series 2015 A Bonds. Such computations were based solely upon assumptions and information supplied by Public Resources Advisory Group on behalf of the State. Grant Thornton LLP has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the
assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

RATINGS

Moody’s Investors Service (“Moody’s”), Standard & Poor’s Corporation (“S&P”), and Fitch Ratings Corporation (“Fitch”) have assigned ratings of “A1,” “AAA,” and “A+,” respectively, with respect to the Series 2015 A Bonds. Any desired explanation of the significance of such ratings should be obtained from Moody’s, S&P or Fitch, respectively. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Authority and the State to Moody’s, S&P and Fitch. Generally, Moody’s, S&P and Fitch base their respective rating on the information and materials so furnished and on their respective investigations, studies and assumptions.

There is no assurance that a particular rating will be maintained for any given period of time and that it will not be lowered or withdrawn entirely if, in the judgment of Moody’s, S&P or Fitch, as the case may be, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the Owners of the Series 2015 A Bonds any proposed revision or withdrawal of any rating of the Series 2015 A Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price or the marketability of the Series 2015 A Bonds.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2015 A Bonds, or in any manner contesting or affecting the validity of the Series 2015 A Bonds, or the proceedings taken with respect to the authorization, issuance and sale thereof.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking

To comply with the requirements of Rule 15c-2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the Department of Administration of the State will enter into a Disclosure Dissemination Agent Agreement on behalf of the State with respect to the Series 2015 A Bonds (the “Continuing Disclosure Agreement”) with Digital Assurance Certification, L.L.C. (“DAC”), as the dissemination agent on behalf of the Department of Administration, for the benefit of the registered and beneficial owners of the Series 2015 A Bonds, pursuant to which the Department of Administration will covenant to provide to DAC (a) certain annual financial information of the West Virginia Lottery not later than March 31 of the calendar year following the end of the West Virginia’s fiscal year, commencing with the report for the fiscal year ended June 30, 2016 (which is due March 31, 2017), (b) certain operating data with respect to the West Virginia Lottery of the type included in Tables I, II and III of the section of this Official Statement entitled “Pledged Revenues, Debt Service Coverage and Select Financial Information,” and (c) notice of certain events. DAC will file such annual financial information and such notices with the Municipal Securities Rulemaking Board (the “MSRB”), which operates the Electronic Municipal Markets Access (“EMMA”) system for municipal securities disclosures. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Agreement are set forth in APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.
The sole remedy for a breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the parties’ obligations under the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute a default on the Series 2015 A Bonds, an Event of Default under the Indenture, or a default under any other document relating to the Series 2015 A Bonds.

Compliance with Prior Undertakings

Pursuant to the Rule, the Department of Administration accepted the responsibility of satisfying the continuing disclosure undertakings for general obligation bonds issued by the State and certain revenue bonds and other obligations issued by State agencies, commissions and authorities on behalf of the State. During the previous five years, the Department of Administration has entered into, or been subject to, continuing disclosure undertakings pursuant to the Rule with respect to: (i) thirteen series of capital improvement, lottery revenue or excess lottery revenue bonds issued by the West Virginia School Building Authority including, without limitation, the Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds and the Series 2010 B Bonds (collectively, the “SBA Bonds”); (ii) twenty series of the State’s infrastructure general obligation bonds or general obligation state road bonds (collectively, the “State General Obligation Bonds”); (iii) three series of surface transportation improvements special obligation notes issued by the Commissioner (collectively, the “Highway Bonds”); (iv) two series of tobacco settlement asset-backed bonds issued by the Tobacco Settlement Finance Authority (collectively, the “Tobacco Authority Bonds”); (v) twenty-three series of lease and/or lottery revenue bonds and/or excess lottery revenue bonds issued by the West Virginia Economic Development Authority (collectively, the “WVEDA Bonds”); (vi) one series of lease revenue bonds issued by the West Virginia Hospital Finance Authority (the “Hospital Finance Authority Bonds”); (vii) one series of revenue bonds issued by the West Virginia Higher Education Policy Commission (the “HEPC Bonds”); (viii) one series of excess lottery revenue bonds issued by the West Virginia Water Development Authority; and (ix) four series of bonds issued by other state authorities and building commissions (the “Other Commission Bonds”).

Under such continuing disclosure undertakings, the Department of Administration is required, among other things, to file with EMMA:

(1) for one series of the SBA Bonds and one series of the WVEDA Bonds, unaudited interim financial statements for the State within ninety (90) days of its fiscal year end;

(2) for all of the State General Obligation Bonds, the Hospital Finance Authority Bonds and the Other Commission Bonds, nearly all of the WVEDA Bonds and four series of the SBA Bonds, the State’s annual audited financial statements within two hundred seventy days (270) days of its fiscal year end or, in at least one instance with respect to one series of the WVEDA Bonds as described in more detail on the following page, a discrepancy in the continuing disclosure undertaking results in an ambiguity as to whether the State’s annual audited financial statements are due within one hundred eighty (180) days or two hundred seventy (270) days of its fiscal year end, and with respect to some of these bonds, the State’s unaudited financial statements if the audited financial statements are not available;

(3) for one series of the WVEDA Bonds and one series of the SBA Bonds, unaudited interim financial statements for the State within ninety (90) days of its fiscal year end;

(4) for the Hospital Finance Authority Bonds, the HEPC Bonds and some series of both the WVEDA Bonds and the SBA Bonds, the West Virginia Lottery’s annual audited financial statements, if available, within two hundred seventy (270) days of its fiscal year end and if not available, then the West
Virginia Lottery’s unaudited financial statements, and for some of these bonds, the West Virginia Lottery’s annual unaudited general purpose financial statements within ninety (90) days of its fiscal year end;

(4) for the Highway Bonds, the annual audited financial statements of the West Virginia Department of Transportation, Division of Highways within either one hundred eighty (180) days or two hundred seventy (270) days of its fiscal year and if not available, then its unaudited financial statements, and its unaudited financial statements within ninety (90) days of its fiscal year end;

(5) for the Tobacco Authority Bonds and some of the SBA Bonds, the respective issuer’s annual audited financial statements within three hundred (300) days and two hundred seventy (270) days, respectively, of its fiscal year end;

(6) for the Tobacco Authority Bonds, the HEPC Bonds and certain series of both the WVEDA Bonds and the SBA Bonds, certain operating data relating to the State and/or the West Virginia Lottery and/or the respective issuer within either one hundred eighty (180) days, two hundred seventy (270) days or three hundred (300) days of the issuer’s fiscal year end;

(7) in some instances with respect to the foregoing bonds, notice on a timely basis of any failure by the Department of Administration to file the required annual financial information on time; and

(8) notice of the occurrence of certain enumerated events on a timely basis, as described in the various continuing disclosure undertakings of the Department of Administration.

There have been instances in the previous five years in which the Department of Administration has failed to comply in all material respects with the requirements of its continuing disclosure undertakings, as summarized below:

(1) **Filing of State Annual Audited Financial Statements.** The Department of Administration failed to file the State’s 2013 and 2014 annual audited financial statements on a timely basis with respect to its undertakings for all applicable bonds. With respect to all of its undertakings, the Department of Administration filed the State’s 2013 audited financial statements on May 1, 2014, and the State’s 2014 audited financial statements on April 9, 2015. Additionally, in connection with one series of the Other Commission Bonds, the Department of Administration failed to timely file the State’s annual audited financial statements for the past five fiscal years. The Department of Administration did timely file the State’s annual audited financial statements for fiscal years 2009, 2010 and 2011, but the financial statements were inadvertently not linked to all of the outstanding series of SBA Bonds.

The Department of Administration did not file a notice of its failure to provide the required 2013 annual financial information by the date required by some of its undertakings. Subsequent to the various requirements to file the State’s 2013 annual financial information, the Department of Administration requested that DAC post to EMMA a failure to timely file the State’s 2013 annual financial information on January 21, 2015 and February 20, 2015.

On March 27, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration’s failure to file on a timely basis the State’s 2014 annual financial information. On April 9, 2015, the Department of Administration filed its 2014 annual financial information on EMMA.

There is at least one continuing disclosure undertaking for a series of WVEDA Bonds that contains a discrepancy as to the date by which the Department of Administration is required to file the
State’s annual audited financial statements. One provision of the undertaking requires that Department of Administration to file the State’s annual audited financial statements within one hundred eighty (180) days of its fiscal year end, while another provision of the undertaking requires that the Department of Administration file the State’s annual audited financial statements within two hundred seventy (270) days of its fiscal year end. The State’s annual audited financial statements must be submitted and approved by the State Legislature after it convenes in January or February of each year and therefore, due to timing, the State’s annual audited financial statements are not available for disclosure within one hundred eighty (180) days of its fiscal year end. With the exception of the 2013 and the 2014 annual audited financial statements, the Department of Administration has filed the State’s annual audited financial statements within two hundred seventy (270) days of the State’s fiscal year end.

(2) Filing of State Annual Unaudited Financial Statements. Although some of the continuing disclosure undertakings to which the Department of Administration is a party require the submission of annual unaudited financial statements of the State, either if the annual audited financial statements are not available within two hundred seventy (270) days, or for some series of the applicable bonds, within ninety (90) days of the State’s fiscal year end, the State does not produce annual unaudited financial statements, and therefore, such financial information is not available for disclosure.

On September 28, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration’s failure to file on a timely basis the State’s unaudited financial statements for the fiscal year ended June 30, 2015, as required by certain of its undertakings.

(3) Filing of Lottery Annual Audited Financial Statements. With respect to its undertakings for three series of SBA Bonds, four series of WVEDA Bonds, the Building Commission Bonds, the Hospital Finance Authority Bonds and the HEPC Bonds, the Department of Administration failed to timely file some or all of the West Virginia Lottery’s audited financial statements for the fiscal years ended 2009, 2010, 2011, 2012 and 2013, although the Department of Administration did timely file the West Virginia Lottery’s audited financial statements for the fiscal years 2011, 2012 and 2013 with respect to some of its undertakings and the failure to do so with respect to all of these series of bonds was the result of the Department of Administration’s inadvertent failure to link the financial statements to all relevant series of bonds.

(4) Filing of Lottery Annual Unaudited General Purpose Financial Statements. The Department of Administration failed to file, on a timely basis, the West Virginia Lottery’s annual unaudited general purpose financial statements for some or all of the fiscal years 2009, 2010, 2011, 2012 and 2013 in connection with its undertakings for some series of the SBA Bonds, and the West Virginia Lottery’s annual unaudited general purpose financial statements for fiscal years 2010, 2012 and 2013 with respect to the HEPC Bonds. In connection with these failures, the Department of Administration filed the West Virginia Lottery’s annual unaudited general purpose financial statements for fiscal years 2009, 2010, 2011, 2012 and 2013 on May 12, 2014 for the bonds for which such financial information had not been previously provided.

(5) Filing of Audited and/or Unaudited Financial Statements of the Department of Transportation, Division of Highways, the Tobacco Settlement Authority and the School Building Authority of West Virginia. With respect to its undertakings for the Highway Bonds, the Department of Administration (i) failed to file on a timely basis the annual audited financial statements of the Department of Transportation, Division of Highways for fiscal years 2010, 2011, 2012, 2013 and 2014, and (ii) failed to file the unaudited financial statements of the Department of Transportation, Division of Highways for any of the past five fiscal years. The Department of Administration filed the Department of Transportation, Division of Highways annual audited financial statements for fiscal year 2010 on

On September 28, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration’s failure to file on a timely basis the Division of Highways’ unaudited financial statements for the fiscal year ended June 30, 2015, as required by certain of its undertakings.

In connection with its undertakings for the Tobacco Settlement Bonds, the Department of Administration failed to file on a timely basis the annual audited financial statements of the Tobacco Settlement Finance Authority for fiscal years 2011 and 2013. The Department of Administration filed the fiscal year 2013 annual audited financial statements of the Tobacco Settlement Finance Authority on May 1, 2014, and the fiscal year 2011 annual audited financial statements for the Tobacco Settlement Finance Authority on August 29, 2014.

With respect to its undertakings for some series of the SBA Bonds, the Department of Administration failed to file on a timely basis the annual audited financial statements of the Authority for some or all of the past five fiscal years. The Department of Administration filed the annual audited financial statements of the Authority for the past five fiscal years on November 13, 2014.

Operating Data. The Department of Administration failed to file certain operating data as required by its undertakings for six series of the SBA Bonds, the Tobacco Settlement Bonds, one series of the WVEDA Bonds and the HEPC Bonds. While the State’s annual audited financial statements and/or the West Virginia Lottery’s annual audited financial statements or annual unaudited general purpose financial statements may have contained some of the operating data required by some of these undertakings, this financial information did not contain all of the required operating data.

With respect to the Tobacco Settlement Bonds, the Department of Administration filed the historical operating data for fiscal years 2009 through 2014 on EMMA on April 24, 2015.

Notice Events. The Department of Administration failed to file certain material event notices relating to ratings recalibrations or ratings changes with respect to certain of the bonds described above.

To ensure full compliance in the future with all of its continuing disclosure undertakings, the Department of Administration has undertaken a detailed review of all of its continuing disclosure obligations related to the State’s public bond issues. Additionally, the Department of Administration adopted written continuing disclosure compliance policies and procedures on November 21, 2014, designating the Director of Finance, the General Counsel and the Director of the Financial and Reporting Section of the Department of Administration with the responsibility for ensuring timely and complete filings are made with EMMA. Additionally, the Department of Administration has designated DAC as its Dissemination Agent to best ensure that annual financial information, operating data and notices of the occurrence of certain enumerated events with respect to outstanding bonds subject to the Department of Administration’s prior continuing disclosure undertakings, as well as with respect to the Bonds, are completed and filed on a timely basis.
MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement, which may have been made orally or in writing, is to be construed as a contract with the owners of the Series 2015 A Bonds. The Authority has approved this Official Statement by official action on June 22, 2015.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: /s/ Peter Markham
Chair
APPENDIX A

PROJECT

The Authority intends to finance a portion of the costs of acquiring, constructing, equipping and/or improving the following project (the “Project”) with the portion of the proceeds of the Series 2015 A Bonds deposited into the Series 2015 A Project Fund.

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooke</td>
<td>Construction of new Brooke County Middle School</td>
<td>$5,608,203.57</td>
</tr>
</tbody>
</table>
The West Virginia Lottery was constitutionally authorized on November 6, 1984. The Lottery Act was enacted during the 1985 legislative session of the State Legislature. The Lottery Act created the State Lottery Commission (the “Lottery Commission”), which sets policy and direction for the West Virginia Lottery. The West Virginia Lottery sold its first scratch-off tickets on January 9, 1986, and sales for online games began in November of that same year. In 1989, as part of a general reorganization of the State’s government, the Lottery Commission was made a part of the newly created Department of Revenue, presided over by a Cabinet Secretary. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Official Statement to which this Appendix is attached.

The Lottery Commission

The Lottery Commission consists of seven commissioners appointed to staggered terms by the Governor. The Lottery Act provides that one commissioner shall be a lawyer, one shall be a certified public accountant (“CPA”), one shall be a computer expert, one shall have not less than five years’ experience in law enforcement and one shall be qualified by experience and training in the field of marketing. The two remaining commissioners shall be representative of the public at large. The Lottery Commission sets the policies and the direction for the West Virginia Lottery, including the adoption of rules and regulations. The current commissioners and their respective qualifying positions are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifying Position</th>
<th>End of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas Bicksler</td>
<td>CPA</td>
<td>June 30, 2014*</td>
</tr>
<tr>
<td>Kenneth L. Greear, Chairman</td>
<td>Computer Expert</td>
<td>June 30, 2013*</td>
</tr>
<tr>
<td>Michael A. Adams</td>
<td>Attorney</td>
<td>June 30, 2012*</td>
</tr>
<tr>
<td>Roy E. Shrewsbury, II</td>
<td>Public Member At-Large</td>
<td>June 30, 2014*</td>
</tr>
<tr>
<td>William I. Clayton, Vice Chairman</td>
<td>Public Member At-Large</td>
<td>June 30, 2010*</td>
</tr>
<tr>
<td>VACANT</td>
<td>Law Enforcement</td>
<td>June 30, 2012*</td>
</tr>
<tr>
<td>David McCormick, Jr.</td>
<td>Marketing Expert</td>
<td>June 30, 2017</td>
</tr>
</tbody>
</table>

* Term continues until successor is selected and duly appointed.

The Lottery Act creates the position of Director of the Lottery Office (the “Lottery Director”) and three divisions within the West Virginia Lottery – a Security and Licensing Division (“Lottery Security”), a Personnel, Accounting and Administration Division (“Finance and Administration”) and a Marketing, Education and Information Division (“Marketing”). Four additional divisions have been administratively created by the Lottery Commission to oversee the Racetrack Video Lottery, Limited Video Lottery and Table Games. They are the Video Lottery Division, the Licensing Division, the Limited Video Lottery Security Division and the Table Games Division. A description of senior management and key staff of the West Virginia Lottery is set forth below.

**Acting Director:** John A. Myers was recently appointed by Governor Earl Ray Tomblin as the Acting Director of the West Virginia Lottery effective on November 1, 2015, filling the vacancy created by the retirement of John C. Musgrave, who had served as Director of the West Virginia Lottery since April 1997. Mr. Myers has been the Assistant Lottery Director since May 2008. He is a graduate of The Ohio State University. Mr. Myers is a former executive at Toyota Motor Manufacturing’s plant located in Buffalo, West Virginia, where he managed certain administrative functions including External and Government
Affairs, Purchasing, Information Technology, Building and Grounds, Security, Facilities and Environmental. Prior to his employment with Toyota, Mr. Myers was employed with American Electric Power.

**Finance and Administration:** Dean W. Patrick, CPA/MBA, is the Chief Financial Officer and Deputy Director for Finance and Administration. Mr. Patrick joined the West Virginia Lottery in April 2007. Prior to that time, he was employed as CFO for Boll Medical, Inc. and was an accounting supervisor with Union Carbide Corporation. He is a graduate of the University of Charleston.

**Marketing:** Elizabeth (Nikki) Orcutt, Deputy Director for Marketing, joined the West Virginia Lottery in August 2008. Prior to joining the West Virginia Lottery, Mrs. Orcutt was employed by Eli Lilly and Company and previously served as the Public Affairs Leader, West Virginia Operations for Dow Chemical Company. She is a graduate of The Ohio State University.

**Lottery Security:** Ray Moore, Deputy Director for Lottery Security, joined the West Virginia Lottery in 2002. Prior to his employment with the West Virginia Lottery, Mr. Moore served for twenty-five years with the West Virginia State Police. He is a graduate of Bluefield State College and the FBI National Training Academy.

**Racetrack, Racetrack Security and Table Games:** David R. Bradley, Deputy Director for Table Games, joined the West Virginia Lottery in January 1991. Prior to joining the West Virginia Lottery, Mr. Bradley was employed by Kanawha County Schools. He is a graduate of West Virginia University Institute of Technology.

**Video Lottery:** Tacy M. Donovan, CPA, Deputy Director for Video Lottery joined the West Virginia Lottery in July 1995. Prior to joining the West Virginia Lottery, Ms. Donovan was employed as a staff accountant with Gibbons & Kawash, A.C. Ms. Donovan is a graduate of West Virginia University.

**Limited Video Lottery Security:** M. Alvin Rose, Deputy Director for Video Security, joined the West Virginia Lottery in September 1997. Prior to joining the West Virginia Lottery, Mr. Rose served as sergeant with the West Virginia State Police, retiring with twenty-five years’ service. He holds a Master’s Degree from West Virginia University.

**Overview of Lottery Operations**

The headquarters of the West Virginia Lottery is located in Charleston, West Virginia in a thirteen-story, 142,000 square-foot building containing approximately 51,300 total square feet of space for operations. The West Virginia Lottery currently has approximately 200 employees. The West Virginia Lottery contracts with GTECH Corporation, based in Providence, Rhode Island, for the operation of its instant and online games. GTECH owns and operates the central computer system for traditional games at a nearby facility. The approximately 1,570 retailers selling traditional games are connected to this system.

The West Virginia Lottery owns and operates a Scientific Games Aegis Video central system that controls all video lottery machines for both racetrack and limited video lottery.

The West Virginia Lottery’s computer operations, instant and online game systems, the Aegis Video system and the West Virginia Lottery’s internal computing and email systems are duplicated and run parallel in real time at the West Virginia Lottery’s Fairmont, West Virginia facility. The Fairmont, West Virginia facility contains approximately 6,500 square feet and is designed to function as a backup for computer operations when it is from time to time necessary, and as the business recovery site for the
West Virginia Lottery’s operations. The facility is located 135 miles north of the West Virginia Lottery’s headquarters and is within a separate grid system from the Charleston, West Virginia headquarters for both telecommunications and electrical power. A new backup data center is currently under construction on Sterling Drive in Bridgeport, West Virginia. The new facility will contain approximately 8,260 square feet and is located approximately 120 miles from the West Virginia Lottery’s headquarters in Charleston. Once complete, all operations at the Fairmont, West Virginia facility will be moved to the new Bridgeport location.

Sales for Traditional games are collected via electronic funds transfer (sweep) on a weekly basis from each retailer’s account. Such collections are net of commissions, bonuses earned and any prizes that may have been paid by each retailer.

Racetrack Video Lottery sales (net of prizes) are swept on a daily basis each banking day from each of the four racetracks. The racetracks and others’ shares are remitted to each entity on a weekly basis.

The State’s share of limited video lottery proceeds, as well as the 2% administrative fee, is collected from each owner of limited video lottery machines on a monthly basis. Invoices are mailed after the first day of the month for the preceding month’s activity. The funds are then swept on the 10th day of the month.

Racetrack Table Games are currently operated at Mountaineer Casino Racetrack and Resort located in Chester, West Virginia, Wheeling Island Hotel-Casino-Racetrack located in Wheeling, West Virginia, Mardi Gras Casino & Resort (formerly Tri-State Casino & Resort) in Nitro, West Virginia, and Hollywood Casino at Charles Town Races (formerly Charles Town Races and Slots) located in Charles Town, West Virginia. The State’s share of adjusted gross receipts is swept on a weekly basis.

The State’s share of gross terminal income and adjusted gross receipts from gaming at the Greenbrier Resort is swept on a weekly basis.

The West Virginia Lottery has a series of blanket bonds covering business defaults. Racetracks provide individual bonds to the West Virginia Lottery.

Lottery Games – General

The West Virginia Lottery currently operates all of its games out of its Charleston, West Virginia office. Six different types of games are offered: Instant games (scratch-off tickets), online numbers games, Racetrack Video Lottery Games, Racetrack Table Games, Limited Video Lottery Games and casino games at the Greenbrier Resort. Instant games have been offered since the start of the West Virginia Lottery in January 1986 and accounted for 8.8% of Lottery sales for the fiscal year ended June 30, 2015. Sales of online numbers games began later in 1986 and accounted for 6.6% of Lottery sales in fiscal year 2015.

Racetrack Video Lottery was first introduced in 1990 and later expanded to all four racetracks in the State after the passage of the Racetrack Video Lottery Act in March 1994. For the fiscal year ended June 30, 2015, Racetrack Video Lottery accounted for 47.9% of total Lottery sales. Mountaineer Casino Racetrack & Resort accounted for 11.4% of total Lottery sales, Wheeling Island Hotel-Casino-Racetrack accounted for 7.4% of total Lottery sales, Mardi Gras Casino & Resort accounted for 3.7% of total Lottery Sales, and Hollywood Casino at Charles Town Races accounted for 25.5% of total Lottery sales.
Limited Video Lottery legislation was passed in the spring of 2001, and the game sales started in mid-December of that year. During fiscal year 2015, Limited Video Lottery accounted for 32.1% of total Lottery sales.

Racetrack Table Games legislation was passed in March 2007, and became effective as of June 6, 2007. In October 2007, Mountaineer Casino Racetrack & Resort and Wheeling Island Hotel-Casino-Racetrack opened poker only table games. In December 2007, both opened full table game operations. In October 2008, Mardi Gras Casino & Resort began table games operations. Racetrack Table Games became operational at Hollywood Casino at Charles Town Races on July 1, 2010. During fiscal year 2015, table games accounted for approximately 4.0% of total sales of the West Virginia Lottery.

Legislation enacted in 2009 authorized and governs the operation of video lottery and casino games at the Greenbrier Resort and provides that the State’s share of gross terminal income and adjusted gross receipts derived therefrom be deposited into the Historic Resort Hotel Fund. Slot machines and table game operations at the Greenbrier Resort are nearly identical to the gaming offered at the four racetrack casinos. During fiscal year 2014, the Greenbrier Resort accounted for 0.6% of total sales of the West Virginia Lottery. A detailed description of traditional Games, Racetrack Video Lottery Games, Limited Video Lottery Games and Racetrack Table Games follows.

Traditional Games

A variety of instant tickets is offered to the public. Instant tickets are sold at each West Virginia Lottery retailer, currently numbering approximately 1,570. Instant games are introduced monthly, with approximately forty-two games being introduced in a single year. Twenty (20) to twenty-four (24) games are available for participation at any given time. The West Virginia Lottery believes that the constant change of games increases player interest. Instant lottery games offer overall payouts of between 62 percent and 70 percent. Instant tickets that are scratch-off tickets are manufactured by the West Virginia Lottery’s instant ticket vendor, GTECH Corporation. The State Legislature during its 2013 Session updated the West Virginia Lottery Legislative Rule so that the West Virginia Lottery may offer price points on instant scratch off tickets up to $20, an increase over the previous $5 price point limit. The West Virginia Lottery may authorize special purpose scratch-off tickets from time to time at price points above the $20 limit with the approval of the Lottery Director.

Traditional online numbers games with periodic drawings are currently comprised of three and four digit daily games, Cash25 (a cash lotto game), POWERBALL®, a multi-state lotto game, with a guaranteed starting jackpot of $40 million, MEGA MILLIONS®, a multi-state lotto game, with a guaranteed starting jackpot of $12 million and HOT LOTTO SIZZLER®™, also a multi-state game, with a guaranteed starting jackpot of $1 million. In the fall of 2009, the state lotteries that sell the POWERBALL® game and the state lotteries that sell the MEGA MILLIONS® game agreed to a cross-selling agreement whereby every such state lottery was to sell both of the interstate large-jackpot games. West Virginia began selling the MEGA MILLIONS® game on January 31, 2010. TRAVEL/KENO is West Virginia's quick draw Keno, online lottery game. TRAVEL/KENO is played with numbers from 1 to 80. In each game, 20 of the 80 numbers are randomly selected by the West Virginia Lottery's computer from a computer number generator. Winning numbers are displayed on monitors at certain retailers located throughout the State. A new game is played every five minutes. TRAVEL/KENO has an average payout of approximately 60 percent. By statute, TRAVEL/KENO is limited to adult drinking establishments and retail liquor stores. The top prize in TRAVEL/KENO is $100,000, unless the KENO Bonus option is chosen, in which case the top prize may increase to ten times the amount won.
Racetrack Video Lottery Games

Racetrack Video Lottery, consisting of slot machines and video lottery terminals, began in West Virginia in July 1990, with the placement of video lottery terminals at Mountaineer Park, a thoroughbred racetrack in Chester, West Virginia. By legislation passed in March 1994, Racetrack Video Lottery was legalized at all four racing facilities in West Virginia. These locations include Mountaineer Casino Racetrack & Resort (thoroughbred horseracing), Wheeling Island Hotel-Casino-Racetrack (greyhound dog racing), Hollywood Casino at Charles Town Races (thoroughbred horseracing) and Mardi Gras Casino & Resort (greyhound dog racing) located in Nitro, near Charleston, West Virginia. Before implementation, each county where a track is located must have a local referendum. Voters passed such a referendum for the three tracks other than Hollywood Casino at Charles Town Races in May 1994. Racetrack Video Lottery sales in such tracks commenced in early September 1994. Voters approved video lottery gaming at the Hollywood Casino at Charles Town Races at the November 1996 general election, and Racetrack Video Lottery sales began in October 1997. Under the Racetrack Video Lottery Act, subject to certain conditions, voters in a county previously approving Racetrack Video Lottery can petition for a new local option election to reconsider the matter.

During the 1996 legislative session, video lottery was enhanced through the addition of simulated reel games to video lottery machines. Coin drop and mechanical reels (slot machines) were approved during the 1999 legislative session, and the maximum bet was increased from $2 to $5 in the first extraordinary legislative session of 2001. Currently, there is no maximum bet limit on video lottery games played at the casinos and the Greenbrier Resort. As of June 30, 2012, 100% of the terminals at the four tracks were ticket in ticket out (slot machines). Currently, the number of terminals that has been approved for the four tracks is a maximum aggregate amount of 13,900. As of June 30, 2015, 6,378 terminals registered play. The Racetrack Video Lottery Act provides that an increase in approved terminals in later periods could occur as demand increases. During the 2013 legislative session, video lottery was enhanced by allowing video lottery games based on Roulette, dice or baccarat card games, which were previously prohibited and by removing other restrictions on types of video lottery games allowed.

Racetrack Table Games

On March 8, 2007, the State Legislature enacted the West Virginia Lottery Racetrack Table Games Act (the “Table Games Act”), which became effective as of June 6, 2007. The Table Games Act authorizes the Lottery Commission to issue up to four racetrack table games licenses to racetracks located in West Virginia that hold racetrack video lottery licenses and licenses to conduct horse or dog racing after the citizens of the respective counties in which the racetracks are located approve racetrack table games by referendum (“Racetrack Table Games”). Referenda for approving Racetrack Table Games were conducted in Jefferson, Hancock, Ohio and Kanawha Counties in West Virginia in 2007. In 2007, voters in Jefferson County rejected the referendum, while voters in Hancock, Ohio and Kanawha Counties approved the referenda. In December 2009, however, voters in Jefferson County approved a second referendum authorizing racetrack table games in Jefferson County. Accordingly, Racetrack Table Games are now authorized under the Table Games Act at Mountaineer Casino Racetrack & Resort in Chester, West Virginia, Wheeling Island Hotel-Casino-Racetrack in Wheeling, West Virginia, Mardi Gras Casino & Resort in Nitro, West Virginia and at Hollywood Casino at Charles Town Races in Charles Town, West Virginia. The Lottery Commission has issued Racetrack Table Games licenses to Mountaineer Casino Racetrack & Resort, Wheeling Island Hotel-Casino-Racetrack, Mardi Gras Casino & Resort and Hollywood Casino at Charles Town Races. Mountaineer Casino Racetrack & Resort and Wheeling Island Hotel-Casino-Racetrack began operating Racetrack Table Games in October 2007. Mardi Gras Casino & Resort began operating Racetrack Table Games in October 2008. Charles Town Races & Slots began operating table games on July 1, 2010. The tax rate for each racetrack participating in this new form of legal gaming is thirty-five percent of adjusted gross receipts. After passage of the
2014 Legislation, these funds are now deposited to the State Excess Lottery Revenue Fund and are available for payment of debt service and then appropriation to the extent funds are available for those purposes.

The Greenbrier Resort

The Greenbrier Resort began limited casino gaming operations on October 1, 2009, and full casino gaming operations in a permanent casino on July 2, 2010. The State’s share of revenue is comprised of 36% of gross terminal income and 30% of gross receipts. After a deduction for Lottery administrative costs and the historic resort hotel modernization fund, the remaining funds are deposited in the State Excess Lottery Revenue Fund pursuant to Section 22b of Article 29, Chapter 25 of the Code of West Virginia, 1931, as amended, and are available for payment of debt service and then appropriation to the extent funds are available to the General Revenue Fund, the reduction of State debt and the Tourism Promotion Fund. The balance of the funds is distributed to counties and municipalities. Approximately 2,450 employees at the Greenbrier Resort are subject to a collective bargaining agreement which will expire on February 1, 2018.

West Virginia Racetracks

Mountaineer Casino Racetrack & Resort (sometimes hereinafter referred to as “Mountaineer”) located in the Northern Panhandle Region of West Virginia at Chester is a thoroughbred racing and gaming facility. The track’s owner is Eldorado Resorts, LLC, which also owns casinos and racinos in Ohio, Pennsylvania, Nevada and Louisiana. The destination resort offers three hundred and fifty-nine rooms in a new luxury hotel with amenities that include a fitness center, spa, indoor and outdoor pools, gift shop, golf course, tennis courts and basketball court. There is a total gaming area of 106,000 square feet with approximately 1,700 video lottery gaming machines (currently approved for 3,500) and 50 table games. The facility includes six gaming areas, eight restaurants, and five lounge areas. A conference center and an entertainment center that seats an audience of 1,300 can accommodate large gatherings. One thousand horses can be stabled on the property and race on a one-mile thoroughbred racetrack. 5,412 parking spaces are available for patrons. The property also offers 357 hotel rooms, including a full service spa. Mountaineer Casino Racetrack & Resort currently owns approximately 2,350 acres, of which 1,885 acres are available for future development.

Approximately 75 workers at Mountaineer are members of the United Food and Commercial Workers International Union Local 23, and are currently subject to a collective bargaining agreement that will expire on March 1, 2017. These workers include the track’s video lottery terminal attendants, video lottery technicians, cage cashiers and drop crew. Additionally, approximately 12 mutual tellers in Mountaineer’s racing department are members of the Service Employees International Union Local 101, and are currently subject to a labor agreement that will expire on November 30, 2016. Currently, two plumbers at Mountaineer are members of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry Local 396, which have a collective bargaining agreement that will expire on May 31, 2017.

Hollywood Casino at Charles Town Races (sometimes hereinafter referred to as “Hollywood Casino”) entertainment complex is a thoroughbred racetrack and gaming facility located in Charles Town, West Virginia. The facility is in the State’s Eastern Panhandle and is located in the Washington D.C. metropolitan area, which is also inclusive of the Northern Virginia suburbs and in close proximity to the Baltimore, Maryland area. The track’s owner is Penn National Gaming, Inc. (NASDAQ: PENN). The facility includes a total gaming area of 209,508 square feet with 2,600 video lottery gaming machines (currently approved for 6,000) and 121 table games and a 150,000 square feet of racing and support facilities for a total of 359,508 square feet. Included in the facility are seven gaming areas, eleven
restaurants, four themed bars and one gift shop. The facility also includes The Inn at Charles Town, which offers 153 hotel rooms. 1,350 horses are stabled on the property and race on a ¾-mile thoroughbred racetrack. 5,781 parking spaces are available for patrons. Hollywood Casino currently owns a 300-acre parcel of which 155 acres are currently developed. In 2013, Penn National Gaming, Inc. separated its real estate holdings and gaming operations into two separate companies. Gaming and Leisure Properties now owns all real estate upon which the gaming operations of Hollywood Casino take place. The two entities have entered into a long-term lease, and gaming operations are expected to continue without interruption. The gaming operation continues to maintain a license with the West Virginia Lottery.

Mutual tellers and jockey valets employed at Hollywood Casino are represented by the West Virginia Union of Mutual Clerks, Local 553 Service Employees International Union, AFL-CIO. The current collective bargaining agreement covering these employees expired on December 31, 2010, but it has been extended on a month-to-month basis since then while negotiations are in process.

**Wheeling Island Hotel-Casino-Racetrack** (sometimes hereinafter referred to as “Wheeling” or “Wheeling Island Gaming”) is a greyhound racing and gaming center located on an island in the Ohio River at Wheeling, West Virginia, also in the State’s northern panhandle. The track’s owner is Delaware North Companies Gaming and Entertainment, Inc., which is a wholly owned subsidiary of Delaware North Companies, Inc., a corporation privately owned and controlled by Jeremy Jacobs, Sr. and his family. A one hundred fifty-one room high-rise hotel is centrally located to the three gaming areas, eight restaurants, gift shop and show room that has a capacity for an audience of over 1,000. There is a total gaming area of 61,412 square feet with 1,400 video lottery gaming machines (currently approved for 2,400) and 31 table games. 1,368 greyhounds can be housed in the kennel and race on the ¼-mile racetrack. Parking is available for 2,880 vehicles. Wheeling Island Gaming currently owns an 87 acre tract of which 74 acres is currently developed.

Various employees at Wheeling Island Gaming are members of the Hotel Employees and Restaurant Employees Union, the United Food and Commercial Workers International Union, or the International Alliance of Theatrical State Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada Union (IATSE). Currently, employees who are members of the IATSE are working under an expired contract and negotiations are presently underway between the union and the casino. Workers at Wheeling Island Gaming who are members of the United Food and Commercial Workers International Union are currently subject to a collective bargaining agreement that will expire on February 25, 2018. Employees of the hotel who are members of the Hotel Employees and Restaurant Employees Union are subject to different collective bargaining agreements depending on their position at the hotel. Specifically, hotel employees are presently subject to a collective bargaining agreement that will expire on June 30, 2017, hotel security employees are subject to a collective bargaining agreement that will expire on April 30, 2018, and food and beverage employees are subject to a collective bargaining agreement that will expire on June 22, 2017.

**Mardi Gras Casino & Resort** (sometimes hereinafter referred to as “Mardi Gras”) is a greyhound racing and gaming facility located approximately ten miles from the State Capitol in Charleston, West Virginia. The track’s owner is Hartman and Tyner, Inc., owned by Bernard Hartman and Herbert Tyner and their children. The facility includes a total gaming area of 90,000 square feet with 1,000 video lottery gaming machines (currently approved for 2,000) and 54 table games and 132,000 square feet of racing and support areas. There are three gaming areas, three restaurants, eight bars and meeting space that can accommodate 250 patrons. 1,440 greyhounds can be housed in the kennel and race on the 1,350-foot long racetrack. The facility has approximately 1,000 parking spaces for patrons. Mardi Gras Casino & Resort currently owns 132 acres of which 57 acres are currently developed.
connection with its deployment of Table Games, Mardi Gras remodeled its facility to include two gaming areas for Table Games and has constructed and opened a four-story, one-hundred fifty room hotel.

Recently, nearly 200 union workers at Mardi Gras voted to go on strike beginning on October 1, 2015, when two months of contract negotiations between the United Steelworkers Union, Local 14614-F8 and Mardi Gras officials came to a stalemate over contract provisions which would have required employees to pay approximately 25% of their health insurance premiums, representing an increase from the 10% employees currently contribute to their premiums, and would also have eliminated the union’s ability to bargain over future health insurance changes. After the workers voted to strike, Mardi Gras officials presented a revised proposal to the union which lowered the percentage of health insurance premiums to be paid by employees and removed the restriction on the union’s ability to bargain in the future over health insurance changes. The union workers rejected the revised proposal on October 2, 2015, and voted to strike beginning October 5, 2015. A federal mediator was able to negotiate an agreement between Mardi Gras officials and union representatives, which was ratified by the workers on October 9, 2015. The final agreement calls for employees to pay 22.5% of their health insurance premiums, with Mardi Gras casino paying the balance of the premiums. The recently approved labor agreement will expire in June 2016. The workers at Mardi Gras who are subject to this agreement include those in the following departments at the casino: table games, poker, slots, cage operations, money room, soft count, sweep, housekeeping, hotel, maintenance, racing, chip transportation and valet.

Patrons of Racetrack Video Lottery

Each of the racetracks receives a substantial portion of its sales from out-of-state patrons. Legislative bodies in contiguous states are considering, have previously considered or recently implemented some form of legislation authorizing video lottery in their states. See “INVESTMENT CONSIDERATIONS – Competition from Surrounding States.”

West Virginia Racetrack Video Lottery
Patrons by State (%)

<table>
<thead>
<tr>
<th>Mountaineer Park</th>
<th>Wheeling Island</th>
<th>Mardi Gras</th>
<th>Hollywood Casino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania</td>
<td>28%</td>
<td>Pennsylvania</td>
<td>23%</td>
</tr>
<tr>
<td>Ohio</td>
<td>65%</td>
<td>Ohio</td>
<td>55%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>3%</td>
<td>West Virginia</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>Other</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: West Virginia Lottery

Limited Video Lottery Games

The Limited Video Lottery Act was enacted to restrict (limit) and regulate video lottery machines that had been illegally operated for several years throughout the State. Limited Video Lottery is also a self-activated video version of lottery games, which were first placed in operation in December 2001. The games allow a player to use currency to place bets for the chance to receive free games or vouchers that may be redeemed for cash. The Limited Video Lottery games’ prize structures are designed to award prizes, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. Limited video lottery permit holders are statutorily responsible for acquiring equipment and bearing the risk associated with the costs of operating the games.
The Limited Video Lottery Act has established specific requirements for Limited Video Lottery and imposed certain restrictions limiting the licensing for the operation of Limited Video Lottery games to 9,000 video lottery terminals placed in limited licensed retailer areas restricted for adult amusement. As of June 30, 2015, there were 6,457 machines operating in 1,465 locations. These licensed retailers must hold a qualifying license for the sale on premises of alcohol or non-intoxicating beer. The Limited Video Lottery Act limits the placement of no more than five (5) machines in licensed establishments (ten (10) machines in the case of veteran’s and fraternal organizations). The Limited Video Lottery Act further provides that no person can own, directly or indirectly, more than 675 video terminals. The West Virginia Lottery has been charged with the administration, monitoring and regulation of these machines. The Limited Video Lottery Act further stipulates the distribution of revenues from the Limited Video Lottery games, and requires any licensed retailers to comply with all related rules and regulations of the West Virginia Lottery in order to continue its retailer status.

Bids were solicited for the Limited Video Lottery Permits that became effective on July 1, 2011. These new permits are now valid until June 30, 2021.

There are currently Limited Video Lottery machines in 53 of the state’s 55 counties. The top 5 counties as of June 30, 2015 were Kanawha – 552, Wood – 523, Cabell – 443, Berkeley – 439 and Ohio - 429. These five counties represent 33.5% of the total machines in the Limited Video Lottery market; the remaining 48 counties represent 66.5%, ranging from 3 to 417 machines.

**THE STATE EXCESS LOTTERY REVENUE FUND**

The Lottery Act creates the State Excess Lottery Revenue Fund as a special revenue fund. The State Excess Lottery Revenue Fund currently receives the State’s share of net profits from: (1) Racetrack Video Lottery, (2) Limited Video Lottery, as well as certain fees related to Limited Video Lottery, (3) certain revenues generated by racetrack table games and (4) certain revenues generated by casino gaming at the Greenbrier Resort. The Racetrack Video Lottery Act, as set forth in Chapter 29, Article 22A of the Code of West Virginia, 1931, as amended, and the Limited Video Lottery Act, as set forth in Chapter 29, Article 22B of the Code of West Virginia, 1931, as amended, together provide a system through which a portion of the net terminal income from Racetrack Video Lottery and from Limited Video Lottery, as well as Limited Video Lottery licensing, permit and other fees, are transferred to the State Excess Lottery Revenue Fund.

In addition, the 2014 Legislation increased the amount of funds that are transferred to the State Excess Lottery Revenue Fund commencing with the Fiscal Year beginning July 1, 2014. Such transfers are transfers of additional revenue from Racetrack Video Lottery, the Racetrack Table Games Fund, and the Historic Resort Hotel Fund. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION – Summary of 2014 Legislation” herein. For fiscal year 2015, $347.0 million was transferred to the State Excess Lottery Revenue Fund.
Transfer of Racetrack Video Lottery Net Terminal Income to the State Excess Lottery Revenue Fund

The Racetrack Video Lottery Act establishes two permanent benchmarks for each racetrack based on fiscal year ended June 30, 2001 results. The first of these two benchmarks is based on a track’s gross terminal income, net of prizes (the “Gross Benchmark”). The aggregate Gross Benchmark for all tracks equals $438,100,000. The Racetrack Video Lottery Act also establishes a benchmark based on a track’s net terminal income (the “Net Benchmark”). Prior to the 2014 Legislation, no deposit to the State Excess Lottery Revenue Fund occurred until the benchmarks for a given racetrack are exceeded during the fiscal year. Beginning July 1, 2014, certain transfers that were previously distributed by statutory instruction are now transferred to the State Excess Lottery Revenue Fund without reference to any benchmark. After the benchmarks are met, a portion of net terminal income in excess of the benchmarks is deposited to the State Excess Lottery Revenue Fund.

Prior to 2011, each racetrack’s gross and net terminal income, net of prizes, exceeded the benchmarks. However, during 2011, Mountaineer failed to meet the benchmark established for the track and, as a result, no deposits to the State Excess Lottery Revenue Fund from Mountaineer occurred in fiscal year 2011. Mardi Gras reached its benchmarks just prior to fiscal year end, which resulted in minimal transfers to the State Excess Lottery Revenue Fund. During fiscal year 2012, all four racetracks met their benchmarks. During fiscal years 2013 and 2014, only Mardi Gras and Hollywood Casino reached their benchmarks with Mardi Gras reaching its benchmark just prior to fiscal year end. During fiscal year 2015, only Hollywood Casino reached its benchmark. The West Virginia Lottery does not project that Mardi Gras will meet its benchmark for purposes of transferring funds into the State Excess Lottery Revenue Fund in future years.

The Gross Benchmark and Net Benchmark for each of the racetracks are summarized below.

<table>
<thead>
<tr>
<th>Track</th>
<th>Gross Benchmark ($ Millions)</th>
<th>Net Benchmark ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountaineer</td>
<td>161.9</td>
<td>160.3</td>
</tr>
<tr>
<td>Wheeling</td>
<td>97.9</td>
<td>96.9</td>
</tr>
<tr>
<td>Mardi Gras</td>
<td>44.8</td>
<td>44.4</td>
</tr>
<tr>
<td>Hollywood Casino</td>
<td>133.5</td>
<td>132.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>438.1</strong></td>
<td><strong>433.8</strong></td>
</tr>
</tbody>
</table>

Source: West Virginia Lottery

The deposits to the State Excess Lottery Revenue Fund from Racetrack Video Lottery sales are comprised of three (3) calculations, which utilize either the Gross Benchmark or Net Benchmark. The calculations are provided below:

First, the State Excess Lottery Revenue Fund receives 4% of the Racetrack Video Lottery gross terminal income in excess of the Gross Benchmark (the “4% Receipt”). Gross terminal income in excess of the Benchmark was approximately $162,797,000 for the fiscal year ended June 30, 2015.

Second, a 10% surcharge is applied to the net terminal income in excess of the Net Benchmark. Prior to the 2014 Legislation, 58% of the surcharge was allocated to the State Excess Lottery Revenue Fund with the 42% remainder deposited for capital reinvestment at the racetracks as described below. Beginning July 1, 2014, the surcharge allocated to the State Excess Lottery Revenue Fund was increased to 62.2% and the capital reinvestment deposit was reduced to 37.8%. Net terminal income in excess of the Benchmark was approximately $152,275,000 for the fiscal year ended June 30, 2015.
Third, the State Excess Lottery Revenue Fund receives 41% of the net terminal income in excess of the Net Benchmark, after deducting the surcharge. This is known as the State share.

The 2014 Legislation redirected certain funds from net terminal income and excess net terminal income of the Racetrack Video Lottery into the State Excess Lottery Revenue Fund commencing with the 2014 fiscal year. Beginning July 1, 2014, amounts previously distributed to the West Virginia Racing Commission, the Tourism Promotion Fund, the Development Office Promotion Fund, the Research Challenge Fund, the Capitol Renovation and Improvement Fund, the 2004 Capitol Complex Parking Garage Fund, the Workers’ Compensation Debt Reduction Fund, a special fund of the Department of Administration, and the Capitol Dome and Capital Improvements Fund are paid into the State Excess Lottery Revenue Fund. Such distributions which were previously made pursuant to state code and did not flow through the State Excess Lottery Revenue Fund, are now, after satisfying any shortfalls in the payment of debt service on bonds issued under the Lottery Act, if any, distributed pursuant to an appropriation from the State Excess Lottery Revenue Fund. Such funds are transferred into a fund designated by the State Legislature as the Lottery Statutory Transfers Fund and then distributed to the various funds. Such funds may only be appropriated if the amount of funds available in the State Excess Lottery Revenue Fund is able to pay Excess Lottery Bonds Debt Service and make up any shortfall of Lottery Bonds Debt Service. In addition, the 2014 Legislation reduced the amount of funds distributed to pay regular purses at licensed racetracks by more than ten percent and reduced the amount distributed to the West Virginia Thoroughbred Development Fund and the West Virginia Greyhound Breeding Development Fund by ten percent. These reductions are paid into the State Excess Lottery Revenue Fund and are available for payment of debt service. The 2014 Legislation did not affect the benchmarks, and each racetrack must still meet its benchmarks before a percentage of net terminal income in excess of the benchmarks is deposited to the State Excess Lottery Revenue Fund. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION – Summary of 2014 Legislation.”

Pursuant to the Racetrack Video Lottery Act, Racetrack Video Lottery net terminal income not deposited to the State Excess Lottery Revenue Fund are allocated for a variety of purposes including, but not limited to, racing activities, providing funds to municipalities and counties, and providing funds to various State agencies. In particular, the remaining 37.8% of the surcharge is deposited into the racetrack capital reinvestment fund to encourage track improvements. If prescribed conditions are met, a racetrack may recoup part or all funds placed into its capital reinvestment fund. Any portion of the amounts deposited into a racetrack’s capital reinvestment fund that does not qualify for reimbursement is also deposited into the State Excess Lottery Revenue Fund. To date, no funds have been transferred from the capital reinvestment fund to the State Excess Lottery Revenue Fund. The West Virginia Lottery does not currently expect funds to be transferred in such manner in the future. The 2014 Legislation reduced the capital reinvestment portion of the surcharge by ten percent and redirected such reduction to the State Excess Lottery Revenue Fund and is available for payment of debt service. This reduction began with the 2014 fiscal year. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION – Summary of 2014 Legislation.”
For the fiscal year ended June 30, 2015, $134,532,902 was transferred from the Racetrack Video Lottery into the State Excess Lottery Revenue Fund. The components of the fiscal year 2015 transfers from the Racetrack Video Lottery to the State Excess Lottery Revenue Fund are provided below.

<table>
<thead>
<tr>
<th>Description</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>4% Receipt</td>
<td>6.5</td>
</tr>
<tr>
<td>62.2% of Surcharge</td>
<td>9.5</td>
</tr>
<tr>
<td>41% State share</td>
<td>56.2</td>
</tr>
<tr>
<td>Transfers pursuant to 2014 Legislation</td>
<td>62.3</td>
</tr>
<tr>
<td>Interest/Other</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Deposit to the State Excess Lottery Revenue Fund</td>
<td>134.5</td>
</tr>
</tbody>
</table>

Transfer of moneys in Racetrack Table Games Fund to the State Excess Lottery Revenue Fund

The tax rate for each racetrack participating in table games is thirty-five percent of adjusted gross receipts. For fiscal year 2015, adjusted gross receipts totaled $134,080,494 and the table games tax was $46,928,173. 16.72% of a total rate of thirty-five percent is earmarked by statute for the reduction of state debt and unfunded liabilities. After passage of the 2014 Legislation, deposits to the State Excess Lottery Revenue Fund from Racetrack Table Games are derived from two sources: First is a 10% reduction to amounts statutorily directed to the support live racing (thoroughbred and greyhound purse funds and development funds); and, second, 16.72% of a total rate of the thirty-five percent tax which was previously earmarked by statute for the reduction of state debt and unfunded liabilities. These funds are now deposited to the State Excess Lottery Revenue Fund and are available for payment of debt service and then appropriation to the extent funds are available for those purposes.

The components of the fiscal year 2015 transfers from the Racetrack Table Games to the State Excess Lottery Revenue Fund are provided below.

<table>
<thead>
<tr>
<th>Description</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Reduction to Live Racing Transfers</td>
<td>0.6</td>
</tr>
<tr>
<td>16 72/100% of the 35%</td>
<td>22.4</td>
</tr>
<tr>
<td>Total Deposit to the State Excess Lottery Revenue Fund</td>
<td>23.0</td>
</tr>
</tbody>
</table>

Transfer of moneys in Historic Resort Hotel Fund to the State Excess Lottery Revenue Fund

The State’s share of revenue at the Greenbrier Resort is comprised of 36% of gross terminal income and 30% of gross receipts. For fiscal year 2015, gross terminal income and adjusted gross receipts at the Greenbrier Resort were $4,070,270 and $5,664,146 respectively. The State’s share of gross terminal income and adjusted gross receipts for fiscal year 2015 was $1,465,297 and $1,699,244 respectively. After passage of the 2014 Legislation, deposits to the State Excess Lottery Revenue Fund from the Greenbrier Resort are derived from two sources: (i) first, a transfer of 2.5% of the State’s share of gross terminal income (directed to the Historic Resort Modernization Fund prior to passage of the 2014 Legislation); and (ii) second, after a deduction for Lottery administrative costs and the 2.5% transfer of gross terminal income above, 86% of remaining funds are deposited to the State Excess Lottery Revenue Fund (prior to the 2014 Legislation this amount was transferred to various other state funds). These funds are now deposited to the State Excess Lottery Revenue Fund and are available for payment of debt service and then appropriation to the extent funds are available for those purposes.

The components of the fiscal year 2015 transfers from the Historic Resort Hotel Fund to the State Excess Lottery Revenue Fund are provided below.
Transfer of Limited Video Lottery Net Terminal Income to the State Excess Lottery Revenue Fund

The Limited Video Lottery Act sets forth the manner by which a portion of Limited Video Lottery gross terminal income is transferred to the State Excess Lottery Revenue Fund. The State Excess Lottery Revenue Fund receives revenues from limited lottery operations in three ways.

The first is through the imposition of an administrative fee of two percent (2%) of gross terminal income derived from video lottery terminals. The 2% Administrative Fee is transferred to the West Virginia Lottery’s operating fund and is not available to be used to pay debt service on any bonds payable from revenues of the State Excess Lottery Revenue Fund. However, the excess of allowed administrative costs over actual incurred administrative costs is transferred to the State Excess Lottery Revenue Fund and available for the payment of debt service.

Second, the State’s share of gross profits is transferred to the State Excess Lottery Revenue Fund. The State’s share is determined by calculating the amount of aggregate average daily gross terminal income for the three-month period prior to the date of calculation and applying a percentage rate for transfer based on the gross terminal income. The State share rate is based on a sliding scale as provided in the Limited Video Lottery Act. The aggregate average daily gross terminal income was first calculated in May 2002 and is calculated each August, November, February and May. The Limited Video Lottery Act provides that such percentage will not be less than 30% or more than 50%. The table below provides the State’s share calculation as provided in the Limited Video Lottery Act.

<table>
<thead>
<tr>
<th>Aggregate Average Daily Income</th>
<th>State’s Share of Gross Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60 or below</td>
<td>30%</td>
</tr>
<tr>
<td>above $60 to $80</td>
<td>34%</td>
</tr>
<tr>
<td>above $80 to $100</td>
<td>38%</td>
</tr>
<tr>
<td>above $100 to $120</td>
<td>42%</td>
</tr>
<tr>
<td>above $120 to $140</td>
<td>46%</td>
</tr>
<tr>
<td>Greater than $140</td>
<td>50%</td>
</tr>
</tbody>
</table>

Two percent of the State’s share is distributed to counties and municipalities in the manner prescribed for in the Limited Video Lottery Act. Since the inception of Limited Video Lottery the State share percentage has averaged 45%. Since January 2008, the State’s share of gross profits has remained at 50%. Aggregate average daily gross terminal income has averaged $138.99 with a high of $360.44 and a low of $33.10.

Third, the Limited Video Lottery Act also provides for all fees related to licensing and permitting of limited video terminals be deposited in the State Excess Lottery Revenue Fund. The remaining amount of gross terminal income after deduction of the state’s share is paid to retailers and/or operators as prescribed in the Limited Video Lottery Act.
For the fiscal year ended June 30, 2015, $187,137,405 was transferred from the Limited Video Lottery to the State Excess Lottery Revenue Fund. The components of the fiscal year 2015 transfers from the Limited Video Lottery to the State Excess Lottery Revenue Fund are provided below:

<table>
<thead>
<tr>
<th>Component</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% Administrative Fee</td>
<td>$ 1.64</td>
</tr>
<tr>
<td>State Share</td>
<td>175.6</td>
</tr>
<tr>
<td>Limited Video Lottery Fees</td>
<td>9.6</td>
</tr>
<tr>
<td>Interest Earned</td>
<td>.3</td>
</tr>
<tr>
<td>Total Deposit to the State Excess Lottery Revenue Fund</td>
<td>$ 187.1</td>
</tr>
</tbody>
</table>

Transfers from the State Excess Lottery Revenue Fund are required by the Lottery Act to be made in the following priority:

First Priority Transfers: First, a portion of the State Excess Lottery Revenue Fund is transferred to West Virginia Department of Revenue for the purpose of providing funding for a senior citizen tax credit for real estate taxes paid on the first $20,000 of assessed value of the taxpayer’s owner-occupied dwelling (the “Refundable Credit”). The Refundable Credit totaled approximately $10 million for fiscal years 2011 through 2015. The West Virginia Department of Revenue projects that the annual Refundable Credit will be $10 million during the next three fiscal years.

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4 2% Administrative Fee is transferred to the West Virginia Lottery’s operating fund and is not available to be used to pay debt service on any bonds payable from revenues of the State Excess Lottery Revenue Fund. Accordingly, adjusted for the transfer of the 2% Administrative Fee to the West Virginia Lottery’s operating fund, $185,498,402 was transferred from Limited Video Lottery to the State Excess Lottery Revenue Fund to fund the transfers required by Section 18a of the Lottery Act.
Second Priority Transfers: Second, a portion of the State Excess Lottery Revenue Fund is then transferred to the following ten funds:5

<table>
<thead>
<tr>
<th>Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Account</td>
<td>$65.0 million</td>
</tr>
<tr>
<td>Education Improvement Fund (Promise Scholarship Fund)</td>
<td>$29.0 million</td>
</tr>
<tr>
<td>Economic Development Project Fund</td>
<td>$19.0 million</td>
</tr>
<tr>
<td>Excess Lottery School Building Debt Service Fund</td>
<td>$19.0 million</td>
</tr>
<tr>
<td>West Virginia Infrastructure Fund</td>
<td>$40.0 million6</td>
</tr>
<tr>
<td>West Virginia Infrastructure Lottery Revenue Debt Service Fund</td>
<td>$6.0 million</td>
</tr>
<tr>
<td>Higher Education Improvement Fund</td>
<td>$15.0 million</td>
</tr>
<tr>
<td>State Park Improvement Fund</td>
<td>$5.0 million</td>
</tr>
<tr>
<td>Racing Commission Transfers</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Lottery Statutory Transfers Fund7</td>
<td>$72.0 million</td>
</tr>
</tbody>
</table>

If, after funding the Refundable Credit, the remaining funds in the State Excess Lottery Revenue Fund are insufficient to fund all of the foregoing ten transfers, the remaining funds on deposit in the State Excess Lottery Revenue Fund, will be transferred in the following priority:

(1) First, a transfer of approximately $19 million to the Economic Development Project Fund to pay debt service on the $249,895,000 West Virginia Economic Development Authority State of West Virginia Excess Lottery Revenue Bonds (Federally Taxable), Series 2004 (the “EDA - Excess Lottery Grant Bonds”) coming due in a particular year, as certified to the Lottery Director, which shall be transferred by the Lottery Director to the Economic Development Project Fund in one-tenth increments on a monthly basis.

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5 Prior to the issuance of bonds payable from revenues of the State Excess Lottery Revenue Fund, the Lottery Act does not prescribe the timing or manner in which the Lottery Director must make the transfers to these ten funds in years when the revenues of the State Excess Lottery Revenue Fund are sufficient to make all such transfers. Following the issuance of bonds, however, the Lottery Act provides that the Lottery Director shall, on a monthly basis, first transfer to the Economic Development Project Fund one-tenth of the projected annual principal, interest and coverage requirements coming due on the EDA Excess Lottery Grant Bonds in a particular year, as certified to the Lottery Director, and second transfer to the fund or funds from which debt service is paid on bonds issued for the Authority, infrastructure, higher education, and park improvements pursuant to Section 18a of the Lottery Act, infrastructure pursuant to Section 18d of the Lottery Act and state park improvements pursuant to Section 18e of the Lottery Act in an amount equal to one-tenth of the projected annual principal, interest and coverage requirements coming due on those respective bonds in a particular year, as certified to the Lottery Director. Presently, this second required transfer is only made to the Higher Education Improvement Fund, the Excess Lottery School Building Debt Service Fund and the West Virginia Infrastructure Lottery Revenue Debt Service Fund, to pay such amounts coming due in a particular year. In years when revenues of the State Excess Lottery Revenue Fund are sufficient to make all of the transfers to these funds, the Lottery Act does not prohibit the Lottery Director from making transfers to funds from which debt service is not payable in the manner he deems appropriate following the one-tenth transfers referred to above. For a discussion of the priority in which transfers must be made from the State Excess Lottery Revenue Fund in years where revenues are insufficient to make all transfers required by the Lottery Act, see discussion in (2) of this section, below.

6 The 2014 Legislation decreased the amount of money deposited into the West Virginia Infrastructure Fund for the fiscal year beginning July 1, 2014 only to $20 million. Then, on March 11, 2015, House Bill 2213 amended and reenacted Section 18d of the Lottery Act by decreasing the amount of money deposited into the West Virginia Infrastructure Fund for the fiscal year beginning July 1, 2015, only to $30 million. For the fiscal year beginning July 1, 2016, and all fiscal years thereafter, as currently written, the West Virginia Infrastructure Fund will be allocated $40 million.

7 With the passage of the 2014 Legislation, distributions to certain funds that were previously made pursuant to statute and did not flow through the State Excess Lottery Revenue Fund are now, after payment of debt service on Excess Lottery Bonds and after satisfying any shortfalls in the payment of debt service on Lottery Bonds, distributed to those funds pursuant to an appropriation from the State Excess Lottery Revenue Fund. See APPENDIX B – THE WEST VIRGINIA LOTTERY – “THE STATE EXCESS LOTTERY REVENUE FUND – Transfer of Racetrack Video Lottery Net Terminal Income to the State Excess Lottery Revenue Fund.” The Lottery Statutory Transfers Fund is a fund created in 2014 by the State Legislature to administratively track the amount of moneys distributed from the State Excess Lottery Revenue Fund, after payment of all debt service, to each such fund pursuant to appropriation. $72.0 million was transferred from the State Excess Lottery Revenue Fund pursuant to appropriation in fiscal year 2015. For fiscal year 2016, $65.6 million is to be transferred from the State Excess Lottery Revenue Fund pursuant to appropriation. The appropriated amount to be deposited into this Fund will change from year to year.
(2) Second, transfers to such of the other five debt service funds from which debt service is payable in amounts necessary to pay the respective debt service on such bonds coming due in a particular year, as certified to the Lottery Director, which shall be transferred to such funds in one-tenth increments on a monthly basis; provided that, to the extent that sufficient State Excess Lottery Revenues are not available to pay debt service on all such revenue bonds, transfers will be made on a pro rata, parity basis. Presently, the second-priority, parity transfers include a $15 million transfer to the Higher Education Improvement Fund to pay debt service on bonds issued by the West Virginia Higher Education Policy Commission and a transfer to the Excess Lottery School Building Debt Service Fund of approximately $19 million to pay debt service on the Bonds issued by the Authority and a $6 million transfer to the West Virginia Infrastructure Lottery Revenue Debt Service Fund to pay debt service on bonds issued by the West Virginia Water Development Authority. An additional second-priority, parity transfer may be required in the future as a result of the issuance of revenue bonds by the West Virginia Economic Development Authority as authorized by the State Legislature. See “PLEDGE OF REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - Previously Authorized But Unissued Debt” herein.

(3) Third, to the extent necessary, transfers to makeup a shortfall of Lottery Bonds Debt Service.

(4) Fourth, transfers to the Education Improvement Fund, transfers to the General Purpose Account, transfers to the Racing Commission, transfers to a newly created fund designated by the State Legislature as the Lottery Statutory Transfers Fund to then be distributed pursuant to an appropriation, and all other distributions required by Section 18a of the Lottery Act on a pro-rata basis.

NO PORTION OF THE STATE EXCESS LOTTERY REVENUE FUND OR THE STATE LOTTERY FUND IS PLEDGED AS PART OF THE TRUST ESTATE TO SECURE THE SERIES 2015 A BONDS. ONLY AMOUNTS ON DEPOSIT IN THE EXCESS LOTTERY SCHOOL BUILDING DEBT SERVICE FUND CONSTITUTE PLEDGED REVENUES UNDER THE INDENTURE.

Previously Authorized But Unissued Debt

The State Legislature has authorized the issuance of a new series of bonds that, if and when issued, will also be paid from the State Excess Lottery Revenue Fund. The West Virginia Economic Development Authority was authorized in 2012 to issue up to $52,500,000 of bonds for capital improvements to Cacapon Resort State Park and Beech Fork State Park, payable from an amount equal to the certified debt service requirements, not to exceed $3 million per fiscal year, that will be deposited in the Cacapon and Beech Fork State Park Lottery Revenue Debt Service Fund. The West Virginia Economic Development Authority has been authorized by the State Legislature to issue one or more series of bonds to finance the capital improvements at Cacapon Resort State Park and Beech Fork State Park at a date yet to be determined.

State Lottery Fund

The Lottery Act creates the “State Lottery Fund” as a special revenue account. The State Lottery Fund receives the net profits from lottery tickets, materials and games (except the Veterans’ Instant Lottery) (collectively, the “Traditional Games”) and thirty percent of the net terminal income from the Racetrack Video Lottery.

A minimum annual average of forty-five percent of the gross amount received from Traditional Games is allocated and disbursed as prizes, and not more than fifteen percent of the gross amount
received from Traditional Games can be allocated to and disbursed, as necessary, for fund operation and administrative expenses. The excess of the gross amount received from the lotteries described above over the sum of the amount distributed for prizes and administrative expenses shall be allocated as net profit.

For Racetrack Video Lottery, the State Lottery Fund receives fiscal year revenues equal to thirty percent of net terminal income up to the Net Benchmark, plus the excess of allowed administrative costs over actual incurred administrative costs derived from racetrack video lottery gross terminal income, less authorized transfers of up to $10.0 million a year for deposit into the Racetrack Modernization Fund. The annual maximum amount that may be deposited into the Racetrack Modernization Fund was reduced by the 2014 Legislation to $9 million a year beginning in State fiscal year 2015 and continuing through State fiscal year 2020. Any portion of the amounts deposited into a Racetrack’s Modernization Fund that has not been spent by such Racetrack during the period of time permitted by law is also deposited to the State Lottery Fund. In fiscal year 2015, $3.2 million was transferred from the Racetrack Modernization Fund to the State Lottery Fund.

Transfers from the State Lottery Fund are required by the Lottery Act to be made in the following priority:

First Priority Transfers: First, a portion of the net profits from Traditional Games and a portion of Racetrack Video Lottery Income is transferred monthly to the School Building Debt Service Fund established under the Lottery Act in an amount not to exceed $1,800,000 to pay the annual principal, interest and coverage requirement on all Bonds issued, or to be issued, by the Authority on or after April 1, 1994, payable from revenues of the State Lottery Fund (the “SBA Lottery Bonds”). The maximum amount to be transferred annually shall not exceed $18 million. The current annual debt service on the Authority’s Series 2012 A Bonds, Series 2013 A Bonds and Series 2014 A Bonds, which are the only SBA Lottery Bonds, is approximately $7.5 million. THE SBA LOTTERY BONDS ARE NOT SECURED BY THE INDENTURE, WERE NOT ISSUED ON PARITY AS TO LIEN OR SOURCE OF PAYMENT WITH THE PARITY BONDS, AND ARE NOT PAYABLE OUT OF THE EXCESS LOTTERY SCHOOL BUILDING DEBT SERVICE FUND.

Second Priority Transfers: Second, a portion of the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income is then transferred to the Education, Arts, Sciences and Tourism Debt Service Fund established under Chapter 5, Article 6, Section 11a of the Code of West Virginia, 1931, as amended (the “EAST Fund”), as necessary to pay debt service on revenue bonds issued and payable from such source pursuant to the Lottery Act (the “EAST Lottery Bonds”). The West Virginia Economic Development Authority issued bonds payable from funds on deposit in the EAST Fund in August 2010. The EAST Lottery Bonds were issued in an amount fully leveraging the $10 million allocation of revenues deposited into the EAST Fund from the State Lottery Fund. The EAST Lottery Bonds mature by their terms on June 15, 2040.

Third Priority Transfers: Third, a portion of the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income is then transferred to the Community and Technical College Capital Improvement Fund to pay the annual principal, interest and coverage ratio requirements on all revenue bonds payable from the Community and Technical College Capital Improvement Fund pursuant to the Lottery Act (the “CTC Lottery Bonds” and together with the SBA Lottery Bonds, the EAST Lottery Bonds and any future bonds issued pursuant to Section 18 of the Lottery Act, the “Lottery Bonds” and the payment of debt service from the School Building Debt Service Fund, the EAST Fund and the Community and Technical College Capital Improvement Fund is referred to as the “Lottery Bonds Debt Service”). The maximum monthly amount cannot exceed $500,000 and the total allocation cannot exceed the lesser of the principal and interest required to be annually paid or $5 million. The current annual principal and interest on the CTC Lottery Bonds is approximately $5 million and these
bonds mature by their terms in 2039. Upon the maturity of the CTC Lottery Bonds, the $5 million allocated annually to the Community and Technical College Capital Improvement Fund shall become available for debt service on additional CTC Lottery Bonds (“Additional CTC Lottery Bonds”), which are authorized pursuant to Section 18 of the Lottery Act and would be considered Lottery Bonds as that term is defined herein. The priority of the transfer of $5 million from the State Lottery Fund to the Community and Technical College Capital Improvement Fund to pay debt service on Additional CTC Lottery Bonds, if issued, vis-à-vis the priority of the transfer of up to $10 million from the State Lottery Fund to the EAST Fund to pay debt service on any bonds payable therefrom shall be determined as provided in the Lottery Act at the time of issuance of the Additional CTC Lottery Bonds.

**Fourth Priority Transfers:** Fourth, after first satisfying the requirements for funds dedicated to retire Lottery Bonds, as the case may be, the remaining net profits from Traditional Games and a portion of Racetrack Video Lottery Income are then made available to pay debt service in connection with Excess Lottery Bonds if and to the extent needed for such purpose from time to time.

**Fifth Priority Transfers:** Last, subject to certain limitations described in this paragraph, the remaining net profits from Traditional Games and the remaining Racetrack Video Lottery Income may be appropriated by the State Legislature annually, in such proportions as it deems beneficial, to (i) the Lottery Education Fund; (ii) the School Construction Fund; (iii) the Lottery Senior Citizens Fund; and (iv) the Division of Natural Resources and West Virginia Development Office; provided, however, these fifth priority payments may only be made if: (i) a default does not exist with respect to the debt service on Lottery Bonds; and (ii) the net Profits from Traditional Games and the portion of Racetrack Video Lottery Income deposited into the State Lottery Fund for the preceding twelve months is equal to at least 150% of the Lottery Bonds Debt Service.
APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR THE
WEST VIRGINIA LOTTERY FOR FISCAL
YEARS ENDED JUNE 30, 2015 AND 2014
Audited Financial Statements

West Virginia Lottery

Years Ended June 30, 2015 and 2014
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INDEPENDENT AUDITOR’S REPORT

West Virginia Lottery Commission
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Lottery (the Lottery), a component unit of the State of West Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Lottery’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Lottery, as of June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 11, and the schedule of the proportionate share of the net pension liability, and the schedule of contributions to the PERS on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2015 on our consideration of the Lottery’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lottery’s internal control over financial reporting and compliance.

Charleston, West Virginia
September 29, 2015
Our discussion of the West Virginia Lottery’s (the Lottery) financial performance provides for an overview of the Lottery’s financial activities for the fiscal years ended June 30, 2015 and 2014. In reading the Management’s Discussion and Analysis (MD&A), the current year refers to fiscal year ending June 30, 2015, and the prior year refers to fiscal year ending June 30, 2014. This analysis is to be considered in conjunction with the financial statements, which begin on page 12.

Financial Highlights

The Lottery’s operating income increased in 2015 and decreased in 2014. The 2015 increase was due to changes in the laws that define how commissions and distributions are allocated and the 2014 decrease was due to competition from expanded gaming activities in neighboring states. The following summary is provided below:

- Lottery revenues for the current year decreased $50.3 million or 4.1% compared to the prior year, which decreased $114.1 million or 8.6% from 2013.

- Commissions for the current year decreased $54.5 million or 9.7% compared to the prior year, which decreased $54.8 million or 8.9% from 2013.

- Gross profit for the current year increased $10.3 million or 1.9% compared to the prior year, which decreased $54.5 million or 9.3% from 2013.

- Nonoperating expenses increased $8.3 million or 1.6% compared to the prior year, which decreased $52.9 million or 9.3% from 2013. The predominant nonoperating expense is the distributions to the State of West Virginia, which increased $10.0 million or 2.0% compared to the prior year, which decreased $46.8 million or 8.6% from 2013.

Using This Annual Report

The Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary type enterprise fund using the accrual basis of accounting much like a private business entity. As such, this report consists of a series of financial statements, along with explanatory notes to the financial statements. To assess the Lottery’s financial position, the reader of these statements should pay particular attention to changes in the components of assets and liabilities as set forth in the Statements of Net Position and changes in operating revenues, expenses and nonoperating distributions to the State of West Virginia as set forth in the Statements of Revenues, Expenses and Changes in Fund Net Position.

Statements of Net Position

The Lottery implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68 during the year ending June 30, 2015. These statements require the Lottery to:

1. recognize a liability equal to its proportionate share of the net pension liability of the Public Employees Retirement System (PERS). As a result, the Lottery’s beginning net position for 2015 was restated by $3.9 million. Additionally, the Lottery has classified the ending balance of its net pension liability of $2.0 million as a noncurrent liability in accordance with GASB Statement No. 68.

2. record certain defined benefit pension activity as deferred inflows of resources and deferred outflows of resources. As a result, the Lottery has recorded deferred outflows of resources of $1.1 million and deferred inflows of resources of $2.2 million. Please refer to Note 14 to the financial statements for more detailed information on these items.
Statements of Net Position (Continued)

As shown in Table 1, current assets for the current year increased $12.8 million or 6.8% compared to the prior year, which decreased $125.0 million or 40.0% from 2013, due to the timing of distributions to the State of West Virginia at year-end.

Restricted net position continued to decrease as a result of activities related to capital spending for the Lottery headquarters building and the accrued distribution of surplus funds from the revenue center construction fund. See Note 13 to the financial statements for additional information on restricted net position.

Capital assets, net of accumulated depreciation and amortization, decreased in the current year by $1.0 million or 2.5% compared to the prior year which decreased by $1.5 million or 3.7% from 2013, both due to depreciation of the Lottery headquarters building. For additional information on capital assets, please refer to Note 5 to the financial statements.

Table 1
Assets and Deferred Outflows of Resources
(in $000’s)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$199,872</td>
<td>$187,081</td>
<td>$312,032</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>1,130</td>
<td>1,397</td>
<td>1,640</td>
</tr>
<tr>
<td>Capital assets,</td>
<td>37,763</td>
<td>38,745</td>
<td>40,220</td>
</tr>
<tr>
<td>net of accumulated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>depreciation and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$238,765</td>
<td>$227,223</td>
<td>$353,892</td>
</tr>
<tr>
<td><strong>Deferred Outflows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows of</td>
<td>$1,099</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>resources related to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pension</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As shown in Table 2, the Lottery’s current liabilities for the current year increased $9.3 million or 5.4% compared to the prior year, which decreased $126.8 million or 42.4% compared to 2013 due to the accumulation of prior year surplus transfers to the State of West Virginia combined with current year accrued transfers.

Net position - restricted by enabling legislation decreased due to the refurbishing of the Lottery headquarters building. See Note 13 to the financial statements for additional information on restricted net position.

Net position - net investment in capital assets decreased in the current year by $1.0 million or 2.5% compared to the prior year as a result of depreciation which decreased by $1.5 million or 3.7% in the prior year compared to 2013 also due to depreciation. Refer to Note 5 to the financial statements for additional information on capital assets.
West Virginia Lottery

Management's Discussion and Analysis
(Continued)

- Unaudited -

Statements of Net Position (Continued)

Net position - unrestricted changed in fiscal years 2015, 2014, and 2013 as a result of rental income from tenants located at the Lottery headquarters building and the Lottery’s administrative allowance from table games exceeding the actual operating expenses.

Table 2
Liabilities, Deferred Inflows of Resources and Net Position
(in $000’s)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$181,520</td>
<td>$172,203</td>
<td>$299,026</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>$2,035</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$183,555</td>
<td>$172,203</td>
<td>$299,026</td>
</tr>
<tr>
<td>Deferred inflows of resources related to pension</td>
<td>$2,153</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net position - restricted by enabling legislation</td>
<td>$1,130</td>
<td>$1,397</td>
<td>$1,640</td>
</tr>
<tr>
<td>Net position - net investment in capital assets</td>
<td>$37,763</td>
<td>$38,745</td>
<td>$40,220</td>
</tr>
<tr>
<td>Net position - unrestricted</td>
<td>$15,263</td>
<td>$14,878</td>
<td>$13,006</td>
</tr>
<tr>
<td>Total net position</td>
<td>$54,156</td>
<td>$55,020</td>
<td>$54,866</td>
</tr>
</tbody>
</table>

Capital Assets

Capital assets as of June 30, 2015 amounted to $47.8 million (at cost). This investment in capital assets includes land, building, construction in progress and equipment. The total increase in capital assets for the current fiscal year was 0.8%.

Table 3
Capital Assets
(in $000’s)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction in progress</td>
<td>$1,090</td>
<td>$792</td>
<td>$549</td>
</tr>
<tr>
<td>Land</td>
<td>1,434</td>
<td>1,434</td>
<td>1,434</td>
</tr>
<tr>
<td>Building</td>
<td>38,084</td>
<td>38,084</td>
<td>38,084</td>
</tr>
<tr>
<td>Improvements</td>
<td>260</td>
<td>260</td>
<td>260</td>
</tr>
<tr>
<td>Equipment</td>
<td>6,895</td>
<td>6,821</td>
<td>6,519</td>
</tr>
<tr>
<td>Total assets</td>
<td>$47,763</td>
<td>$47,391</td>
<td>$46,846</td>
</tr>
</tbody>
</table>

Capital asset activities included the following:

- Architectural fees for renovations to three floors of the Lottery headquarters building were incurred at a cost of $30 thousand and $243 thousand for the years ended June 30, 2015 and 2014, respectively.
- Costs of $30 thousand were incurred toward a new document imaging system in 2015.

Additional information on capital assets can be found in Note 5 of the financial statements.
Revenues, Expenses and Changes in Fund Net Position

The content of Table 4 is a summary of activities and is related to the discussion of Table 5.

**Table 4**
Revenues, Expenses and Changes in Fund Net Position  
(in $000's)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-line games</td>
<td>$76,724</td>
<td>$83,069</td>
<td>$86,986</td>
</tr>
<tr>
<td>Instant games</td>
<td>103,276</td>
<td>105,562</td>
<td>108,635</td>
</tr>
<tr>
<td>Racetrack video lottery</td>
<td>557,803</td>
<td>590,918</td>
<td>655,676</td>
</tr>
<tr>
<td>Limited video lottery</td>
<td>373,221</td>
<td>377,222</td>
<td>399,224</td>
</tr>
<tr>
<td>Table games</td>
<td>46,928</td>
<td>50,465</td>
<td>70,259</td>
</tr>
<tr>
<td>Historic resort</td>
<td>6,052</td>
<td>7,048</td>
<td>7,597</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,164,004</td>
<td>1,214,284</td>
<td>1,328,377</td>
</tr>
<tr>
<td><strong>Less commissions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-line games</td>
<td>5,372</td>
<td>5,821</td>
<td>6,095</td>
</tr>
<tr>
<td>Instant games</td>
<td>7,229</td>
<td>7,390</td>
<td>7,604</td>
</tr>
<tr>
<td>Racetrack video lottery</td>
<td>286,778</td>
<td>336,205</td>
<td>370,828</td>
</tr>
<tr>
<td>Limited video lottery</td>
<td>182,878</td>
<td>184,839</td>
<td>195,620</td>
</tr>
<tr>
<td>Table games</td>
<td>19,885</td>
<td>22,032</td>
<td>30,675</td>
</tr>
<tr>
<td>Historic resort</td>
<td>3,069</td>
<td>3,455</td>
<td>3,705</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>505,211</td>
<td>559,742</td>
<td>614,527</td>
</tr>
<tr>
<td><strong>Less on-line prize costs</strong></td>
<td>38,162</td>
<td>42,096</td>
<td>44,109</td>
</tr>
<tr>
<td><strong>Less instant ticket prize costs</strong></td>
<td>68,314</td>
<td>69,665</td>
<td>72,121</td>
</tr>
<tr>
<td><strong>Less ticket costs</strong></td>
<td>1,516</td>
<td>1,730</td>
<td>1,804</td>
</tr>
<tr>
<td><strong>Less vendor fees and costs</strong></td>
<td>7,456</td>
<td>8,044</td>
<td>8,325</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>543,345</td>
<td>533,007</td>
<td>587,491</td>
</tr>
<tr>
<td><strong>Administrative expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>5,229</td>
<td>5,755</td>
<td>4,622</td>
</tr>
<tr>
<td>Wages and related benefits</td>
<td>10,266</td>
<td>10,854</td>
<td>11,049</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>944</td>
<td>881</td>
<td>983</td>
</tr>
<tr>
<td>Contractual and professional</td>
<td>5,160</td>
<td>4,682</td>
<td>4,421</td>
</tr>
<tr>
<td>Rental</td>
<td>271</td>
<td>267</td>
<td>239</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,354</td>
<td>2,020</td>
<td>2,095</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>1,466</td>
<td>1,420</td>
<td>1,454</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,690</td>
<td>25,879</td>
<td>24,863</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>11,313</td>
<td>11,719</td>
<td>11,860</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>529,968</td>
<td>518,847</td>
<td>574,488</td>
</tr>
<tr>
<td><strong>Nonoperating income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>406</td>
<td>463</td>
<td>253</td>
</tr>
<tr>
<td>Distributions to municipalities and counties</td>
<td>(7,315)</td>
<td>(7,394)</td>
<td>(7,825)</td>
</tr>
<tr>
<td>Distributions for capital reinvestment</td>
<td>(11,717)</td>
<td>(13,397)</td>
<td>(18,821)</td>
</tr>
<tr>
<td>Distributions to the State of West Virginia</td>
<td>(508,329)</td>
<td>(498,365)</td>
<td>(545,204)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(526,955)</td>
<td>(518,693)</td>
<td>(571,597)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>3,013</td>
<td>154</td>
<td>2,891</td>
</tr>
</tbody>
</table>
Table 4 (Continued)
Revenues, Expenses and Changes in Fund Net Position (in $000’s)

Net position, beginning of year  55,020  54,866  51,975
Cumulative effect of adoption of accounting principle  (3,877)  -  -
Net position, beginning of year, as restated  51,143  54,866  51,975
Net position, end of year  $ 54,156  $ 55,020  $ 54,866

Sales and Prizes, Commissions, Ticket Costs and Vendor Fees

Table 5 compares sales (referred to as lottery revenues in financial statements), prizes, commissions, ticket printing costs, vendor fees and costs and gross profit for each lottery game category for fiscal years 2015, 2014, and 2013. Sales and gross profits fluctuated in certain categories; however, gross profit percentages remained relatively consistent from year to year.

Table 5
Lottery Sales
(in $000’s)

<table>
<thead>
<tr>
<th></th>
<th>Instant</th>
<th>On-Line*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>$ 103,276</td>
<td>$ 105,562</td>
</tr>
<tr>
<td>Less direct costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prizes and bonuses</td>
<td>68,314</td>
<td>69,665</td>
</tr>
<tr>
<td>Commissions</td>
<td>7,229</td>
<td>7,390</td>
</tr>
<tr>
<td>Ticket printing costs</td>
<td>1,516</td>
<td>1,730</td>
</tr>
<tr>
<td>Vendor fees and costs</td>
<td>4,286</td>
<td>4,510</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>81,345</td>
<td>83,295</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$ 21,931</td>
<td>$ 22,267</td>
</tr>
<tr>
<td>Gross profit percentage</td>
<td>21.2%</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

* On-line games include the results of Powerball® and Mega Millions which are significant components of the results described above.
West Virginia Lottery

Management's Discussion and Analysis
(Continued)

-Unaudited-

Sales and Prizes, Commissions, Ticket Costs and Vendor Fees (Continued)

Table 5 (Continued)
Lottery Sales
(in $000’s)

<table>
<thead>
<tr>
<th></th>
<th>Table Games</th>
<th>Historic Resort</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>$46,928</td>
<td>$50,465</td>
<td>$70,259</td>
</tr>
<tr>
<td>Less direct costs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prizes and bonuses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commissions</td>
<td>$19,885</td>
<td>$22,032</td>
<td>$30,675</td>
</tr>
<tr>
<td>Ticket printing costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vendor fees and costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>$19,885</td>
<td>$22,032</td>
<td>$30,675</td>
</tr>
</tbody>
</table>

Gross Profit

$27,043        $28,433        $39,584        $2,983        $3,593         $3,892      $543,345   $533,007   $587,491

Gross profit percentage

57.6%          56.3%          56.3%          49.3%        51.0%          51.2%       46.7%       43.9%       44.2%

Instant Sales

Instant ticket sales for the current year decreased by $2.3 million or 2.2% compared to the prior year, which decreased $3.1 million or 2.8% from 2013. Sixty-one new games were introduced in 2015 and approximately twenty-six game options were available for play in the field in both years. The Lottery continues to implement the results of research and design efforts, including licensed or trademarked games, new play styles and continued monitoring of the mix of play styles and colors closely to create the best variety of game presentation available at one time. There were four ten-dollar tickets introduced in 2015. There were also eleven five-dollar tickets and eleven three-dollar tickets introduced. The Lottery has also implemented the use of pre-printed “shelf games” used to provide immediate stock should field inventory become low. These shelf games are worked into the schedule and used within one year in the event they are not used for emergency.

Instant prizes and commissions have a direct correlation to sales, therefore, as sales increase, so do the related prizes and commissions paid by the Lottery. Prize expenses for instant games are controllable by designing and printing a predetermined number and value of winning tickets. While each game has a designed prize payout structure, the overall amount paid as prize expense is consistent.

Vendor fees and costs are primarily 4.3% of instant and on-line ticket sales for 2015, 2014, and 2013. The Lottery (as is the case with most lotteries located in North America) has elected to enter into a long-term contract with a vendor to provide a central computer system, retailer terminals and related equipment to sell and cash all tickets for instant and on-line games.

Powerball® Sales

Powerball® is a $2 Multi-State (MUSL) Lottery game designed to grow large jackpot amounts, with occasional jackpots in excess of $400 million. Sales for the current year decreased $5.4 million or 13.7% compared to the prior year, which decreased $9.2 million or 18.9% from 2013. Sales are generally driven by the jackpot size.

Prize costs are 50% of sales and over time such prize payouts generally reflect the design of the game and the related mathematical odds of winning.

Traditional retailers are those retailers licensed by the Lottery to sell instant and on-line games (which includes Powerball®) and by statute were paid 7% of such sales.
West Virginia Lottery

Management's Discussion and Analysis
(Continued)

-Mega Millions® Sales-

Mega Millions® sales offers jackpots starting at $15 million and other prizes ranging from $1 to $1,000,000. Sales for the current year decreased $1.2 million or 8.3% compared to the prior year, which increased $5.6 million or 60.1% from 2013.

Approximately 50% of every dollar wagered goes back to the players in prizes and by statute 7% of sales are paid to retailer commissions.

-All Other On-line Games-

All other on-line games consist of Daily 3, Daily 4, Cash 25, Travel Keno and the Multi-State game Hot Lotto™. Sales for the current year increased $272.7 thousand or 1.0% compared to the prior year, which decreased $295 thousand or 1.0% from 2013.

In general, prize costs by game will increase or decrease from year-to-year in proportion to the sales for a particular game. Prizes and commissions have remained consistent as presented in Table 4.

-Racetrack Video Lottery-

Racetrack video lottery revenues are reported as total wagers net of prizes and credits. Revenues for the current year decreased $33.1 million or 5.6% compared to the prior year, which decreased $64.8 million or 9.9% from 2013.

A portion of racetrack video lottery sales, as prescribed by statute, are paid to racetracks and other private entities associated with the racing industry and are reported as commissions. See Note 7 to the financial statements for further discussion of racetrack video lottery distributions. Commissions in the current year decreased $49.4 million or 14.7% compared to the prior year which decreased $34.6 million or 9.3% compared to 2013 due to competition from neighboring states. See Note 12 to the financial statements for further discussion of recent legislation and its impact on commissions and distributions related to racetrack video lottery sales.

During the year ended June 30, 2015, increased competition from gaming operations in neighboring states has led the racetracks to re-evaluate their gaming environments which have resulted in changes to the gaming floors. The changes in active machines are presented in Table 6 below which illustrates the last three fiscal years.

![Table 6: Total Number of Machines at June 30](image-url)
Limited Video Lottery

Sales for the current year decreased $4.0 million or 1.1% compared to the prior year, which decreased $22.0 million or 5.5% from 2013. Commissions are paid to operators and retailers as provided for by statute and have a direct correlation to changes in sales. For the current year, commissions decreased $2.0 million or 1.1% compared to the prior year decrease of $10.8 million or 5.5% from 2013.

Table 7 illustrates the number of machines which decreased by 7 machines for the current year compared to the prior year decrease of 1,001 machines from 2013.

Table 7

<table>
<thead>
<tr>
<th>Total Number of Machines at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
</tr>
<tr>
<td>6,457</td>
</tr>
</tbody>
</table>

Table Games

Revenues from table games are calculated at a 35% privilege tax of adjusted gross receipts. Revenues for the current year decreased $3.5 million or 7.0% compared to the prior year, which decreased $19.8 million or 28.2% from 2013.

All table games revenues are distributed according to statute. A portion of table games revenues are paid to entities associated with the racetracks and are reported as commissions. See Note 9 to the financial statements. Commissions for the current year decreased $2.1 million or 9.7% compared to the prior year, which decreased $8.6 million or 28.2% from 2013.

Historic Resort

Video Lottery revenues from Historic Resort are calculated as defined in Note 10 to the financial statements. Revenues from Historic Resort table games are calculated at a 35% privilege tax of adjusted gross receipts.

Combined revenues of video lottery and table games at the Historic Resort for the current year decreased $995.3 thousand or 14.1% compared to the prior year, which decreased $549 thousand or 7.2% from 2013.

All revenues are distributed according to statute. A portion of revenues are paid to entities associated with the Historic Resort and are reported as commissions. Commissions for the current year decreased $386 thousand or 11.2% compared to the prior year, which decreased $250 thousand or 6.8% from 2013.
West Virginia Lottery

Management's Discussion and Analysis
(Continued)

-Unaudited-

Other Operating Income

Refer to Table 4. Changes in other operating income are primarily related to fees collected for the permitting and licensure of manufacturers, operators, retailers and service technicians. Every May 1, a $1,000 permit fee is assessed on each limited video lottery permit held by operators and retailers.

Nonoperating Income (Expense)

Refer to Table 4. Nonoperating expenses reflect a 2% distribution to counties and incorporated municipalities of net terminal income from limited video lottery operations. This distribution will fluctuate with any changes in limited video lottery revenues.

A portion of net revenue from racetrack video lottery is accrued and distributed to each racetrack for capital improvements.

Refer to Table 8. The Lottery’s distributions to the State of West Virginia for the current fiscal year increased by $10.0 million compared to the prior year, which decreased by $46.8 million from 2013.

Table 8

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td>545</td>
<td>498</td>
<td>508</td>
</tr>
</tbody>
</table>

Requests for Information

This financial report is designed to provide a general overview of the Lottery’s operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Deputy Director of Finance and Administration, West Virginia Lottery, 900 Pennsylvania Avenue, Charleston WV 25302.
WES T Y R I N I A  L O T T E R Y
STATEMENTS OF NET POSITION
(In Thousands)
June 30, 2015 and 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$163,592</td>
<td>$149,712</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>33,929</td>
<td>34,790</td>
</tr>
<tr>
<td>Inventory</td>
<td>457</td>
<td>633</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,894</td>
<td>1,946</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>199,872</strong></td>
<td><strong>187,081</strong></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>1,130</td>
<td>1,397</td>
</tr>
<tr>
<td>Capital assets</td>
<td>47,763</td>
<td>47,391</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>$(10,000)</td>
<td>$(8,646)</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>38,893</strong></td>
<td><strong>40,142</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$238,765</strong></td>
<td><strong>$227,223</strong></td>
</tr>
</tbody>
</table>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources related to pension | $1,099 | $- |

**LIABILITIES**

Current liabilities:

Accrued nonoperating distributions to the State of West Virginia | $123,920 | $114,914 |
| Estimated prize claims | 15,911 | 14,983 |
| Accounts payable | 2,158 | 1,505 |
| Other accrued liabilities | 39,531 | 40,801 |
| **Total current liabilities** | **181,520** | **172,203** |

Noncurrent liabilities:

Net pension liability | 2,035 | - |
| **Total liabilities** | **$183,555** | **$172,203** |

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pension | $2,153 | $- |

**NET POSITION**

Net position:

Restricted by enabling legislation | $1,130 | $1,397 |
| Net investment in capital assets | 37,763 | 38,745 |
| Unrestricted | 15,263 | 14,878 |
| **Total net position** | **$54,156** | **$55,020** |

The accompanying notes are an integral part of these financial statements.
## WEST VIRGINIA LOTTERY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

(In Thousands)

Years Ended June 30, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lottery revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-line games</td>
<td>$76,724</td>
<td>$83,069</td>
</tr>
<tr>
<td>Instant games</td>
<td>103,276</td>
<td>105,562</td>
</tr>
<tr>
<td>Racetrack video lottery</td>
<td>557,803</td>
<td>590,918</td>
</tr>
<tr>
<td>Limited video lottery</td>
<td>373,221</td>
<td>377,222</td>
</tr>
<tr>
<td>Table games</td>
<td>46,928</td>
<td>50,465</td>
</tr>
<tr>
<td>Historic resort</td>
<td>6,052</td>
<td>7,048</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,164,004</td>
<td>1,214,284</td>
</tr>
<tr>
<td><strong>Less commissions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-line games</td>
<td>5,372</td>
<td>5,821</td>
</tr>
<tr>
<td>Instant games</td>
<td>7,229</td>
<td>7,390</td>
</tr>
<tr>
<td>Racetrack video lottery</td>
<td>286,778</td>
<td>336,205</td>
</tr>
<tr>
<td>Limited video lottery</td>
<td>182,878</td>
<td>184,839</td>
</tr>
<tr>
<td>Table games</td>
<td>19,885</td>
<td>22,032</td>
</tr>
<tr>
<td>Historic resort</td>
<td>3,069</td>
<td>3,455</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>505,211</td>
<td>559,742</td>
</tr>
<tr>
<td><strong>Less on-line prize costs</strong></td>
<td>38,162</td>
<td>42,096</td>
</tr>
<tr>
<td><strong>Less instant prize costs</strong></td>
<td>68,314</td>
<td>69,665</td>
</tr>
<tr>
<td><strong>Less ticket costs</strong></td>
<td>1,516</td>
<td>1,730</td>
</tr>
<tr>
<td><strong>Less vendor fees and costs</strong></td>
<td>7,456</td>
<td>8,044</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>543,345</td>
<td>533,007</td>
</tr>
<tr>
<td><strong>Administrative expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>5,229</td>
<td>5,755</td>
</tr>
<tr>
<td>Wages and related benefits</td>
<td>10,266</td>
<td>10,854</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>944</td>
<td>881</td>
</tr>
<tr>
<td>Contractual and professional</td>
<td>5,160</td>
<td>4,682</td>
</tr>
<tr>
<td>Rental</td>
<td>271</td>
<td>267</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,354</td>
<td>2,020</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>1,466</td>
<td>1,420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,690</td>
<td>25,879</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>11,313</td>
<td>11,719</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>529,968</td>
<td>518,847</td>
</tr>
<tr>
<td><strong>Nonoperating income (expense):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>406</td>
<td>463</td>
</tr>
<tr>
<td>Distributions to municipalities and counties</td>
<td>(7,315)</td>
<td>(7,394)</td>
</tr>
<tr>
<td>Distributions for capital reinvestment</td>
<td>(11,717)</td>
<td>(13,397)</td>
</tr>
<tr>
<td>Distributions to the State of West Virginia</td>
<td>(508,329)</td>
<td>(498,365)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(526,955)</td>
<td>(518,693)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>3,013</td>
<td>154</td>
</tr>
<tr>
<td><strong>Net position, beginning of year</strong></td>
<td>55,020</td>
<td>54,866</td>
</tr>
<tr>
<td>Cumulative effect of adoption of accounting principle</td>
<td>(3,877)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net position, beginning of year, as restated</strong></td>
<td>51,143</td>
<td>54,866</td>
</tr>
<tr>
<td><strong>Net position, end of year</strong></td>
<td>$54,156</td>
<td>$55,020</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
WEST VIRGINIA LOTTERY

STATEMENTS OF CASH FLOWS
(In Thousands)

Years Ended June 30, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers and other</td>
<td>$1,176,178</td>
<td>$1,227,212</td>
</tr>
<tr>
<td>payments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>(10,752)</td>
<td>(10,932)</td>
</tr>
<tr>
<td>Suppliers</td>
<td>(12,388)</td>
<td>(13,019)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(620,065)</td>
<td>(681,302)</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>532,973</td>
<td>521,959</td>
</tr>
<tr>
<td>Cash flows from noncapital financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonoperating distributions to the State of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td>(499,323)</td>
<td>(622,486)</td>
</tr>
<tr>
<td>Distributions to municipalities and counties</td>
<td>(7,300)</td>
<td>(7,428)</td>
</tr>
<tr>
<td>Distributions to racetracks from racetrack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital reinvestment fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used in noncapital financing activities</td>
<td>(519,452)</td>
<td>(645,709)</td>
</tr>
<tr>
<td>Cash flows from capital and related</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(372)</td>
<td>(545)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td>464</td>
<td>346</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash</td>
<td>13,613</td>
<td>(123,949)</td>
</tr>
<tr>
<td>equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>restricted cash and cash equivalents),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year</td>
<td>151,109</td>
<td>275,058</td>
</tr>
<tr>
<td>Cash and cash equivalents (including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>restricted cash and cash equivalents),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>end of year</td>
<td>$164,722</td>
<td>$151,109</td>
</tr>
</tbody>
</table>

(Continued)
### WEST VIRGINIA LOTTERY

#### STATEMENTS OF CASH FLOWS

(Continued)

(Continued)

Years Ended June 30, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of operating income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$529,968</td>
<td>$518,847</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,354</td>
<td>2,020</td>
</tr>
<tr>
<td>Pension expense</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>861</td>
<td>1,209</td>
</tr>
<tr>
<td>Inventory</td>
<td>176</td>
<td>(141)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(6)</td>
<td>294</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>(1,039)</td>
<td>-</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated prize claims</td>
<td>928</td>
<td>839</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>653</td>
<td>(323)</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>(172)</td>
<td>(786)</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>$532,973</td>
<td>$521,959</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (the Lottery) was established by the State Lottery Act (the Act) passed April 13, 1985, which created a fund in the State Treasury designated as the “State Lottery Fund.” The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (the Commission) and a Director. The Commission, consisting of seven members, and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games, to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia (the State) and local governments as required by law. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The West Virginia Lottery is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management’s estimates.

Lottery Game Operations

The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line lottery games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues for the processing and manufacturing of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.
Lottery Game Operations (Continued)

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state "jackpot" game; HOT LOTTO™, a multi-state "lotto" game; MEGA MILLIONS®, a multi-state lotto game; Cash25 "lotto" game; Daily 3 and 4 "numbers" games; and Travel, an online "keno" game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent's on-line terminal may be rendered inactive if payment is not received. No one retailer or agent accounts for a significant amount of the Lottery's sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Racetrack video lottery is a self-activated video version of lottery games. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The games allow a player to use coins, currency, tokens, or tickets, to place bets for the chance to receive coins, tokens, or ticket awards which may be redeemed for cash or used for replay in the games. The racetrack video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as racetrack video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private entities are reported as commissions.

Racetrack video lottery legislation has established specific requirements for racetrack video lottery and imposed certain restrictions limiting the licensing for the operation of racetrack video lottery games to horse and dog racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from racetrack video lottery games, and requires any licensed racetrack to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Limited video lottery is also a self-activated video version of lottery games located in limited licensed retailer areas restricted for adult amusement. The games allow a player to use currency to place bets for the chance to receive free games or vouchers which may be redeemed for cash. The limited video lottery games’ prize structures are designed to award prizes, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as limited video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private entities are reported as commissions. Limited video lottery permit holders are statutorily responsible for acquiring equipment and bearing the risk associated with the costs of operating the games.
West Virginia Lottery
Notes to Financial Statements
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

Lottery Game Operations (Continued)

Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks and a historic resort in West Virginia, subject to local county elections permitting the same. Each location licensed as an agent of the Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee’s adjusted gross receipts from the operation of Lottery table games which the Lottery records as revenue. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensed location to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Historic resort lottery games are a combination of self-activated video lottery games as well as table games which are located at a licensed historic resort hotel as defined by the WV Code. Video lotteries at the historic resort are board-operated games that allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The video lottery games allow a player to use coins, currency, tokens, or tickets, to place bets for the chance to receive coins, tokens, or ticket awards which may be redeemed for cash or used for replay in the games.

The historic resort video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes video lottery revenue consisting of “gross terminal income” equivalent to all wagers, net of related prizes; and historic resort table games revenue consisting of a privilege tax of thirty-five percent of adjusted gross receipts for the operation of table game as historic resort lottery revenues.

Amounts required by statute to be paid to the private and local government entities are reported as commissions. The Lottery Act as amended has established specific requirements for historic resort video and table games lotteries and imposed certain restrictions limiting the licensing for operation of historic resort lottery games in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from historic resort lottery games, and requires the licensed historic resort to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits on hand with the State Treasurer of West Virginia and interest-earning deposits in State investments pools maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is a 2a-7-like pool carried at amortized cost and the West Virginia Short Term Bond Pool is carried at fair value.

Inventory

Inventory consists of instant game tickets available for sale to approved Lottery retailers and are carried at cost as determined by the specific identification method.
2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets

Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

Capital Assets

The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding $25,000 and a useful life greater than one year. These assets include a building, leasehold improvements, and purchased equipment comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, and are carried at cost. Depreciation is computed by the straight-line method over the estimated economic useful lives of the assets, which are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>40 years</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>5 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3-5 years</td>
</tr>
</tbody>
</table>

The Lottery leases, under a cancelable operating lease, various office spaces for field operations. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases.

Accrued Employee Benefits

Employees fully vest in all earned but unused annual leave. In accordance with State personnel policies, employees hired prior to July 1, 2001, vest in unused sick leave only upon retirement, at which time such unused leave can be converted into post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits. To the extent that eligible conversion benefits are determined, a liability has been accrued as a result of the Lottery's participation in the State's post-employment benefits plan, in accordance with GAAP. The Lottery accrues a liability for estimated liabilities that may arise in connection with compensated absences at the current rate of employee pay. The Lottery's annual leave transactions for years ending June 30, 2015 and June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning estimated liabilities</td>
<td>$573,313</td>
<td>$555,325</td>
</tr>
<tr>
<td>Leave expenses incurred</td>
<td>553,835</td>
<td>573,313</td>
</tr>
<tr>
<td>Leave expenses paid</td>
<td>563,235</td>
<td>555,325</td>
</tr>
<tr>
<td>Ending estimated liabilities</td>
<td>$563,913</td>
<td>$573,313</td>
</tr>
<tr>
<td>Liabilities estimated to be paid in one year</td>
<td>$563,913</td>
<td>$573,313</td>
</tr>
</tbody>
</table>
2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/deductions from PERS’s fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Currently the Lottery has recognized deferred outflows of resources related to pensions (See Note 14). Deferred inflows of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Currently the Lottery has recognized deferred inflows of resources related to pensions (See Note 14).

Net Position

Net position is presented as either unrestricted, restricted by enabling legislation for capital project, or as net investment in capital assets which represents the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Advertising and Promotions

The Lottery expenses the costs of advertising and promotions as they are incurred.

3 - CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE

Effective July 1, 2014, the Lottery adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The Lottery determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of $3,877 (in thousands) as of July 1, 2014, which is the net pension liability of $4,949 (in thousands) less deferred outflows of resources related to pension plan contributions of $1,072 (in thousands) as of that date. The Lottery further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014 and these amounts are not reported.
4 - CASH AND CASH EQUIVALENTS

At June 30, 2015 and 2014, the carrying amounts of deposits with financial institutions were $477 thousand and $473 thousand, respectively, with bank balances of $498 and $500 thousand, respectively. Deposits up to $250 thousand are insured by the Federal Depository Insurance Corporation. Any balances over the insured amount are collateralized with securities held by the State of West Virginia’s agent in the State’s name.

At June 30, 2015 and 2014, the carrying amounts of deposits with financial institutions, the State Treasurer, and the West Virginia Board of Treasury Investments (BTI) were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits with financial institutions</td>
<td>$477</td>
<td>$473</td>
</tr>
<tr>
<td>Cash on hand at the Treasurer’s Office</td>
<td>21,525</td>
<td>21,310</td>
</tr>
<tr>
<td>Investments with BTI reported as cash equivalents</td>
<td>142,720</td>
<td>129,326</td>
</tr>
<tr>
<td></td>
<td><strong>$164,722</strong></td>
<td><strong>$151,109</strong></td>
</tr>
</tbody>
</table>

The State Treasurer has statutory responsibility for the daily cash management activities of the State’s agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Lottery’s cash balances are invested by the BTI in the BTI’s West Virginia Money Market Pool and the BTI’s West Virginia Short Term Bond Pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Investments in the West Virginia Money Market Pool are available to the Lottery with overnight notice. Investments in the West Virginia Short Term Bond Pool are available to the Lottery on the first day of each month.

**Credit risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The West Virginia Money Market Pool has been rated AAAm by Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor the West Virginia Short Term Bond Pool has been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated A-1 by Standard & Poor’s and P1 by Moody’s. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.


4 - CASH AND CASH EQUIVALENTS (Continued)

The following table provides information on the credit ratings of the West Virginia Money Market Pool’s investments (in thousands):

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Carrying Value</th>
<th>Percent of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-1+</td>
<td>$ 186,737</td>
<td>9.88%</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1</td>
<td>660,027</td>
<td>34.91</td>
</tr>
<tr>
<td>Corporate bonds and notes</td>
<td>Aa3</td>
<td>A+</td>
<td>10,005</td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td>Aa3</td>
<td>AA-</td>
<td>10,000</td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td>Aa3</td>
<td>NR</td>
<td>10,000</td>
<td>0.53</td>
</tr>
<tr>
<td>U.S. agency bonds</td>
<td>Aaa</td>
<td>AA+</td>
<td>81,994</td>
<td>4.34</td>
</tr>
<tr>
<td>U.S. Treasury notes*</td>
<td>Aaa</td>
<td>AA+</td>
<td>229,760</td>
<td>12.15</td>
</tr>
<tr>
<td>U.S. Treasury bills *</td>
<td>P-1</td>
<td>A-1+</td>
<td>92,059</td>
<td>4.87</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>Aa2</td>
<td>AA-</td>
<td>10,000</td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1+</td>
<td>51,000</td>
<td>2.70</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1</td>
<td>142,000</td>
<td>7.51</td>
</tr>
<tr>
<td>U.S. agency discount notes</td>
<td>P-1</td>
<td>A-1+</td>
<td>304,342</td>
<td>16.10</td>
</tr>
<tr>
<td>Money market funds</td>
<td>Aaa</td>
<td>AAAm</td>
<td>90,017</td>
<td>4.76</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(underlying securities):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury notes*</td>
<td>Aaa</td>
<td>AA+</td>
<td>1,323</td>
<td>0.07</td>
</tr>
<tr>
<td>U.S. agency notes</td>
<td>Aaa</td>
<td>AA+</td>
<td>11,200</td>
<td>0.59</td>
</tr>
</tbody>
</table>

$ 1,890,464 100.00%

NR=Not Rated
* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

The BTI limits the exposure to credit risk in West Virginia Short Term Bond Pool by requiring all corporate bonds to be rated BBB- or higher by Standard & Poor’s (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor’s and P-1 by Moody’s. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor’s and Aaa by Moody’s. The following table provides information on the credit ratings of the West Virginia Short Term Bond Pool’s investments (in thousands):

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Carrying Value</th>
<th>Percent of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate asset backed securities</td>
<td>Aaa</td>
<td>AAA</td>
<td>$ 106,301</td>
<td>13.96%</td>
</tr>
<tr>
<td></td>
<td>Aaa</td>
<td>AA+</td>
<td>3,822</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td>Aaa</td>
<td>NR</td>
<td>105,366</td>
<td>13.84</td>
</tr>
<tr>
<td></td>
<td>NR</td>
<td>AAA</td>
<td>80,008</td>
<td>10.51</td>
</tr>
<tr>
<td>Corporate bonds and notes</td>
<td>Aaa</td>
<td>AA+</td>
<td>7,689</td>
<td>1.01</td>
</tr>
<tr>
<td></td>
<td>Aa1</td>
<td>AA+</td>
<td>5,013</td>
<td>0.66</td>
</tr>
<tr>
<td></td>
<td>Aa1</td>
<td>AA</td>
<td>4,039</td>
<td>0.53</td>
</tr>
</tbody>
</table>
4 - CASH AND CASH EQUIVALENTS (Continued)

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Carrying Value</th>
<th>Percent of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aa2</td>
<td>AA+</td>
<td></td>
<td>4,041</td>
<td>0.53</td>
</tr>
<tr>
<td>Aa2</td>
<td>AA</td>
<td></td>
<td>6,987</td>
<td>0.92</td>
</tr>
<tr>
<td>Aa2</td>
<td>AA-</td>
<td></td>
<td>15,025</td>
<td>1.97</td>
</tr>
<tr>
<td>Aa2</td>
<td>A</td>
<td></td>
<td>1,496</td>
<td>0.20</td>
</tr>
<tr>
<td>Aa2</td>
<td>A-</td>
<td></td>
<td>1,001</td>
<td>0.13</td>
</tr>
<tr>
<td>Aa3</td>
<td>AA-</td>
<td></td>
<td>16,380</td>
<td>2.15</td>
</tr>
<tr>
<td>Aa3</td>
<td>A+</td>
<td></td>
<td>15,787</td>
<td>2.07</td>
</tr>
<tr>
<td>A1</td>
<td>AA+</td>
<td></td>
<td>7,097</td>
<td>0.93</td>
</tr>
<tr>
<td>A1</td>
<td>AA-</td>
<td></td>
<td>21,552</td>
<td>2.83</td>
</tr>
<tr>
<td>A1</td>
<td>A+</td>
<td></td>
<td>24,116</td>
<td>3.17</td>
</tr>
<tr>
<td>A1</td>
<td>A</td>
<td></td>
<td>8,078</td>
<td>1.06</td>
</tr>
<tr>
<td>A2</td>
<td>A+</td>
<td></td>
<td>4,617</td>
<td>0.61</td>
</tr>
<tr>
<td>A2</td>
<td>A</td>
<td></td>
<td>45,485</td>
<td>5.97</td>
</tr>
<tr>
<td>A2</td>
<td>A-</td>
<td></td>
<td>9,485</td>
<td>1.25</td>
</tr>
<tr>
<td>A3</td>
<td>A-</td>
<td></td>
<td>43,564</td>
<td>5.72</td>
</tr>
<tr>
<td>A3</td>
<td>A</td>
<td></td>
<td>20,699</td>
<td>2.72</td>
</tr>
<tr>
<td>A3</td>
<td>BBB+</td>
<td></td>
<td>9,745</td>
<td>1.28</td>
</tr>
<tr>
<td>Baa1</td>
<td>A</td>
<td></td>
<td>2,001</td>
<td>0.26</td>
</tr>
<tr>
<td>Baa1</td>
<td>A-</td>
<td></td>
<td>27,754</td>
<td>3.64</td>
</tr>
<tr>
<td>Baa1</td>
<td>BBB+</td>
<td></td>
<td>33,751</td>
<td>4.43</td>
</tr>
<tr>
<td>Baa1</td>
<td>BBB</td>
<td></td>
<td>12,788</td>
<td>1.68</td>
</tr>
<tr>
<td>Baa1</td>
<td>BBB-</td>
<td></td>
<td>500</td>
<td>0.07</td>
</tr>
<tr>
<td>Baa2</td>
<td>BBB+</td>
<td></td>
<td>3,205</td>
<td>0.42</td>
</tr>
<tr>
<td>Baa2</td>
<td>BBB</td>
<td></td>
<td>19,066</td>
<td>2.50</td>
</tr>
<tr>
<td>Baa2</td>
<td>BBB-</td>
<td></td>
<td>3,008</td>
<td>0.40</td>
</tr>
<tr>
<td>Baa3</td>
<td>BBB+</td>
<td></td>
<td>2,125</td>
<td>0.28</td>
</tr>
<tr>
<td>Baa3</td>
<td>BBB</td>
<td></td>
<td>6,265</td>
<td>0.82</td>
</tr>
<tr>
<td>Baa3</td>
<td>BBB-</td>
<td></td>
<td>17,460</td>
<td>2.29</td>
</tr>
<tr>
<td>U.S. agency mortgage backed securities *</td>
<td>Aaa</td>
<td>AA+</td>
<td>32,198</td>
<td>4.23</td>
</tr>
<tr>
<td>Money market funds</td>
<td>Aaa</td>
<td>AAAm</td>
<td>34,012</td>
<td>4.46</td>
</tr>
</tbody>
</table>

Total: $ 761,526  100.00%

NR = Not Rated
*U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk

**Interest rate risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the weighted average maturities for the various asset types in the West Virginia Money Market Pool.
4 - CASH AND CASH EQUIVALENTS (Continued)

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Carrying Value (In Thousands)</th>
<th>Weighted Average Maturity In Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase agreements</td>
<td>$12,523</td>
<td>1</td>
</tr>
<tr>
<td>US Treasury notes</td>
<td>229,760</td>
<td>75</td>
</tr>
<tr>
<td>US Treasury bills</td>
<td>92,059</td>
<td>123</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>846,764</td>
<td>30</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>203,005</td>
<td>51</td>
</tr>
<tr>
<td>U.S. Agency discount notes</td>
<td>304,342</td>
<td>60</td>
</tr>
<tr>
<td>Corporate bonds and notes</td>
<td>30,000</td>
<td>75</td>
</tr>
<tr>
<td>U.S. agency bonds</td>
<td>81,994</td>
<td>58</td>
</tr>
<tr>
<td>Money market funds</td>
<td>90,017</td>
<td>1</td>
</tr>
</tbody>
</table>

Total assets $1,890,464

The weighted average maturity of the investments of the West Virginia Money Market Pool as of June 30, 2015, is 47 days.

The overall effective duration of the investments of the West Virginia Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the West Virginia Short Term Bond Pool (in thousands):

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Carrying Value (In Thousands)</th>
<th>Effective Duration (Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds and notes</td>
<td>$399,822</td>
<td>495</td>
</tr>
<tr>
<td>Corporate asset backed securities</td>
<td>295,494</td>
<td>357</td>
</tr>
<tr>
<td>U.S. agency mortgage backed securities</td>
<td>32,198</td>
<td>267</td>
</tr>
<tr>
<td>Money market funds</td>
<td>34,012</td>
<td>1</td>
</tr>
</tbody>
</table>

Total assets $761,526

The effective duration of the investments in the West Virginia Short Term Bond Pool as of June 30, 2015 is 410 days.

**Concentration of credit risk** - West Virginia statutes prohibit the West Virginia Money Market Pool and West Virginia Short Term Bond Pool from investing more than 5% of its assets in securities issued by one corporate name or corporate issue. At June 30, 2015, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Custodial credit risk** - At June 30, 2015, neither the West Virginia Money Market Pool nor the West Virginia Short Term Bond Pool held securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI.
4 - CASH AND CASH EQUIVALENTS (Continued)

**Foreign currency risk** - Neither the West Virginia Money Market Pool nor the West Virginia Short Term Bond Pool has securities that are subject to foreign currency risk.

5 - CAPITAL ASSETS

A summary of capital asset activity is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Historical cost at June 30, 2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>Historical cost at June 30, 2014</th>
<th>Additions</th>
<th>Deletions</th>
<th>Historical cost at June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, not depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$ 549</td>
<td>$ 243</td>
<td>-</td>
<td>$ 792</td>
<td>$ 298</td>
<td>-</td>
<td>$ 1,090</td>
</tr>
<tr>
<td>Land</td>
<td>1,434</td>
<td>-</td>
<td>-</td>
<td>1,434</td>
<td>-</td>
<td>-</td>
<td>1,434</td>
</tr>
<tr>
<td>Capital assets, being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>38,084</td>
<td>-</td>
<td>-</td>
<td>38,084</td>
<td>-</td>
<td>-</td>
<td>38,084</td>
</tr>
<tr>
<td>Improvements</td>
<td>260</td>
<td>-</td>
<td>-</td>
<td>260</td>
<td>-</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>Equipment</td>
<td>6,519</td>
<td>302</td>
<td>-</td>
<td>6,821</td>
<td>74</td>
<td>-</td>
<td>6,895</td>
</tr>
<tr>
<td></td>
<td>$ 46,846</td>
<td>$ 545</td>
<td>-</td>
<td>$ 47,391</td>
<td>$ 372</td>
<td>-</td>
<td>$ 47,763</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$ 1,189</td>
<td>$ 952</td>
<td>-</td>
<td>$ 2,141</td>
<td>$ 952</td>
<td>-</td>
<td>$ 3,093</td>
</tr>
<tr>
<td>Improvements</td>
<td>260</td>
<td>-</td>
<td>-</td>
<td>260</td>
<td>-</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>Equipment</td>
<td>5,177</td>
<td>1,088</td>
<td>-</td>
<td>6,245</td>
<td>402</td>
<td>-</td>
<td>6,647</td>
</tr>
<tr>
<td></td>
<td>$ 6,626</td>
<td>$ 2,020</td>
<td>-</td>
<td>$ 8,646</td>
<td>$ 1,354</td>
<td>-</td>
<td>$ 10,000</td>
</tr>
</tbody>
</table>

6 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO™ game, and MEGA MILLIONS® jackpot game on behalf of other participating lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors’ responsibilities to administer the Multi-State Lottery POWERBALL®, HOT LOTTO™, and MEGA MILLIONS® games are performed by advisory committees or panels staffed by officers and
6 - PARTICIPATION IN THE MULTI-STATE LOTTERY (Continued)

independent contractors appointed by the board. These officers and consultants serve at the pleasure of
the board and the board prescribes their powers, duties and qualifications. The Executive Committee
carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit.
A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 4400 N.W.
Urbandale Drive, Urbandale, Iowa 50322.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the
MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser
prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT
LOTTO™, and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels.

Revenues derived from the Lottery's participation in the MUSL POWERBALL® jackpot game were
$34,099,437 and $39,490,788 for the years ended June 30, 2015 and 2014, respectively, and related
prize costs were $17,065,233 and $19,747,242, respectively.

Revenues derived from the Lottery's participation in the HOT LOTTO™ game were $5,745,617 and
$5,310,353 for the years ended June 30, 2015 and 2014, respectively, and related prize costs were
$2,873,122 and $2,655,381, respectively.

Revenues derived from the Lottery's participation in the MEGA MILLIONS® game were $13,623,552
and $14,850,257 for the years ended June 30, 2015 and 2014, respectively, and related prize costs were
$6,812,613 and $7,536,658, respectively.

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve
as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities.
These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize
reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize
reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one
year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve
fund limit for the MUSL games is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>POWERBALL®</th>
<th>HOT LOTTO™</th>
<th>MEGA MILLIONS®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Contribution (% of sales)</td>
<td>2%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Reserve Fund Cap</td>
<td>$125,000</td>
<td>$9,000</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

The Lottery's share of the prize reserve fund balances with MUSL as of June 30, were as follows (in
thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prize Reserve</td>
<td>Lottery Share</td>
</tr>
<tr>
<td>POWERBALL®</td>
<td>$109,940</td>
<td>$1,887</td>
</tr>
<tr>
<td>HOT LOTTO™</td>
<td>8,022</td>
<td>548</td>
</tr>
<tr>
<td>MEGA MILLIONS®</td>
<td>37,272</td>
<td>561</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$155,234</strong></td>
<td><strong>$2,996</strong></td>
</tr>
</tbody>
</table>
6 - PARTICIPATION IN THE MULTI-STATE LOTTERY (Continued)

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above the expenses are credited to an unreserved fund. The Lottery records this interest when earned. This fund had a balance of $15,446,835 and $16,082,650 at June 30, 2015 and 2014, of which the Lottery’s share was $1,589,433 and $1,617,659, respectively.

7 - RACETRACK VIDEO LOTTERY

Racetrack video lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended on a number of occasions to revise and modify revenue distribution based on revenue benchmarks. Most recently revisions included in House Bill (H.B.) 101, as passed during the first extraordinary session of the West Virginia legislature during 2014 (See Note 12), have been implemented during the year ended June 30, 2015. Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. For the year ended June 30, 2015, fifty-seven percent (57%) and for the year ended June 30, 2014, sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racetracks</td>
<td>46.5%</td>
<td>46.5%</td>
</tr>
<tr>
<td>Other private entities assoc.</td>
<td>8.7%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Local county and mun. gms</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

The remaining revenues (42.8% for the year ended June 30, 2015 and 34% for the year ended June, 2014) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 11 titled “Nonoperating Distributions to the State of West Virginia.”

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.
WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - RACETRACK VIDEO LOTTERY (Continued)

After deduction of the surcharge, for the year ended June 30, 2015 and 2014 respectively, 49% and 55% of net terminal revenue is allocated in lieu of commissions as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racetracks</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Other private entities associated with the racing industry</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Local county and municipal governments</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

The remaining net terminal revenue (51% for the year ended June 30, 2015 and 45% for the year ended June 30, 2014) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 11.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund. The Lottery, along with the Ohio, Rhode Island and Delaware state lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee which is a percentage of the amount wagered. This fee was of 0.75% for years ended June 30, 2015 and June 30, 2014 respectively.

A summary of racetrack video lottery revenues for the years ended June 30, 2015 and 2014, follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total credits (bets) played</td>
<td>$6,269,246</td>
<td>$6,574,814</td>
</tr>
<tr>
<td>Credits (prizes) won</td>
<td>(5,624,402)</td>
<td>(5,897,773)</td>
</tr>
<tr>
<td>Promotional credits played</td>
<td>(86,704)</td>
<td>(85,802)</td>
</tr>
<tr>
<td>MWAP Contributions</td>
<td>(337)</td>
<td>(321)</td>
</tr>
<tr>
<td>Gross terminal income</td>
<td>557,803</td>
<td>590,918</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(15,800)</td>
<td>(16,586)</td>
</tr>
<tr>
<td>Net terminal income</td>
<td>542,003</td>
<td>574,332</td>
</tr>
<tr>
<td>Commissions</td>
<td>(286,778)</td>
<td>(336,205)</td>
</tr>
<tr>
<td>Racetrack video lottery revenues available for distribution</td>
<td>$255,225</td>
<td>$238,127</td>
</tr>
</tbody>
</table>

A summary of racetrack video lottery revenues paid or accrued for certain State funds to conform with the legislation follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Lottery Fund</td>
<td>$114,965</td>
<td>$120,729</td>
</tr>
<tr>
<td>State Excess Lottery Revenue Fund</td>
<td>134,504</td>
<td>77,443</td>
</tr>
<tr>
<td>Capital Reinvestment Fund</td>
<td>5,756</td>
<td>6,924</td>
</tr>
<tr>
<td>Tourism Promotion Fund</td>
<td>-</td>
<td>7,573</td>
</tr>
</tbody>
</table>
7 - RACETRACK VIDEO LOTTERY (Continued)

On March 12, 2011, the Legislature passed Senate Bill 550 which provides for the creation of the Racetrack Modernization Fund. The Modernization Fund is available to reimburse the licensed tracks $1 for every $2 spent on the costs of facility modernization. For each year ended June 30, 2011 through June 30, 2014, the Lottery is to transfer up to $10 million from racetrack administrative surplus funds to the Modernization Fund, and up to $9 million for the years ended June 30, 2015 through June 30, 2020, which is allocated to each track on a pro rata basis according to their administrative contribution for the fiscal year. For the years ended June 30, 2015 and 2014, the Lottery transferred $9 million and $10 million to the Racetrack Modernization Fund respectively.

8 - LIMITED VIDEO LOTTERY

The limited video lottery legislation established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from limited gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the years ended June 30, 2015 and 2014 follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total credits played</td>
<td>$4,462,898</td>
<td>$4,482,939</td>
</tr>
<tr>
<td>Credits (prizes) won</td>
<td>(4,089,677)</td>
<td>(4,105,717)</td>
</tr>
<tr>
<td>Gross terminal income</td>
<td>373,221</td>
<td>377,222</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(7,465)</td>
<td>(7,544)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>365,756</td>
<td>369,678</td>
</tr>
<tr>
<td>Commissions</td>
<td>(182,878)</td>
<td>(184,839)</td>
</tr>
<tr>
<td>Distributions to municipalities and counties</td>
<td>(7,315)</td>
<td>(7,394)</td>
</tr>
<tr>
<td>Limited video lottery revenues available for distribution</td>
<td>$175,563</td>
<td>$177,445</td>
</tr>
</tbody>
</table>
9 - TABLE GAMES

The passage of table games legislation allowed local referendums in each of the four counties in which a race track is located to approve table games. All four counties have authorized table games at their respective tracks.

Table games include blackjack, roulette, craps, and various types of poker. The Lottery receives a privilege tax of 35% of adjusted gross receipts, from each licensed racetrack, which is deposited weekly into the Lottery’s racetrack table games fund.

From the gross amounts deposited into the table games fund, the Lottery, on a monthly basis retains 3% of the adjusted gross receipts for administrative expenses. From the administrative allowance, at least $100,000 and not more than $500,000 annually will be transferred to the Lottery’s compulsive gambling treatment fund.

The Lottery then transfers 2.25% and 2.5% for the years ended June 30, 2015 and 2014, respectively of adjusted gross receipts from all thoroughbred and greyhound racetracks participating in licensed table games to the special funds established by each thoroughbred and greyhound racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee. A transfer of 1.8% and 2% for the years ended June 30, 2015 and 2014, respectively of the adjusted gross receipts is made from all licensed racetracks to the thoroughbred development fund and the greyhound breeding development fund to be divided pro rata among the development funds.

Transfers of 2% of the adjusted gross receipts are made from each licensed racetrack to the county commissions of the counties where racetracks participating in licensed table games are located to be divided pro rata among the counties. Transfers of 3% of the adjusted gross receipts are made from each licensed racetrack to the governing bodies of municipalities within counties where racetracks participating in licensed table games are located as prescribed by statute. A transfer of .5% of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located is to be divided equally among the municipalities. The Lottery, in accordance with the enabling legislation, will distribute the remaining amounts hereinafter referred to as the net amounts in the racetrack table games funds as follows:

- A transfer of 4%, into a special fund to be established by the West Virginia Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association.
- A transfer of 10%, to be divided and paid in equal shares, to each county commission in the state where table games are not located.
- A transfer of 10%, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located.
- A transfer of 76% to the Excess Lottery Fund for the year ended June 30, 2015, and a transfer of 76% to the state debt reduction fund for the year ended June 30, 2014.

The transfer to the state debt reduction fund is included in Note 11. The table games adjusted gross receipts for the year ended June 30, 2015 and 2014 was $134,080,494 and $144,185,524, respectively. A summary of table games revenues for the years ended June 30, 2015 and 2014 follows (in thousands):
9 - TABLE GAMES (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table games privilege tax</td>
<td>$46,928</td>
<td>$50,465</td>
</tr>
<tr>
<td>Interest on table games fund</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(4,022)</td>
<td>(4,326)</td>
</tr>
<tr>
<td>Total available for distribution</td>
<td>42,910</td>
<td>46,143</td>
</tr>
<tr>
<td>Less distributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Racetrack purse funds</td>
<td>3,017</td>
<td>3,605</td>
</tr>
<tr>
<td>Thoroughbred &amp; greyhound development funds</td>
<td>2,413</td>
<td>2,884</td>
</tr>
<tr>
<td>Racing commission pension plan</td>
<td>1,180</td>
<td>1,269</td>
</tr>
<tr>
<td>Municipalities/counties</td>
<td>13,275</td>
<td>14,274</td>
</tr>
<tr>
<td>Total distributions</td>
<td>19,885</td>
<td>22,032</td>
</tr>
<tr>
<td>Table games distribution to the state debt reduction fund/ Excess Lottery Fund</td>
<td>$23,025</td>
<td>$24,111</td>
</tr>
</tbody>
</table>

10 - HISTORIC RESORT HOTEL

The Historic Resort Hotel legislation authorizes video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

Historic Resort Hotel legislation, as amended, dictates the distribution of video lottery revenues. Thirty three and a half percent (33.5%) of gross terminal income is allocated to Historic Resort Hotel Fund, two and a half percent (2.5%) is allocated to the State Excess Lottery Revenue Fund for the year ended June 30, 2015, and two and a half percent (2.5%) is allocated to the licensed historic resort hotel modernization fund for the year ended June 30, 2014, and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for the licensed historic resort hotel. After deduction of the surcharge, the remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel. A summary of historic resort hotel video lottery revenues for the years ended June 30, 2015 and 2014 follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total credits played</td>
<td>$62,289</td>
<td>$63,726</td>
</tr>
<tr>
<td>Credits (prizes) won</td>
<td>(57,294)</td>
<td>(58,302)</td>
</tr>
<tr>
<td>Promotional credits played</td>
<td>(925)</td>
<td>(980)</td>
</tr>
<tr>
<td>MWAP contribution</td>
<td>-</td>
<td>(3)</td>
</tr>
<tr>
<td>Gross terminal income</td>
<td>4,070</td>
<td>4,441</td>
</tr>
<tr>
<td>Capital reinvestment</td>
<td>(191)</td>
<td>(209)</td>
</tr>
<tr>
<td>Excess Lottery/Modernization</td>
<td>(36)</td>
<td>(40)</td>
</tr>
<tr>
<td>Hotel commissions</td>
<td>(1,722)</td>
<td>(1,878)</td>
</tr>
<tr>
<td>Net terminal income</td>
<td>$2,121</td>
<td>$2,314</td>
</tr>
</tbody>
</table>
10 - HISTORIC RESORT HOTEL (Continued)

Historic Resort Video Lottery (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic Resort Hotel Fund</td>
<td>$1,429</td>
<td>$1,559</td>
</tr>
<tr>
<td>Human Resource Benefit Fund</td>
<td>692</td>
<td>775</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,121</strong></td>
<td><strong>$2,314</strong></td>
</tr>
</tbody>
</table>

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the years ended June 30, 2015 and 2014 were $5,664,146 and $7,449,814, respectively.

The following table shows the privilege tax and the accrued distributions (in thousands) for the years ended June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table games privilege tax</td>
<td>$1,982</td>
<td>$2,607</td>
</tr>
<tr>
<td>Historic Resort Hotel Fund</td>
<td>$1,699</td>
<td>$2,235</td>
</tr>
<tr>
<td>Human Resource Benefit Fund</td>
<td>283</td>
<td>372</td>
</tr>
<tr>
<td><strong>Total distributions</strong></td>
<td><strong>$1,982</strong></td>
<td><strong>$2,607</strong></td>
</tr>
</tbody>
</table>

Historic Resort Hotel Fund deposits are allocated after a fifteen percent (15%) lottery administrative cost. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) are distributed as follows for the years ended June 30, 2015 and 2014:

- 4% is paid to the county where the gaming facility is located;
- 2.5% is paid to the municipality where the gaming facility is located as prescribed by statute;
- 2.5% is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 2.5% is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 2.5% is divided and paid in equal shares, to each municipality in the State not already receiving a distribution.

For the year ended June 30, 2015, the remaining 86% is transferred to the Excess Lottery Revenue Fund.
10 - HISTORIC RESORT HOTEL (Continued)

For the year ended June 30, 2014, the remaining 86% is allocated as follows:

- 64% is paid to the State of West Virginia General Revenue Fund;
- 19% is paid to the State Debt Reduction Fund;
- 3% is paid to the State of West Virginia Tourism Promotion Fund.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands) for the years ended June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic Resort Hotel video lottery</td>
<td>$1,429</td>
<td>$1,559</td>
</tr>
<tr>
<td>Historic Resort table games</td>
<td>1,699</td>
<td>2,235</td>
</tr>
<tr>
<td>Historic Resort Hotel Fund deposits</td>
<td>3,128</td>
<td>3,794</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(474)</td>
<td>(575)</td>
</tr>
<tr>
<td></td>
<td><strong>Historic Resort Hotel Fund net income</strong></td>
<td><strong>$2,654</strong></td>
</tr>
<tr>
<td>Municipalities/Counties</td>
<td>$372</td>
<td>$450</td>
</tr>
<tr>
<td>State General Revenue Fund</td>
<td>-</td>
<td>2,060</td>
</tr>
<tr>
<td>State Debt Reduction Fund</td>
<td>-</td>
<td>612</td>
</tr>
<tr>
<td>State Tourism Promotion Fund</td>
<td>-</td>
<td>97</td>
</tr>
<tr>
<td>Excess Lottery Revenue Fund</td>
<td>2,282</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total distributions</strong></td>
<td><strong>$2,654</strong></td>
</tr>
</tbody>
</table>

11 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the current governing legislation. For the years ended June 30, 2015 and 2014, the State Legislature budgeted $167,766,812 and $200,086,988 respectively of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of $1,800,000, $1,000,000, and $500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently debt service payments are $5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the years ended June 30, 2015 and 2014, the Lottery made or accrued all budgeted distributions and accrued additional distributions from the State Lottery Fund and State Excess Lottery Revenue Fund of $123,919,676 and $112,439,263, respectively. The Lottery does not have a legally adopted annual budget.
11 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA (Continued)

A summary of the required statutory and budgeted distributions to certain state agencies to conform with the various legislation follows (in thousands):

<table>
<thead>
<tr>
<th>Budgetary distributions:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Center Construction Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose Account</td>
<td>$</td>
<td>$ 724</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative Operations Account:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Account</td>
<td>-</td>
<td>7,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Lottery Fund:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureau of Senior Services</td>
<td>78,682</td>
<td>94,837</td>
</tr>
<tr>
<td>Department of Education</td>
<td>19,633</td>
<td>27,451</td>
</tr>
<tr>
<td>Library Commission</td>
<td>11,457</td>
<td>11,467</td>
</tr>
<tr>
<td>Higher Education - Central Office</td>
<td>7,329</td>
<td>7,582</td>
</tr>
<tr>
<td>Tourism</td>
<td>8,060</td>
<td>8,922</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>3,196</td>
<td>9,796</td>
</tr>
<tr>
<td>Division of Culture &amp; History</td>
<td>4,746</td>
<td>5,228</td>
</tr>
<tr>
<td>Department of Education &amp; Arts</td>
<td>1,673</td>
<td>1,812</td>
</tr>
<tr>
<td>Economic Development Authority</td>
<td>9,996</td>
<td>9,999</td>
</tr>
<tr>
<td>School Building Authority</td>
<td>18,000</td>
<td>17,996</td>
</tr>
<tr>
<td>Community and Technical College</td>
<td>4,995</td>
<td>4,997</td>
</tr>
<tr>
<td><strong>Total State Lottery Fund</strong></td>
<td><strong>167,767</strong></td>
<td><strong>200,087</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Excess Lottery Revenue Fund:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Account</td>
<td>65,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Education Improvement Fund</td>
<td>29,000</td>
<td>29,000</td>
</tr>
<tr>
<td>WV Infrastructure Council Fund</td>
<td>26,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Higher Education Improvement Fund</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>State Park Improvement Fund</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>School Building Authority</td>
<td>18,994</td>
<td>18,993</td>
</tr>
<tr>
<td>Economic Development Fund</td>
<td>18,986</td>
<td>20,387</td>
</tr>
<tr>
<td>Refundable Credit - General Revenue Fund</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Racing Commission</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>WV Department of Health and Human Resources</td>
<td>36,770</td>
<td>96,544</td>
</tr>
<tr>
<td>Division of Justice and Community Services</td>
<td>200</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distributions to Statutory Funds and Purposes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking Garage Fund</td>
<td>779</td>
<td>-</td>
</tr>
<tr>
<td>Capitol Dome and Improvements Fund</td>
<td>2,471</td>
<td>-</td>
</tr>
<tr>
<td>Capitol Renovation and Improvements Fund</td>
<td>3,074</td>
<td>-</td>
</tr>
<tr>
<td>Development Office Promotion Fund</td>
<td>1,677</td>
<td>-</td>
</tr>
<tr>
<td>Research Challenge Fund</td>
<td>2,236</td>
<td>-</td>
</tr>
<tr>
<td>Tourism Promotion Fund</td>
<td>6,232</td>
<td>-</td>
</tr>
<tr>
<td>Cultural Facilities and Capitol Resources Fund</td>
<td>1,500</td>
<td>-</td>
</tr>
<tr>
<td>Worker’s Compensation Debt Reduction Fund</td>
<td>11,000</td>
<td>-</td>
</tr>
<tr>
<td>State Debt Reduction Fund</td>
<td>20,119</td>
<td>-</td>
</tr>
<tr>
<td>General Revenue Fund</td>
<td>1,795</td>
<td>-</td>
</tr>
<tr>
<td>Historic Resort Hotel Fund</td>
<td>34</td>
<td>-</td>
</tr>
<tr>
<td>Racing Commission</td>
<td>4,471</td>
<td>-</td>
</tr>
</tbody>
</table>
### 11 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Governmental Budgeted Transfers</td>
<td>14,582</td>
<td>-</td>
</tr>
<tr>
<td>Excess Lottery Surplus (General Fund)</td>
<td>27,600</td>
<td>27,600</td>
</tr>
<tr>
<td>Excess Lottery Surplus (Teachers Retirement Savings Realized)</td>
<td>4,051</td>
<td>17,522</td>
</tr>
<tr>
<td>Total State Excess Lottery Revenue Fund</td>
<td>328,571</td>
<td>353,046</td>
</tr>
<tr>
<td>Total Required Statutory and Budgetary Distributions</td>
<td>496,338</td>
<td>561,357</td>
</tr>
<tr>
<td>Veterans Instant Ticket Fund</td>
<td>511</td>
<td>512</td>
</tr>
</tbody>
</table>

#### Other racetrack video lottery distributions:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism Promotion Fund</td>
<td>175</td>
<td>7,578</td>
</tr>
<tr>
<td>Development Office Promotion Fund</td>
<td>47</td>
<td>2,067</td>
</tr>
<tr>
<td>Research Challenge Fund</td>
<td>64</td>
<td>2,756</td>
</tr>
<tr>
<td>Capitol Renovation and Improvement Fund</td>
<td>88</td>
<td>3,789</td>
</tr>
<tr>
<td>Parking Garage Funds</td>
<td>8</td>
<td>844</td>
</tr>
<tr>
<td>Cultural Facilities and Capitol Resources Fund</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td>Capitol Dome and Capitol Improvements Fund</td>
<td>128</td>
<td>3,511</td>
</tr>
<tr>
<td>Workers Compensation Debt Reduction Fund</td>
<td>-</td>
<td>11,000</td>
</tr>
<tr>
<td></td>
<td>510</td>
<td>33,045</td>
</tr>
</tbody>
</table>

#### Table games distributions:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Debt Reduction Fund</td>
<td>1,765</td>
<td>24,702</td>
</tr>
</tbody>
</table>

#### Historic resort hotel distributions:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Revenue Fund</td>
<td>148</td>
<td>2,135</td>
</tr>
<tr>
<td>State Debt Reduction Fund</td>
<td>44</td>
<td>635</td>
</tr>
<tr>
<td>Tourism Promotion Fund</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>199</td>
<td>2,870</td>
</tr>
</tbody>
</table>

Total nonoperating distributions to the State of West Virginia (cash basis) 499,323 622,486

Accrued nonoperating distributions, beginning of year (114,914) (239,035)

Accrued nonoperating distributions, end of year 123,920 114,914

Total nonoperating distributions to the State of West Virginia $ 508,329 $ 498,365

### 12 - LEGISLATIVE IMPACT ON FINANCIAL REPORTING

The West Virginia Legislature enacted House Bill 101(H.B.101) during the first extraordinary session of 2014, which included a modification to the allocation of commissions and distributions from certain Lottery operations. Certain revenues previously distributed to specified entities pursuant to statutory direction with residual amounts being deposited in either the State Lottery Fund or the State Excess Lottery Revenue Fund are now deposited directly to the State Excess Lottery Revenue Fund under H.B.
12 - LEGISLATIVE IMPACT ON FINANCIAL REPORTING (Continued)

101 and are available for appropriation by the West Virginia Legislature. H.B. 101 was effective for the year ended June 30, 2015 modifying the amounts deposited for: (i) certain video lottery net terminal income (Note 7), (ii) table games adjusted gross receipts (Note 9) from the State’s four racetrack casinos; and (iii) certain gross terminal income and certain net income from the Historic Resort Hotel (Note 10). The effect of this legislation increased gross profit (by reducing commissions) and increased nonoperating expenses by approximately $4,615,000 for the year ended June 30, 2015. H.B. 101 had no effect on reported net income for the year ended June 30, 2015.

13 - RESTRICTED NET POSITION

Beginning in the year ended June 30, 2006, the West Virginia Legislature set aside certain unexpended administrative funds of the Lottery for the design and construction of a building in the West Virginia Capitol Complex to be used by the Lottery and certain other State of West Virginia entities. During the year ended June 30, 2010, the Legislature approved the use of these funds to purchase and improve an existing building. The building was acquired and improvements have been substantially completed. The unexpended balance of these funds are reported as restricted net position. Restricted net position activity is as follows for the years ended June 30, 2015 and 2014 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning restricted net position</td>
<td>$ 1,397</td>
<td>$ 1,640</td>
</tr>
<tr>
<td>Acquisition of assets in accordance with enabling legislation</td>
<td>(267)</td>
<td>(243)</td>
</tr>
<tr>
<td>Ending restricted net position</td>
<td>$ 1,130</td>
<td>$ 1,397</td>
</tr>
</tbody>
</table>

14 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible and required to participate in the West Virginia Public Employees’ Retirement System (PERS). The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement Board (CPRB). The CPRB issues a publicly available financial report that includes financial statements for PERS that can be obtained at www.wvretirement.com

Plan Description

PERS is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system.

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.
14 - RETIREMENT BENEFITS (Continued)

Contributions

Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. State and non-state governmental employers’ contribution rates were 14.0%, 14.5% and 14.0% of covered employees’ annual earnings for fiscal years ending June 30, 2015, 2014 and 2013, respectively. Contribution rates for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contribution rates for employers are established by the Legislature. Although contributions are not actuarially determined, actuarial valuations are performed to assist the legislature in establishing appropriate contribution rates for employers. Contributions to the pension plan from the Lottery were $1,039,330, $1,075,233 and $1,072,160 for the year ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Lottery reported a liability of $2,035,113 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, rolled forward to the measurement date of June 30, 2014 using the actuarial assumptions and methods described in the Actuarial Assumptions section of this note. The Lottery’s proportion of the net pension liability was based on the Lottery’s share of contributions to the pension plan relative to the contributions of all participating plan employers for the year ended June 30, 2014. At June 30, 2014, the Lottery’s proportion was 0.55 percent, which is an increase of .01 from its proportion as of June 30, 2013.

For the year ended June 30, 2015, the Lottery recognized pension expense of $250,154. At June 30, 2015, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net difference between projected and actual earnings on pension plan investments</td>
<td>$</td>
<td>$2,152,870</td>
</tr>
<tr>
<td>Changes in proportion and differences between Lottery contributions and proportionate share of contributions</td>
<td>59,990</td>
<td>-</td>
</tr>
<tr>
<td>Lottery contributions made subsequent to the measurement date of June 30, 2014</td>
<td>1,039,330</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,099,320</td>
<td>$2,152,870</td>
</tr>
</tbody>
</table>

The $1,039,330 reported as deferred outflows of resources related to pensions resulting from Lottery contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30:</th>
<th>Deferred Outflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ (519,872)</td>
</tr>
<tr>
<td>2017</td>
<td>(519,872)</td>
</tr>
<tr>
<td>2018</td>
<td>(519,872)</td>
</tr>
<tr>
<td>2019</td>
<td>(533,264)</td>
</tr>
</tbody>
</table>
WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS

(Continued)

14 - RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.2 percent
- Salary increases: 4.25 - 6.0 percent, average, including inflation
- Investment rate of return: 7.5 percent, net of pension plan investment expense

Mortality rates were based on the 1983 GAM for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of the plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of the plan. Although discount rates are subject to change between measurement dates, there were no changes in the current period.

Regarding the sensitivity of the net pension liability to changes in the discount rate, the following table presents the Lottery's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as what the Lottery's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

<table>
<thead>
<tr>
<th>Net Pension Liability (Asset)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease (6.5%)</td>
<td>$ 5,750</td>
</tr>
<tr>
<td>Current Discount Rate (7.5%)</td>
<td>$ 2,035</td>
</tr>
<tr>
<td>1% Increase (8.5%)</td>
<td>$ (1,131)</td>
</tr>
</tbody>
</table>

15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required
15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description (Continued)

supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia, 25304-2345, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is $389 and $270 per employee per month for the years ending June 30, 2015 and 2014, respectively. The Lottery’s ARC was $600,469, $447,726, and $445,479 and the Lottery has paid premiums of $287,861, $317,690, and $332,615, which represent 47.9%, 71.0%, and 74.7% of the ARC, respectively, for the years ending June 30, 2015, 2014, and 2013. As of June 30, 2015, 2014, and 2013, the Lottery has recorded a liability of $4,631,089, $4,318,481, and $4,188,445, respectively, for OPEB.

16 - LEASING ACTIVITY

The Lottery leases, under cancelable operating leases, various office spaces for field operations. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal years ended June 30, 2015 and 2014 approximated $271,181 and $267,083 respectively.

The Lottery is a lessor of certain office space under the terms of cancellable operating leases to various tenants. Rental revenues for the years ended June 30, 2015 and 2014 were $734,211 and $1,423,729, respectively.

17 - COMMITMENTS

The Lottery Commission has designated unexpended administrative funds from various fiscal years for the acquisition of capital assets. As of June 30, 2015 and 2014, $8,416,061 and $7,653,177, respectively, are included in unrestricted net position for this purpose.

18 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia and other providers. Each of the state administered risk pools have issued separate audited financial reports on their operations. Those reports include the required supplementary information regarding the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual risk pools can be obtained directly from their respective administrative offices.
18 - RISK MANAGEMENT (Continued)

Public Employees’ Insurance Agency (PEIA)

The Lottery participates in the Public Employees Insurance Agency (PEIA) which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage, as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to $1 million for lifetime for health and $10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

Board of Risk and Insurance Management (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a risk pool currently operating as a risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first $1 million per property event and purchases excess insurance on losses above that level. Excess coverage through an outside insurer under this program is limited to $200 million per event, subject to limits on certain property. BRIM has $1 million per occurrence coverage maximum on all third-party liability claims. During the year ended June 30, 2014, no changes in coverage were made and paid claims did not exceed coverage.

Workers Compensation Insurance

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

19 - CONTINGENCIES

The Lottery is involved in certain claims and legal actions arising from the ordinary course of conducting business. Although the outcome of these claims and legal actions are presently indeterminable; it is the opinion of the Lottery’s management, after a review of legal activities, that no adjustments to the financial statements are warranted and that any resolution of outstanding claims or legal actions are not expected to have a material adverse effect on the accompanying financial statements.
20 - EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Lottery management has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued three statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of Statements No. 73 and 74 are effective for financial statements for periods beginning after June 15, 2016, and the provisions of Statement No. 75 are effective for periods beginning after June 15, 2017. Lottery management has not determined the effect, if any, these statements will have on its financial statements.

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governments. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Lottery management has not determined the effect, if any, this statement will have on its financial statements.
REQUIRED SUPPLEMENTARY INFORMATION
THE WEST VIRGINIA LOTTERY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(In Thousands)

Public Employees Retirement System Plan

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery's proportion (percentage) of the net pension liability</td>
<td>0.55%</td>
</tr>
<tr>
<td>Lottery's proportionate share of the net pension liability</td>
<td>$2,035</td>
</tr>
<tr>
<td>Lottery's covered employee payroll</td>
<td>$7,415</td>
</tr>
<tr>
<td>Lottery's proportionate share of the net pension's liability</td>
<td></td>
</tr>
<tr>
<td>as a percentage of its covered employee payroll</td>
<td>27.44%</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of the total pension liability</td>
<td>93.98%</td>
</tr>
</tbody>
</table>

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.
### THE WEST VIRGINIA LOTTERY

**SCHEDULE OF CONTRIBUTIONS TO THE PERS**  
(In Thousands)

<table>
<thead>
<tr>
<th>Years Ended June 30</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutorily required contribution</td>
<td>$1,039</td>
<td>$1,075</td>
<td>$1,072</td>
</tr>
<tr>
<td>Contributions in relation to the statutorily required contribution</td>
<td>1,039</td>
<td>1,075</td>
<td>1,072</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lottery's covered employee payroll</td>
<td>$7,421</td>
<td>$7,415</td>
<td>$7,658</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>14.00%</td>
<td>14.50%</td>
<td>14.00%</td>
</tr>
</tbody>
</table>

See Independent Auditor's Report and accompanying Note to Required Supplementary Information.
1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Lottery’s proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

West Virginia Lottery Commission
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the West Virginia Lottery (the Lottery), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lottery’s basic financial statements, and have issued our report thereon dated September 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Lottery’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charleston, West Virginia
September 29, 2015
APPENDIX D

FORM OF THE PRINCIPAL BOND DOCUMENTS
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

and

THE BANK OF NEW YORK MELLON,

as Trustee

MASTER TRUST INDENTURE

Dated as of August 1, 2008

School Building Authority of West Virginia
Excess Lottery Revenue Bonds
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MASTER TRUST INDENTURE

This MASTER TRUST INDENTURE, dated as of August 1, 2008 (this "Master Trust Indenture"), between the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA, a public corporation created under the laws of the State of West Virginia (the "Authority"), and THE BANK OF NEW YORK MELLON, a banking corporation duly organized and validly existing under the laws of the State of New York and duly authorized to exercise corporate trust powers under the laws of the State of West Virginia and qualified to accept and administer the trusts hereby created, as Trustee (together with any successor under Article VIII hereof, hereinafter referred to as the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a public corporation validly formed and existing pursuant to Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the "School Building Authority Act"); and

WHEREAS, the Authority is empowered and authorized by the provisions of the School Building Authority Act and Chapter 29, Article 22 of the Code of West Virginia, 1931, as amended (the "Lottery Act" and together with the School Building Authority Act, collectively the "Act") among other things, in furtherance of the public purposes set forth in the Act, to issue its excess lottery revenue bonds for the purpose of financing the costs of acquiring, constructing, equipping or improving public schools in the State of West Virginia, or to refund, at the discretion of the Authority, bonds issued and outstanding under and pursuant to the provisions of the Act and this Master Trust Indenture; and

WHEREAS, the Lottery Act establishes a state-operated lottery (the "State Lottery") and provides for the appointment of a director thereof (the "Lottery Director"); and

WHEREAS, Section 18a of the Lottery Act provides for the allocation of a certain amount of net profits of the State Lottery (the "State Excess Lottery Revenues") to the Excess Lottery School Building Debt Service Fund, a special revenue fund created and existing in the State Treasury, which the Authority shall pledge to repayment of the principal, interest and redemption premium, if any, of revenue bonds authorized to be issued pursuant to Section 18a of the Lottery Act; and

WHEREAS, Section 18 of the Lottery Act provides that any and all remaining funds in the State Lottery Fund, a special revenue fund created and existing in the State Treasury, after first satisfying the requirements for funds dedicated to the School Building Debt Service Fund, the Education, Arts, Sciences and Tourism Debt Service Fund and the Community and Technical College Capital Improvement Fund, shall be made available to pay debt service in connection with any revenue bonds issued pursuant to Section 18a of the Lottery Act; and

WHEREAS, the Authority desires to issue, from time to time, its Excess Lottery Revenue Bonds to finance the acquisition, construction, equipping or improvement of public schools in the State of West Virginia, refunding all or a portion of any Series of Bonds issued hereunder, paying costs of issuance of such Bonds, or for such other purposes as may be permitted under the Act; and
WHEREAS, in order to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and any premium thereon, the Authority has authorized the execution and delivery of this Master Trust Indenture and proposes to issue and deliver Bonds hereunder; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Master Trust Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Master Trust Indenture have been in all respects duly authorized; and

WHEREAS, the Trustee has accepted the trusts created by this Master Trust Indenture, and in evidence thereof has executed this Master Trust Indenture;

NOW, THEREFORE, THIS MASTER TRUST INDENTURE WITNESSETH:

That in order to secure the payment of the principal of and premium, if any, and the interest on all Bonds at any time issued and outstanding under this Master Trust Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, the payment of all other amounts due under this Master Trust Indenture and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority has executed and delivered this Master Trust Indenture and by these presents does hereby convey, grant, assign, transfer, pledge, set over and confirm and grant a security interest in, unto the Trustee, its successor or successors and its or their assigns forever, for the benefit of the respective Holders from time to time of the Bonds, and the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any), as their respective interests may appear, with power of sale, all and singular the property, real and personal, herein sometimes referred to as the "Trust Estate") to wit:

**GRANTING CLAUSES**

**DIVISION I**

All right, title and interest of the Authority in and to the Pledged Revenues; and

**DIVISION II**

All moneys and securities from time to time held by the Trustee under and subject to the terms of this Master Trust Indenture and any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the Authority or by anyone on its behalf or with its written consent to the Trustee, including without limitation, funds of the Trustee as security for the Bonds.
EXCEPTED PROPERTY

THERE IS, HOWEVER, expressly excepted and excluded from the lien and operation of this Master Trust Indenture amounts held in the Purchase Fund (if any) established by Section 4.12 hereof and in the Rebate Fund (as such terms are hereinafter defined);

TO HAVE AND TO HOLD, all and singular, the properties and the rights and privileges hereby conveyed, assigned and pledged by the Authority or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and pro rata benefit and security of the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and each and every Holder of the Bonds issued and to be issued hereunder, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of one Bond over or from the others, by reason of priority in the issue or negotiation thereof, or for any other reason whatsoever, except as herein otherwise expressly provided, so that each and all of the Bonds shall have the same right, lien and privilege under this Master Trust Indenture and shall be equally secured hereby;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Authority or its successors or assigns shall well and truly pay or cause to be paid the principal of the Bonds with interest, according to the provisions set forth in the Bonds and each of them or shall provide for the payment or redemption of the Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article X hereof, and shall also pay or cause to be paid all other amounts payable hereunder by the Authority, then these presents and the estate and rights hereby granted shall cease, determine and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Authority and upon the payment of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Authority such instruments of satisfaction or release as may be necessary or proper to discharge this Master Trust Indenture, and if necessary shall grant, reassign and deliver to the Authority, its successors or assigns, all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Master Trust Indenture shall be and remain in full force.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all Bonds are to be issued, authenticated and delivered, and that all the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Authority, for itself and its successors, does hereby covenant and agree to and with the Trustee and its respective successors in said trust, for the benefit of those who shall hold the Bonds, or any of them, and the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any), as follows:
ARTICLE I
DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Master Trust Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined in this Master Trust Indenture, all terms used herein shall have the meanings assigned to such terms in the Act.

"Accountant" means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by the Authority.

"Act" means, collectively, the School Building Authority Act and the Lottery Act, as heretofore and hereafter amended or supplemented.

"Additional Bonds" means any Bonds issued, executed, authenticated and delivered pursuant to this Indenture, other than the initial Series of Bonds to be issued hereunder, to finance the costs of acquiring, constructing, equipping or improving Projects or for any other purpose permitted hereunder and by the Act.

"Alternate Rate" means (1) with respect to Bonds bearing interest in a Daily Mode, a Weekly Mode or a Unit Pricing Mode for an Interest Period of 30 days or less, an annual rate equal to the Municipal Swap Index, announced or published immediately prior to the date such Alternate Rate is determined; (2) with respect to Bonds bearing interest in a Unit Pricing Mode for an Interest Period of greater than 30 days or in a Term Rate Mode, an annual rate equal to 85% of the highest quoted yield on United States Government Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated, which yield was published in Form PD4262, Department of Treasury, Bureau of Public Debt, as most recently published prior to the date such Alternate Rate is determined and (3) with respect to Bonds in a Term Rate Mode, an annual rate equal to 85% of LIBOR with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated.

"Authority" means the School Building Authority of West Virginia, a public corporation created under the laws of the State of West Virginia, and its successors and assigns.

"Authority Purchase Account" means the account by that name within the Purchase Fund established pursuant to Section 4.12 hereof.

"Authorized Denominations" means denominations of (i) $25,000 and any integral multiple thereof with respect to Bonds in an Indexed Mode or Stepped Coupon Mode, (ii) $100,000 and any integral multiple of $5,000 in excess thereof with respect to Bonds in the Daily Mode, the Weekly Mode or the Unit Pricing Mode, and (iii) $5,000 and any integral multiple thereof, with respect to Bonds in the Term Rate Mode or the Fixed Rate Mode.
“Available Moneys” shall mean (i) moneys which have been on deposit with the Trustee for at least 123 days during which time no petition by or against the Authority under any bankruptcy act or under any similar act that may be hereafter enacted shall have been filed unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal, (ii) amounts drawn under the Credit Facility (if any), (iii) moneys, including the proceeds of obligations issued for the purpose of refunding all or a portion of the Bonds, as to which there shall have been delivered to the Bond Trustee a Favorable Opinion of Bankruptcy Counsel, (iv) proceeds of the Bonds, and (v) any investment thereof and the proceeds from the investment thereof.

“Bond Counsel” means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Authority, and not objected to by the Trustee or the Credit Facility Provider (if any).

“Bonds” means the Authority’s Excess Lottery Revenue Bonds, in one or more series, authorized to be issued by the Authority pursuant to the terms and conditions of this Master Trust Indenture and the Supplemental Indentures hereto.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of West Virginia, the State of New York or in any state in which the office of the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Remarketing Agent (if any), the Tender Agent (if any) or the Trustee is located are authorized by law to close and on which such entity is in fact closed or a day on which the New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by the President, Vice President or such other person as may be designated and authorized to sign for the Authority and designated by the President or Vice President in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

“Closing Date” means the date of the initial issuance and delivery of a Series of Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of August 20, 2008, between the Secretary of the Department of Administration of the State of West Virginia, acting on behalf of the Authority, and the Trustee, with respect to the Bonds, as amended or supplemented.
"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and its counsel, the Remarketing Agent (if any), the Tender Agent (if any) and their respective counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 3.02 hereof.

"Credit Facility" means, with respect to a Series of Bonds, a letter of credit, including, if applicable, a confirming letter of credit, bond insurance policy or similar credit facility issued by a commercial bank, savings institution, insurer or other financial institution which, by its terms, shall secure the payment of the principal of and interest on such Series of Bonds when due, delivered to the Trustee in accordance with the provisions of a Supplemental Indenture providing for the issuance of such Series of Bonds, including a Substitute Credit Facility.

"Credit Facility Provider" means the commercial bank, savings institution, insurer or other financial institution issuing a Credit Facility with respect to a Series of Bonds as specified in a Supplemental Indenture providing for the issuance of such Series of Bonds.

"Current Mode" shall have the meaning specified in Section 2.11 hereof.

"Daily Mode" means the Mode during which Bonds bear interest at the Daily Rate.

"Daily Rate" means an interest rate that is determined on each Business Day with respect to any Series of Bonds in the Daily Mode pursuant to Section 2.06(B) hereof.

"Debt Service" means the Principal Installment and interest due on any Series of Bonds for any given period.

"Debt Service Reserve Fund" means the fund by that name established pursuant to Section 5.06 hereof.

"Depository Participant" means a member of, or participant in, the Securities Depository.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

"Eligible Bonds" means any Bonds other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the Authority.

"Event of Default" means any of the events specified in Section 7.01 hereof.
“Excess Lottery School Building Debt Service Fund” means the special revenue fund created in the State treasury pursuant to Section 18a of the Lottery Act.

“Expiration Date” means (i) the date upon which a Liquidity Facility or a Credit Facility for a Series of Bonds is scheduled to expire (taking into account any extensions of such Expiration Date) in accordance with its terms without regard to any early termination thereof; (ii) the date upon which a Liquidity Facility terminates following voluntary termination by the Authority in accordance with the provisions of the applicable Supplemental Indenture and (iii) the date upon which a Credit Facility terminates following voluntary termination by the Authority in accordance with the provisions of the applicable Supplemental Indenture.

“Favorable Opinion of Bankruptcy Counsel” means an Opinion of Counsel addressed to the Authority, the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any) and the Credit Provider (if any) from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no Bondholder is an “insider,” as defined in the United States Bankruptcy Code), to the effect that the use of particular moneys or securities proposed to be treated as Available Moneys to pay the principal or Purchase Price of, or interest or any premium on, the Bonds would not constitute a voidable preferential payment in the event of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by the Authority under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect.

“Fiscal Year” means a twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted as the Fiscal Year of the Authority.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), and the Trustee.

“Fixed Rate” means the fixed interest rate or rates on Bonds determined pursuant to Section 2.08 and 2.11(B) hereof.

“Fixed Rate Bonds” means a Series of Bonds during the Fixed Rate Mode with respect to such Series.

“Fixed Rate Mode” means the Mode during which Bonds bear interest at a Fixed Rate.

“Fixed Rate Period” means the period from the date Bonds are converted to a Fixed Rate Mode to the Maturity Date of such Bonds.

“Holder” or “Bondholder,” when used with respect to a Bond, means the Person in whose name such Bond is registered.

“Indexed Mode” means the Mode during which the Bonds bear interest at the Indexed Rate.
"Indexed Rate" means an interest rate that is determined with respect to the Bonds in the Indexed Mode pursuant to Section 2.07(D) hereof; provided, however, that the Indexed Rate shall never exceed the Maximum Rate.

"Interest Fund" means the fund by that name established pursuant to Section 5.03 hereof.

"Interest Payment Date" means:

(a) with respect to Bonds in a Daily Mode or a Weekly Mode, the first Business Day of each month;

(b) with respect to Bonds in a Unit Pricing Mode (i) with an Interest Period of 180 days or less, the Purchase Date, and (ii) with an Interest Period of 181 days or more, the first Business Day of the sixth calendar month following the month in which the change in Mode occurs and the Purchase Date;

(c) with respect to Bonds in a Term Rate Mode, the first March 1 or September 1 following the month in which the conversion to the Term Rate Mode occurs, each March 1 and September 1 thereafter and the Purchase Date;

(d) with respect to Bonds in the Fixed Rate Mode, the first March 1 or September 1 following the month in which the conversion to the Fixed Rate Mode occurs and each March 1 and September 1 thereafter;

(e) any Mode Change Date;

(f) with respect to Bonds in an Indexed Mode, each March 1 or September 1 or such other dates determined by the Remarketing Agent (if any) pursuant to Section 2.07(D) hereof;

(g) with respect to Bonds in a Stepped Coupon Mode, each March 1 or September 1 or such other dates determined by the Remarketing Agent (if any) pursuant to Section 2.07(E) hereof;

(h) any Mandatory Purchase Date;

(i) the respective Maturity Dates of the Bonds; and

(j) with respect to Liquidity Facility Bonds, if applicable, the dates set forth in the Reimbursement Agreement (if any).

"Interest Payment Period" means the period commencing on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original issuance of the Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid.
“Interest Period” means the period of time that an interest rate remains in effect, which period:

(a) with respect to Bonds in a Daily Mode, commences on a Business Day and extends to, but does not include, the next succeeding Business Day;

(b) with respect to Bonds in a Weekly Mode, commences on the first day such Bonds begin to accrue interest in the Weekly Mode and ends on the next succeeding Wednesday, and thereafter commences on each Thursday and ends on Wednesday of the following week;

(c) with respect to Bonds in a Unit Pricing Mode, shall be established by the Remarketing Agent (if any) pursuant to Section 2.05 hereof;

(d) with respect to Bonds in an Indexed Mode, commences on the first day Bonds begin to accrue interest in the Indexed Mode and ends on the day prior to the final Maturity Date of the Bonds;

(e) with respect to Bonds in a Stepped Coupon Mode, commences on the first day Bonds begin to accrue interest in the Stepped Coupon Mode and ends on the day prior to the final Maturity Date of the Bonds;

(f) with respect to Bonds in a Term Rate Mode, initially, shall be from and including the Mode Change Date to, but not including, the Purchase Date established pursuant to Section 2.07(C) hereof and thereafter shall be from and including such Purchase Date to but not including the next Purchase Date; and

(g) with respect to Bonds in a Fixed Rate Mode, shall be the Fixed Rate Period.

“Interested Parties” means the Authority, the Trustee, the Tender Agent (if any), the Paying Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any) and the Holders.

“Investment Securities” means the investments specifically set forth for each Series of Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“LIBOR” means the London Interbank Offered Rate for deposits in U.S. dollars with a one month maturity that appears on Reuters Screen LIBOR 01 page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for purpose of displaying London Interbank Offered Rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Rate Determination Date.

“Liquidity Facility” means, with respect to a Series of Bonds, a the standby bond purchase agreement, letter or line of credit or similar liquidity facility issued by a Liquidity Facility Provider which, by its terms, provides for the payment of the Purchase Price of a Series of Bonds tendered and not remarshaled, delivered to the Trustee in accordance with the provisions of a Supplemental Indenture providing for the issuance of such Series of Bonds, including a Substitute Liquidity Facility.
“Liquidity Facility Bond Rate” means the interest rate(s) applicable from time to time to Liquidity Facility Bonds as determined in accordance with the applicable Liquidity Facility or Substitute Liquidity Facility.

“Liquidity Facility Bond Sale Date” means the day on which a Liquidity Facility Bond ceases to be a Liquidity Facility Bond.

“Liquidity Facility Bonds” means Bonds purchased by a Liquidity Facility Provider pursuant to a Liquidity Facility, but excluding Bonds no longer considered Liquidity Facility Bonds pursuant to the terms of such Liquidity Facility.

“Liquidity Facility Deposit Account” means the account by that name within the Purchase Fund established pursuant to Section 4.12 hereof.

“Liquidity Facility Event of Default” means (i) a wrongful failure by the Liquidity Facility Provider to honor its obligation to purchase Bonds under a Liquidity Facility or (ii) the institution of bankruptcy, receivership, liquidation or similar proceedings by or against the Liquidity Facility Provider, if not dismissed or stayed within 60 days.

“Liquidity Facility Failure Purchase Date” means the first Interest Payment Date which is at least 90 days subsequent to the date on which a Liquidity Facility Event of Default occurred.

“Liquidity Facility Provider” means any commercial bank, savings institution, insurer or other financial institution issuing a Liquidity Facility with respect to a Series of Bonds as specified in a Supplemental Indenture providing for the issuance of such Series of Bonds.

“Lottery Act” means Article 22 of Chapter 29 of the Code of West Virginia, 1931, as heretofore and hereafter amended or supplemented.

“Mandatory Purchase Date” means: (1) any Purchase Date for Bonds in the Unit Pricing Mode or the Term Rate Mode; (2) any Mode Change Date; and (3) unless the provisions of Section 4.10 hereof are satisfied, any Termination Date, Substitute Liquidity Facility Date, Substitute Credit Facility Date or the second Business Day preceding the Expiration Date.

“Mandatory Sinking Account Payment” means the amount required by Section 5.04 hereof to be paid by the Trustee on any single date for the retirement of Bonds.

“Master Documents” means the Master Trust Indenture and all Supplemental Indentures.

“Master Trust Indenture” means this Master Trust Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Maturity Date” means, with respect to a Series of Bonds, the maturity date of such Series of Bonds as set forth in the Supplemental Indenture providing for the issuance of such
Series of Bonds, or with respect to any Series of Bonds upon change to the Fixed Rate Mode, such maturities determined pursuant to Section 2.08 hereof.

"Maximum Annual Debt Service" means an amount equal to the maximum Principal Installment and interest due in the calendar year of calculation or any subsequent calendar year on all Bonds Outstanding.

"Maximum Rate" means for any Bond, the lesser of (a) 12% per annum, (b) the maximum interest rate permitted by law, and (c) with respect to Bonds in the Daily Mode, the Weekly Mode and the Unit Pricing Mode, the maximum interest rate provided by the Liquidity Facility (if any) to pay tenders of such Bonds.

"Mode" means, as the context may require, the Unit Pricing Mode, the Daily Mode, the Weekly Mode, the Indexed Mode, the Stepped Coupon Mode, the Term Rate Mode or the Fixed Rate Mode.

"Mode Change Date" means, with respect to any Series of Bonds, the day following the last day of one Mode for such Series of Bonds on which another Mode begins.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Trustee.

"Municipal Swap Index" means The Securities Industry and Financial Markets Association Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "Municipal Swap Index" shall mean such other reasonably comparable index selected by the Authority.

"New Mode" shall have the meaning specified in Section 2.12 hereof.

"No Adverse Effect Opinion" means an Opinion of Bond Counsel, addressed to the Authority, the Trustee and any Remarketing Agent, Liquidity Facility Provider or Credit Facility Provider to the effect that a certain action or combination of actions, or the failure to take a certain action or combination of actions, (i) is authorized or permitted in the case of an action or actions to be taken, or will not constitute a breach of or default in the case of the failure to take an action or actions, under the instrument pursuant to which the opinion is to be delivered, taking into account any consent or waiver provided by a party entitled to give or withhold consent or to grant a waiver, and (ii) will not, in and of itself or themselves, affect adversely either (a) the validity of the Bonds, or (b) any then applicable exclusion of interest on the Bonds from gross income of Bondholders for federal income tax purposes or any then applicable exemption of interest on the Bonds from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code.
“Non-Remarketing Period” has the meaning specified in Section 2.07(A) hereof.

“Opinion of Bond Counsel” means a written opinion of counsel that is recognized as expert in matters pertaining to the validity of debt obligations issued by states and political subdivisions.

“Opinion of Counsel” means a written opinion of counsel selected by the Authority and to which the Trustee, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) do not object. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

“Optional Redemption Account” means the account by that name within the Redemption Fund established pursuant to Section 5.05 hereof.

“Outstanding,” when used as of any particular time with reference to a Series of Bonds, means (subject to the provisions of Section 11.09 hereof) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Master Trust Indenture except: (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02 hereof, including Bonds (or portions of Bonds) referred to in Section 11.10 hereof; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Master Trust Indenture.

“Paying Agent” means, with respect to a Series of Bonds, the bank or banks, if any, designated pursuant to a Supplemental Indenture authorizing the issuance of such Series of Bonds to receive and disburse the principal of and interest on the Bonds.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledged Revenues” means all amounts contained in the Excess Lottery School Building Debt Service Fund, and all income and receipts on the funds and accounts held by the Trustee hereunder (but not including any moneys required to be deposited in the Rebate Fund or the Purchase Fund (if any)).

“Principal Corporate Trust Office” means the office of the Trustee at 385 Rifle Camp Road, 3rd Floor, West Paterson, New Jersey 07424.

“Principal Fund” means the fund by that name established pursuant to Section 5.04 hereof.

“Principal Installment” means, as of any date of calculation, so long as any Series of Bonds are Outstanding, (i) the principal amount of Bonds due on a certain future date for which no Mandatory Sinking Account Payment has been made or (ii) the unsatisfied balance on any such Mandatory Sinking Account Payment due on a certain future date for Bonds, in a principal amount equal to said unsatisfied balance on such Mandatory Sinking Account Payment.
"Principal Payment Date" means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

"Project" means a "construction project" within the meaning of the School Building Authority Act, as described more particularly in any Supplemental Indenture hereto providing for the issuance of a Series of Bonds.

"Project Fund" means the fund by that name established pursuant to Section 3.03 hereof.

"Purchase Date" means with respect to Bonds (i) during the Unit Pricing Mode, the Business Day following the end of each Interest Period, (ii) during the Term Rate Mode, the Business Day following the end of each Interest Period, and (iii) during the Daily Mode or the Weekly Mode, a Business Day for which notice of tender as required by this Master Trust Indenture has been given.

"Purchase Fund" means, if applicable, the fund by that name established pursuant to Section 4.12 hereof.

"Purchase Price" means (i) an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode or the Weekly Mode, accrued and unpaid interest thereon, if any, to the Purchase Date, or (ii) an amount equal to the principal amount of any Bonds purchased on a Mandatory Purchase Date, plus accrued and unpaid interest thereon, if any, to the Mandatory Purchase Date.

"Rate Determination Date" means the date on which the interest rate(s) with respect to some or all of the Bonds shall be determined, which, (i) in the case of the Unit Pricing Mode, shall be the first day of each Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day such Bonds become subject to the Daily Mode; (iii) in the case of conversion to the Weekly Mode, shall be, initially upon the conversion to such Mode, no later than the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, the Business Day immediately preceding such Wednesday; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than 30 Business Days and no later than the Business Day immediately preceding the first day of each Interest Period, as selected by the Remarketing Agent; and (v) in the case of the Indexed Mode, the Stepped Coupon Mode and the Fixed Rate Mode, shall be a date determined by the Remarketing Agent (if any) which shall be at least one Business Day prior to the Mode Change Date.


"Rating Category" means one of the general rating categories of the Rating Agencies without regard to any refinement or graduation of such rating category by numerical modifier or otherwise.

"Rebate Fund" means the fund by that name established pursuant to Section 5.08 hereof.
"Record Date" means (i) with respect to Bonds in the Unit Pricing Mode, Daily Mode or Weekly Mode, the day (whether or not a Business Day) immediately preceding each Interest Payment Date and (ii) with respect to Bonds in an Indexed Mode, a Stepped Coupon Mode, a Term Rate Mode or a Fixed Rate Mode, the last day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"Redemption Price" means, with respect to any Bond (or portion thereof), the price to be paid upon redemption as set forth in Article IV of this Master Trust Indenture.

"Reimbursement Agreement" means any agreement between the Authority and a Credit Facility Provider or Liquidity Facility Provider pursuant to which a Credit Facility or Liquidity Facility is issued, as amended, supplemented or extended from time to time in accordance with the provisions thereof.

"Remarketing Agent" means, in connection with a Series of Bonds, any remarketing agent appointed in accordance with Sections 4.13 hereof and 4.14 hereof by the Authority in a Supplemental Resolution authorizing the issuance of such Series of Bonds and not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and at the time serving as such under a Remarketing Agreement.

"Remarketing Agreement" means, with respect to a Series of Bonds, a remarketing agreement between the Authority and the Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Holders thereof, subject to approval by the Credit Facility Provider (if any).

"Remarketing Proceeds Account" means, if applicable, the account by that name within the Purchase Fund established pursuant to Section 4.12 hereof.

"Required Stated Amount" means, at any time of calculation with respect to any Bonds in the Daily Mode, the Weekly Mode or the Unit Pricing Mode, an amount equal to the aggregate principal amount of all Bonds then Outstanding, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a Certificate of the Authority to be the minimum period specified by the Rating Agencies then rating the Bonds as necessary to maintain in the case of the Liquidity Facility (if any), the short-term rating of the Bonds, or, in the case of the Credit Facility (if any), the long term rating of the Bonds.

"Reserve Fund Credit Facility" means any Credit Facility deposited to the credit of the Debt Service Reserve Fund as permitted by Section 5.06 hereof, the senior unsecured debt securities or securities secured by guarantees of the Credit Facility Provider of which are rated at least "AA" (or the equivalent) by one or more of the Rating Agencies.

"Reserve Fund Requirement" means, for each Series of Bonds for which a Debt Service Reserve Fund is required under the Supplemental Indenture providing for the issuance of such Series of Bonds, the maximum annual debt service on such Series of Bonds at the time of issuance of the Bonds.
"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Trustee.

"School Building Authority Act" means Chapter 18, Article 9D of the Code of West Virginia, 1931, as heretofore and hereafter amended or supplemented.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.20 hereof, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Series" means, when used with respect to the Bonds, all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter authenticated and delivered upon a transfer or exchange or in lieu of or in substitution for such Bonds as herein provided.

"Special Record Date" means the date established by the Trustee pursuant to Section 2.02 hereof as a record date for the payment of defaulted interest on the Bonds.

"Special Redemption Account" means the account by that name within the Redemption Fund established pursuant to Section 5.04 hereof.

"State" means the State of West Virginia.

"State Excess Lottery Revenues" means such funds as may be deposited in and credited to, pursuant to Section 18a of the Lottery Act, the State Excess Lottery Revenue Fund.

"State Excess Lottery Revenue Fund" means the special revenue fund created in the State Treasury pursuant to Section 18a of the Lottery Act.

"State Legislature" means the legislature of the State.

"State Lottery" means the State-operated lottery established by the Lottery Act.

"State Lottery Fund" means the special revenue fund created in the State Treasury pursuant to Section 18 of the Lottery Act.

"Stepped Coupon Mode" means the Mode during which the Bonds bear interest at the Stepped Coupon Rate.

"Stepped Coupon Rate" means an interest rate that is determined with respect to the Bonds pursuant to Section 2.08(E) hereof; provided, however that the Stepped Coupon Rate shall never exceed the Maximum Rate.
“Substitute Credit Facility” means a Credit Facility after the initial Credit Facility delivered to the Trustee by the Authority in connection with a Series of Bonds.

“Substitute Credit Facility Date” means the date of delivery to the Trustee of a Substitute Credit Facility by the Authority.

“Substitute Liquidity Facility” means a Liquidity Facility after the initial Liquidity Facility delivered to the Trustee by the Authority in connection with a Series of Bonds.

“Substitute Liquidity Facility Date” means the date of delivery to the Trustee of a Substitute Liquidity Facility by the Authority.

“Supplemental Indenture” means any indenture amending or supplementing this Master Trust Indenture which may be entered into in accordance with the provisions of this Master Trust Indenture.

“Tax Agreement” means the Tax Certificate and Agreement, between and between the Authority and the Trustee each dated the date of issuance of any Series of Bonds hereunder.

“Tender Agent” means, with respect to a Series of Bonds, any tender agent appointed in accordance with Section 4.15 hereof in a Supplemental Resolution authorizing the issuance of such Series of Bonds.

“Term Rate” means the per annum interest rate with respect to any Series of Bonds in the Term Rate Mode determined pursuant to Section 2.07(A) hereof.

“Term Rate Mode” means the Mode during which Bonds bear interest at the Term Rate.

“Termination Date” means (a) the date specified in a notice of termination given by a Liquidity Facility Provider (if any) to the Trustee specifying the date on which such Liquidity Facility Provider will no longer be obligated to purchase Bonds (or otherwise advance funds for the purchase of tendered Bonds) pursuant to a Liquidity Facility, which date must be no more than 10 days from the date of receipt of such notice by the Trustee or (b) the date specified in a notice given by a Credit Facility Provider (if any) to the Trustee specifying the date on which the Bonds will be subject to the mandatory tender following an event of default under the Reimbursement Agreement relating to such Credit Facility, which date must be no more than 10 days after the date of receipt of such notice by the Trustee.

“Trust Estate” has the meaning set forth in the preambles of this Master Trust Indenture.

“Trustee” means The Bank of New York Mellon, a banking corporation duly organized and existing under the laws of the State of New York and duly authorized to exercise corporate trust powers under the laws of the State of West Virginia, or its successor, as Trustee hereunder as provided in Section 8.01 hereof.

“Unit Pricing Mode” means the Mode during which Bonds bear interest at the Unit Pricing Rate.

“Unit Pricing Rate” means the per annum interest rate with respect to any Bond in the Unit Pricing Mode determined pursuant to Section 2.06 hereof.

“Weekly Mode” means the Mode during which a Series of Bonds bears interest at the Weekly Rate.

“Weekly Rate” means an interest rate that is determined on a weekly basis with respect to any Series of Bonds in the Weekly Mode pursuant to Section 2.07 hereof.

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Master Trust Indenture with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, such Person has made or caused to be made such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority may be based, insofar as it relates to legal, accounting or operational matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Master Trust Indenture, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

SECTION 1.03. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.
ARTICLE II

THE BONDS

SECTION 2.01. Authorization and Issuance of Bonds.

(A) There are hereby authorized to be issued from time to time Bonds of the Authority for the following purposes: (i) to pay for all or a portion of the costs of acquiring, constructing, equipping or improving projects for public schools in the State of West Virginia in accordance with the Act, or (ii) to refund, at the discretion of the Authority, bonds issued and outstanding under and pursuant to the provisions of the Act and this Master Trust Indenture. No Bonds may be issued under the provisions of this Master Trust Indenture except in accordance with this Article II and any Supplemental Indenture. Each Series of Bonds authorized to be issued under this Master Trust Indenture shall be designated “School Building Authority of West Virginia Excess Lottery Revenue Bonds.” The maximum aggregate face value of Bonds which may be executed, authenticated and delivered under this Master Trust Indenture for which moneys in the Excess Lottery School Building Debt Service Fund have been pledged as security pursuant to this Master Trust Indenture, together with bonds that have been issued by the Authority for which moneys in the School Building Debt Service Fund have been pledged as security therefor, is limited under the School Building Authority Act to $500,000,000.

(B) The Bonds may, if and when authorized by the Authority pursuant to one or more Supplemental Indentures, be issued in one or more Series, and such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Authority may determine. Each Bond shall bear upon its face the designation so determined for the Series for which it belongs.

(C) The issuance of Bonds under this Master Trust Indenture shall be authorized by a Supplemental Indenture executed and delivered at the time of or subsequent to the execution hereof which shall specify among other things the provisions concerning:

(i) The authorized principal amount, Series designation and the principal amount of Bonds of such Series of each maturity;
(ii) The purpose for which such Series of Bonds is being issued which shall be one or more of the purposes set forth in this Article II;

(iii) The date or dates and the maturity date or dates of the Bonds of such Series;

(iv) The initial interest rate or rates of the Bonds of such Series, the initial Mode of the Bonds of such Series and the interest payment dates therefor;

(v) The Paying Agent, if any, and the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series;

(vi) The form of the Bonds of such Series and of the Trustee’s certification of authentication;

(vii) The amounts to be delivered to the Trustee and deposited to the credit of the applicable funds and accounts created thereunder; and

(viii) Such other matters required to be determined in the Supplemental Indenture authorizing such Bonds, or other matters, not contrary to or inconsistent with this Master Trust Indenture, as the Authority may deem advisable or necessary in connection with the authorization, issuance, sale or delivery of such Series of Bonds.

(D) The Bonds shall bear interest from their respective dates and shall be issuable as registered bonds in Authorized Denominations. The Bonds, as initially issued, will be dated as of the Closing Date. Except as described in the next sentence, subsequently issued Bonds will be dated as of the later of the Closing Date or the most recent preceding Interest Payment Date therefore to which interest has been paid thereon. Bonds issued on an Interest Payment Date to which interest has been paid thereon will be dated as of such date. Interest on the Bonds will be payable on each Interest Payment Date thereof. The Trustee shall, to the extent it has such information, upon request, make the interest rate borne by the Bonds available to the Authority or any owner of the Bonds.

(E) This Master Trust Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds and the Credit Facility Provider (if any) as their respective interests may appear to secure the full payment of the principal of and interest and any premium on all of the Bonds, and the payment of all other amounts due under this Master Trust Indenture, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be delivered upon the receipt by the Trustee of:

(A) A copy of this Master Trust Indenture and an executed copy of the related Supplemental Indenture authorizing such Series of Bonds, certified by the Secretary of the Authority by which or pursuant to which the terms of the Series of Bonds are specified;
(B) A copy of the resolution of the Authority authorizing such Series, certified by the Secretary of the Authority;

(C) An Opinion of Bond Counsel to the effect that (i) such Supplemental Indenture has been duly and lawfully adopted and is in full force and effect; (ii) this Master Trust Indenture has been duly and lawfully authorized, executed and delivered by the Authority and is valid and binding upon and enforceable against, the Authority (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Master Trust Indenture creates the valid pledge which it purports to create of the Trust Estate, including the moneys and securities on deposit in any of the Funds established hereunder (other than the Purchase Fund (if any) and the Rebate Fund), subject to the application thereof to the purposes and on the conditions permitted by this Master Trust Indenture; and (iv) upon the execution and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with this Master Trust Indenture;

(D) A written order as to the authentication, registration and delivery of such Bonds and the application of the proceeds thereof, signed by duly authorized officer of the Authority;

(E) The amounts specified in the Supplemental Indenture for deposit to the credit of the applicable funds and accounts created thereunder;

(F) With respect to an issue of Additional Bonds for the purpose described in clause (A)(i) of Subsection 2.01 hereof, a Certificate of the Authority to the effect that (i) for the immediately preceding Fiscal Year, the State Excess Lottery Revenues equaled or exceeded 200% of the Maximum Annual Debt Service payable on all obligations (including the Additional Bonds then to be issued) payable from the Excess Lottery School Building Debt Service Fund, and (ii) the Maximum Annual Debt Service on all obligations (including the Additional Bonds then to be issued) payable from the Excess Lottery School Building Debt Service Fund does not exceed the maximum amount which may be allocated thereto pursuant to the Lottery Act;

(G) With respect to an issue of Additional Bonds for the purpose described in clause (A)(ii) of Subsection 2.01 hereof, a Certificate of the Authority to the effect that for each Fiscal Year the Maximum Annual Debt Service on the Additional Bonds then to be issued and any Bonds Outstanding does not exceed the maximum amount available for the payment of debt service under the Lottery Act; and

(H) Such further items required by the Supplemental Indenture pursuant to which such Series of Bonds is being issued.

SECTION 2.03. Denominations; Date; Maturity; Numbering. The Bonds shall be delivered in the form of fully registered Bonds in Authorized Denominations. The Bonds shall be registered initially in the name of “Cede & Co.,” as nominee of the Securities Depository and
shall be evidenced by one Bond for each Series of Bonds in the total aggregate principal amount of the Bonds of such Series. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.19 hereof. The Bonds shall be dated the Closing Date and shall mature (subject to prior redemption) on their respective Maturity Dates. Interest on the Bonds shall be calculated on the basis of (i) a 365- or 366-day year, as applicable, for the number of days actually elapsed, during a Unit Pricing Mode, a Daily Mode, a Weekly Mode or an Indexed Mode, and (ii) a 360-day year of twelve 30-day months during a Term Rate Mode, a Stepped Coupon Mode, or the Fixed Rate Mode. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given by first class mail to the Bondholders not less 10 days prior to such Special Record Date.

SECTION 2.04. Payment of Principal of and Interest on the Bonds.

(A) Except as may be otherwise provided for any Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series of Bonds, the principal and Redemption Price of and any premium on the Bonds shall be payable by check in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee. Interest on the Bonds shall be paid to the Person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date. Payment of the interest on (i) any Series of Bonds in a Daily Mode, a Weekly Mode or an Indexed Mode or any Bond in a Unit Pricing Mode shall be made by wire transfer in immediately available funds to an account within the United States of America designated by such Holder and (ii) any Series of Bonds in a Term Rate Mode, a Stepped Coupon Mode or a Fixed Rate Mode shall be made by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Holder. As long as Cede & Co. is the Holder of the Bonds, said principal, premium, if any, or Redemption Price and interest payments shall be made to Cede & Co. by wire transfer in immediately available funds. CUSIP number identification shall accompany all payments of principal, premium, if any, or Redemption Price and interest whether by check or by wire transfer. The principal of Liquidity Facility Bonds shall be paid as set forth in the Reimbursement Agreement relating to such Liquidity Facility Bonds.

(B) Interest on the Bonds shall be calculated in accordance with Sections 2.04, 2.05, 2.06, 2.07, 2.08 and 2.09 hereof and shall be payable on each Interest Payment Date for the immediately preceding Interest Payment Period. Notwithstanding the foregoing, Liquidity Facility Bonds shall bear interest at a rate per annum equal to the Liquidity Facility Bond Rate and interest on Liquidity Facility Bonds shall be payable as set forth in the Reimbursement Agreement relating to such Liquidity Facility Bonds. Additionally, anything herein to the contrary notwithstanding, in no event shall any Bond bear interest at a rate per annum in excess of the Maximum Rate.
SECTION 2.05. Initial Modes and Interest Rates; Change of Mode.

(A) For a Series of Bonds, the first Interest Period for the Bonds shall commence on the date of their original issuance (i.e., the Closing Date). The Bonds will bear interest initially at the rate and the Mode as provided in the Supplemental Indenture authorizing such Series of Bonds until converted to another Mode in accordance with the provisions of this Master Trust Indenture.

(B) At any given time, each Series of Bonds may operate in a different Mode from the other Series of Bonds. A Series of Bonds in any Mode, other than the Fixed Rate Mode, the Indexed Mode or the Stepped Coupon Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Within each Series, all Bonds must operate in the same Mode at the same time; provided, however, that while the Bonds of a Series are in a Unit Pricing Mode, such Bonds may bear interest at different rates at the same time provided that each individual Bond may bear only one rate during each Interest Period applicable to such Bond during a Unit Pricing Mode. (In the case where Bonds of the same maturity bear interest at different rates, the Remarketing Agent and the Trustee shall obtain separate CUSIP numbers or issue replacement Bonds in accordance with the provisions of this Master Trust Indenture in order to identify the holders of the Bonds bearing interest at different rates.) While Bonds of a Series are in the Daily Mode, Weekly Mode and Term Rate Mode, all such Bonds shall bear interest at the same interest rate at the same time. Subsequent to each change in Mode (other than a change to the Fixed Rate Mode, the Indexed Mode or the Stepped Coupon Mode), the Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. The Fixed Rate Mode, the Indexed Mode or the Stepped Coupon Mode for Bonds shall be in effect until the final Maturity Date of the Bonds and may not be changed to any other Mode.

SECTION 2.06. Determination of Unit Pricing Rates, Purchase Date and Interest Periods During Unit Pricing Mode.

(A) Interest Periods during a Unit Pricing Mode shall be of such duration of from one to 270 calendar days, ending on a day immediately preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section 2.06. On each Rate Determination Date, the Remarketing Agent shall select for each Bond then subject to such adjustment the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary market representing the lowest interest rate then available and for the longest Interest Period available at such rate. If on any Rate Determination Date, the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost with respect to such Bond, then the Remarketing Agent shall select the Interest Period that, in the judgment of the Remarketing Agent, would permit such Bond to achieve such lower average interest cost. If the Remarketing Agent has received notice from the Authority that any Bond is to be changed from the Unit Pricing Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to Section 4.08, the Remarketing Agent shall, with respect to such Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date.
(B) On or after 4:00 p.m. New York City time on the Business Day next preceding each Rate Determination Date for Bonds in the Unit Pricing Mode, any Holder of such Bonds may telephone the Remarketing Agent and receive notice of the anticipated next Interest Period(s) and the anticipated Unit Pricing Rate(s) for such Interest Period(s).

(C) By 12:30 p.m. New York City time on each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Unit Pricing Mode which is subject to adjustment on such date, shall determine the Unit Pricing Rate(s) for the Interest Periods then selected for such Bond and the Purchase Date and shall give notice by Electronic Means to the Tender Agent of the Interest Period, the Purchase Date(s) and the Unit Pricing Rate(s).

(D) By 1:00 p.m. New York City time on each Rate Determination Date, the Remarketing Agent shall apply for and obtain CUSIP numbers for each Bond in the Unit Pricing Mode (which the Trustee will promptly assign pursuant to Section 4.15(A)(4)) for which a Unit Pricing Rate, a Purchase Date and Interest Period have been determined on such date and notify the Remarketing Agent of such assignment by Electronic Means.

(E) By acceptance of any Bond during a Unit Pricing Mode, the Holder thereof shall be deemed to have agreed, during each Interest Period, to the Unit Pricing Rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Bond to the Tender Agent for purchase on the Purchase Date at the Purchase Price; provided, however, that in the event that a Holder fails to tender such Bond on the Purchase Date, such Bond will be deemed to have been tendered on such Purchase Date, and thereafter the Holder shall be entitled to receive only the Purchase Price for such Bond.

SECTION 2.07. Determination of Interest Rates During the Daily Mode and the Weekly Mode

(A) Method of Determining Interest Rates. Interest on any Series of Bonds in the Daily Mode or Weekly Mode (except during any Non-Remarketing Period, in which case interest shall accrue at the Maximum Rate) shall accrue at the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date as the minimum rate of interest which, in the judgment of the Remarketing Agent under then-existing market conditions, would result in the sale of such Bonds on the Rate Determination Date, in the case of the Daily Mode and on the first day of the Interest Period immediately succeeding the Rate Determination Date in the case of the Weekly Mode, at a price equal to the Purchase Price. Such determination shall be conclusive and binding upon the Interested Parties.

(B) Determination Time for Daily Rate. During the Daily Mode, the Remarketing Agent shall establish the Daily Rate, and make it available by electronic means to the Trustee, any Holder or the Interested Parties who contact the Remarketing Agent, by 10:00 a.m. New York City time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Remarketing Agent shall make the Daily Rate. On the last Business Day of each month, the Remarketing Agent shall give notice to the Trustee of the Daily Rates that were in effect for each day of such month by Electronic Means.
(C) **Determination Time for Weekly Rate.** During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 10:00 a.m. New York City time on each Rate Determination Date. The Weekly Rate shall be in effect (1) initially, from and including the first day the Bonds become subject to the Weekly Mode to and including the following Tuesday and (2) thereafter, from and including each Wednesday to and including the following Tuesday. The Remarketing Agent shall make the Weekly Rate available (i) after 10:00 a.m. New York City time on the Rate Determination Date by electronic means to the Trustee, any requesting Holder or the Interested Parties who contacts the Remarketing Agent and (ii) by Electronic Means to the Trustee not later than the second Business Day after the Rate Determination Date. The Tender Agent shall give notice of such interest rates to the Trustee by Electronic Means not later than 4:00 p.m. New York City time on the second Business Day immediately succeeding the Rate Determination Date.

**SECTION 2.08. Determination of Term Rate, Indexed Rate and Stepped Coupon Rate.**

(A) **Method of Determining Term Rate, Interest Period and Purchase Date During Term Rate Mode.** Upon any conversion to a Term Rate Mode, the length of the initial Interest Period shall be designated by the Authority. During the Term Rate Mode, the Authority shall designate an Interest Period succeeding the immediately preceding Interest Period. Each such designation shall be made by the Authority’s giving notice thereof by Electronic Means to the Trustee, the Tender Agent, the Remarketing Agent and the Liquidity Facility Provider (if any), which shall be given not later than the 10th Business Day preceding the proposed Interest Period for such Bonds. The Term Rate established on each Rate Determination Date for Bonds in the Term Rate Mode shall be the minimum rate which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds in the Term Rate Mode at a price equal to the Purchase Price on the first day of the Interest Period immediately succeeding the Rate Determination Date. If a new Interest Period is not designated by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period shall be the same length as the immediately preceding Interest Period.

(B) **Determination Time for Term Rates.** Except as provided in Section 2.07(C), once Bonds of any Series are changed to the Term Rate Mode, such Bonds shall continue in the Term Rate Mode until changed to another Mode in accordance with Section 2.11. The Term Rate shall be determined by the Remarketing Agent not later than 4:00 p.m. New York City time on the Rate Determination Date. After 4:00 p.m. New York City time on the Rate Determination Date, the Remarketing Agent shall make the Term Rate available by telephone to any Holder or to the Authority, the Trustee, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any).

(C) **Intentionally Omitted.**

(D) **Determination of Indexed Rate.** At the option of the Authority and with the consent of the Credit Facility Provider (if any), all or any Series of the Bonds may be converted to bear interest at the Indexed Rate to the final Maturity Date of the Bonds. Unless the Authority elects otherwise, the Indexed Rate shall be recalculated each Business Day. The index on which the Indexed Rate shall be based shall be the Municipal Swap Index unless the Authority, after consultation with the Remarketing Agent, shall select another index not less than five Business
Days prior to the Rate Determination Date. Such index may be the Consumer Price Index, LIBOR, Municipal Swap Index, or any other Index that the Authority in consultation with the Remarketing Agent deems appropriate. The Remarketing Agent shall determine the percentage to be used in calculating the Indexed Rate not later than 4:00 p.m. New York City time on the Rate Determination Date. The percentage shall be the lowest percent which, when multiplied by the index, in the reasonable judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the Purchase Price on the first day of the Indexed Mode. At the time the Authority gives notice of its intent to change to the Indexed Mode, the Authority may also determine an interest rate for the initial Interest Payment Period from the Mode Change Date to the first Interest Payment Date in the Indexed Mode which is not based on the index and percentage, a different frequency with which the Indexed Rate shall be recalculated from that specified above and different Interest Payment Dates from those specified in the definition of Interest Payment Dates, all of which shall be contained in the Authority’s notice of intent to change to the Indexed Mode. The Remarketing Agent shall make such information available by Electronic Means to any Bondholder requesting such information and to the Authority, the Trustee, the Tender Agent and the Credit Facility Provider (if any). On each date on which the Indexed Rate is recalculated by the Remarketing Agent, the Tender Agent shall give notice by Electronic Means of such rate to the Trustee, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and, upon request to any Bondholder or any other Interested Party. Such determination shall be conclusive and binding upon the Interested Parties.

Any designation by the Authority of the index on which the Indexed Rate shall be based pursuant to the preceding paragraph shall be accompanied by (i) a written statement from the Remarketing Agent addressed to the Authority and the Trustee to the effect that the Remarketing Agent has determined in its sole judgment that the Mode Change would result in the lowest aggregate cost, taking into account interest and other determinable fees and expenses, being payable with respect to the Bonds over the next twelve months commencing with the date of the index designation, or (ii) an approval in writing of such index designation by a duly authorized officer of the Authority, or (iii) an Opinion of Bond Counsel, to the effect that such approval is not required for the continued validity and enforceability of the Bonds in accordance with their terms.

(E) Determination of Stepped Coupon Rate. At the option of the Authority, all or any Series of the Bonds may be converted to bear interest at the Stepped Coupon Rate to the final Maturity Date of the Bonds. Unless modified by the Authority as hereinafter provided, the period between the first day of the Stepped Coupon Mode and the final Maturity Date of the Bonds shall be divided into periods by no later than 4:00 p.m. New York City time on the Rate Determination Date. The first such period shall commence on the Mode Change Date and end on the next succeeding March 1 or September 1 and the remaining periods shall commence on each March 1 and September 1 and end on the next succeeding February 28 or 29 or August 31, as the case may be (such periods as the same may be modified as hereinafter provided are herein referred to as “Stepped Coupon Periods”). Not later than 4:00 p.m. New York City time on the Rate Determination Date for the Stepped Coupon Mode, the Authority may elect to specify a different number of Stepped Coupon Periods (which need not be the same length) on the Rate Determination Date for the Stepped Coupon Mode, as well as different Interest Payment Dates and Interest Periods from those set forth in the definition of such terms for the Stepped Coupon Mode; provided, however, that in all events, the day following each Stepped Coupon Period or
the next Business Day if such day is not a Business Day shall be an Interest Payment Date. Not later than 4:00 p.m. New York City time on the Rate Determination Date for the Stepped Coupon Mode, the Authority shall direct the Remarketing Agent to prepare the written Certificate described in subsection (F) with respect to the Bonds to be converted to the Stepped Coupon Mode. Not later than 4:00 p.m. New York City time on the Rate Determination Date for the Stepped Coupon Mode, the Remarketing Agent shall determine an interest rate for each Stepped Coupon Period. The Stepped Coupon Rate for each Stepped Coupon Period shall be the lowest rate which in the judgment of the Remarketing Agent will, when taken in account with the interest rates selected for all other Stepped Coupon Periods, result in a sale of the Bonds at a price equal to the Purchase Price at the lowest net interest cost from the Stepped Coupon Mode Change Date to the final Maturity Date of the Bonds.

The Remarketing Agent shall make the Stepped Coupon Periods and Stepped Coupon Rates available by Electronic Means to any Bondholder and to the Authority, the Trustee, the Tender Agent and the Credit Facility Provider (if any). Such determination shall be conclusive and binding upon the Interested Parties.

(F) Prior to conversion of any series of Bonds to the Indexed Mode, the Stepped Coupon Mode or the Fixed Rate pursuant to Section 2.12 hereof, and no later than the Rate Determination Date, the Remarketing Agent shall deliver to the Trustee and the Authority a certificate which allocates the payments of principal specifying which of the July 1 payments will be payable by maturity, and which will be payable by call for Mandatory Sinking Account redemption, and specifying the interest rate payable on each payment of principal. In determining the principal maturities, Mandatory Sinking Account Payments and interest rates for the converted Bonds, the Remarketing Agent shall use the following guidelines:

(a) The Remarketing Agent shall allocate the converted Bonds between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to the converted Bonds; and

(b) The Remarketing Agent shall set the interest rate at the lowest interest rate that will enable each converted Bond to be remarketed on the first day of the Interest Period following conversion to the Indexed Mode, the Stepped Coupon Mode or the Fixed Rate Mode, as the case may be, at par (plus any accrued interest), taking into account the maturity of such Bond and the Mandatory Sinking Account Payments, if any, to be made with respect to converted Bonds of such maturity.

The foregoing notwithstanding, the Authority may agree to another method for providing for payment of principal on the Bonds after the Fixed Rate Mode Change Date if there is delivered to the Authority and the Trustee an Opinion of Bond Counsel to the effect that utilization of such other method will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

SECTION 2.09. Determination of Fixed Rate. At the option of the Authority and with the consent of the Credit Facility Provider (if any), the Bonds of any Series may be converted to bear interest at the Fixed Rate to the final Maturity Date of the Bonds in the manner provided in
Section 2.11 of such Series unless on the date the Remarketing Agent determines the Fixed Rate, the Remarketing Agent also determines that the Bonds of such Series would bear a lower effective net interest cost if such Bonds were serial bonds or serial bonds and term bonds with the maturity (or Mandatory Sinking Account Payment) dates and principal amounts matching the Mandatory Sinking Account Payments, in which event the Bonds shall become serial bonds or serial bonds and term bonds with such maturity (or Mandatory Sinking Account Payment) dates and principal amounts and shall bear separate Fixed Rates for each maturity but only if the Authority receives a No Adverse Effect Opinion with respect to such change. The Remarketing Agent shall determine the Fixed Rate no later than 4:00 p.m. New York City time on the Rate Determination Date. The Fixed Rate shall be the minimum interest rate which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds of the applicable Series at a price equal to the Purchase Price on the Rate Determination Date unless in the judgment of the Remarketing Agent and with the written consent of the Authority, the Remarketing Agent determines that the lowest yield will result by selling the Bonds of the applicable Series at a price equal to the Purchase Price (plus any original issue premium or less any original issue discount) on the Rate Determination Date. In the case of Bonds to be sold at a discount, either (A) a Liquidity Facility is in effect with respect to such Bonds and provides for the purchase of such Bonds at such discount or (B) the Authority agrees to transfer to the Tender Agent on the date of change to the Fixed Rate Mode, in immediately available funds, for deposit in the Authority Purchase Account, an amount equal to such discount. In the case of Bonds sold at a premium, the premium shall be transferred to the Authority on the date of change to the Fixed Rate Mode. The Remarketing Agent shall make the Fixed Rate available by telephone to any Holder and to the Authority, the Trustee, the Tender Agent or the Credit Facility Provider (if any). Upon request of any Holder, the Authority, the Trustee or the Credit Facility Provider (if any), the Tender Agent shall give notice of such rate by Electronic Means. Such determination shall be conclusive and binding upon the Interested Parties.

SECTION 2.10. Alternate Rate for Interest Calculation. If (a) the Remarketing Agent fails or is unable to determine the interest rate(s) or Interest Periods with respect to any Series of Bonds, or (b) the method of determining the interest rate(s) or Interest Periods with respect to any Series of Bonds of such Series shall be held to be unenforceable by a court of law of competent jurisdiction, the Bonds of such Series shall be paid interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at the Alternate Rate for the Mode then in effect. If either of the circumstances described in clauses (a) and (b) occurs on a Rate Determination Date for the Unit Pricing Mode, the relevant Interest Period shall be from and including such Rate Determination Date to, but not including, the next succeeding Business Day, and thereafter shall commence on a Business Day and extend to, but shall not include, the next Business Day.

SECTION 2.11. Intentionally Omitted.

SECTION 2.12. Changes in Mode. At the option of the Authority, all of the Bonds of a Series, other than Bonds in the Indexed Mode, the Stepped Coupon Mode or the Fixed Rate
Mode (which must remain in such Mode), may be changed from one Mode to another by following the procedures set forth in this Section.

(A) Changes to Modes Other Than the Fixed Rate Mode. All or any Series of the Bonds (other than a Series of the Bonds in the Indexed Mode, the Stepped Coupon Mode or the Fixed Rate Mode, which must remain in the applicable Mode) may be changed from one Mode to another Mode as follows:

(1) Mode Change Notice; Notice to Holders. No later than the fifth Business Day preceding the proposed Mode Change Date, the Authority shall give notice by Electronic Means to the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) specifying the Series of Bonds to which such notice relates and its intention to effect a change in the Mode from the Mode then in effect (the “Current Mode”) to another Mode (the “New Mode”) specified in such written notice, if the change is to a Term Rate Mode, the length of the initial Interest Period, and, if the change is to the Unit Pricing Mode, the length of the Interest Period. Notice of the proposed change in Mode shall be given to the Holders pursuant to Section 4.08.

(2) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) with respect to the Series of Bonds in the New Mode (together, in the case of a change to the Unit Pricing Mode, with the Interest Period(s) and Purchase Date(s)) shall be determined by the Remarketing Agent in the manner provided in Sections 2.04, 2.05, 2.06, 2.07 and 2.09, as applicable.

(3) Conditions Precedent. The following conditions must be satisfied for a change to the New Mode on the Mode Change Date:

(a) The Mode Change Date shall be a Business Day.

(b) The Mode Change Date in the case of a change (i) from the Unit Pricing Mode, shall be a day which is the last Purchase Date for all Interest Periods for such Bonds set by the Remarketing Agent; and (ii) from the Term Rate Mode, shall be the Purchase Date for the current Interest Period.

(c) The Trustee, the Authority, the Tender Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and the Remarketing Agent shall have received on the Mode Change Date a No Adverse Effect Opinion dated the Mode Change Date and addressed to the Trustee, the Authority, the Tender Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and the Remarketing Agent.

(d) If the Current Mode is the Unit Pricing Mode, no Interest Period set after delivery by the Authority to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.
(e) The Authority shall deliver to the Tender Agent a Liquidity Facility meeting the requirements hereof if such a Liquidity Facility is required to be in effect under the terms hereof. If there is no Liquidity Facility in effect to provide funds for the purchase of Bonds to be converted to the New Mode on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall not be less than the amount required to purchase all of the Bonds which are converting on such Mode Change Date at the Purchase Price.

(f) Any designation of a New Mode shall be accompanied by (i) a written statement from the Remarketing Agent addressed to the Authority and the Trustee, to the effect that the Remarketing Agent has determined, in its or their sole judgment, that the Mode Change would result in the lowest aggregate cost, taking into account interest and other determinable fees and expenses, being payable with respect to the Bonds over the next 12 months commencing with the date of the Mode Change, or (ii) an approval in writing of such change in Mode by a duly authorized officer of the Authority, or (iii) a No Adverse Effect Opinion, to the effect that such approval is not required for the continued validity and enforceability of the Bonds in accordance with their terms, which No Adverse Effect Opinion shall be addressed to the Trustee.

(4) Failure to Satisfy Conditions Precedent to Mode Change. If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect for the Bonds proposed to be converted to a New Mode, such Bonds shall not be purchased on the proposed Mode Change Date and:

(a) if the change was from a Unit Pricing Mode, the Bonds proposed to be changed to the New Mode shall remain in the Unit Pricing Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.05; and

(b) if the change was from any other Mode, such Bonds shall be automatically changed to a Daily Mode.

A failed conversion shall not constitute an Event of Default hereunder.

(5) Intentionally Omitted.

(B) Change to Fixed Rate Mode. At the option of the Borrower, all or a Series of Bonds not in the Indexed Mode or the Stepped Coupon Mode may be changed to the Fixed Rate Mode as provided in this Section 2.12(B). Any such change in Mode shall be made as follows:

(1) Conditions Precedent. The Mode Change Date shall be:

(a) in the case of a change from the Unit Pricing Mode, a day which is the last Purchase Date for all Interest Periods for the Bonds bearing interest in the Unit Pricing Mode set by the Remarketing Agent;

(b) a Business Day; and
(c) in the case of a change from the Term Rate Mode, the Purchase Date for the current Interest Period.

(2) Notice to Holders. Not less than 30 days (or such shorter time as may be agreed to by the Trustee and the Remarketing Agent (if any)) before the proposed Mode Change Date, the Authority shall give written notice to the Trustee, the Tender Agent (if any), the Remarketing Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and each Rating Agency then rating the Bonds stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date.

(3) Opinion of Bond Counsel. The change to the Fixed Rate Mode shall not occur unless the Authority, the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), and the Remarketing Agent have received, on the Mode Change Date, a No Adverse Effect Opinion dated the Mode Change Date and addressed to the Authority, the Trustee, the Liquidity Facility Provider and the Remarketing Agent.

(4) Certificate Designating Maturities, Interest Rates, Etc. Prior to the conversion to the Fixed Rate Mode, the certificate of the Remarketing Agent described in Section 2.08(F) shall be provided to the Trustee and the Authority.

(5) The Authority may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Trustee, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Tender Agent, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the proposed Mode Change Date.

(6) Failure to Satisfy Conditions Precedent to Mode Change. If any of the conditions precedent have not been satisfied on or prior to the Mode Change Date, the Fixed Rate Mode shall not become effective and all Bonds proposed to be changed to the Fixed Rate Mode shall be converted to a Daily Mode. Such a failed conversion shall not constitute an Event of Default hereunder.

(C) Mode Changes Generally. In connection with any Mode change, the Trustee shall identify the Series of Bonds that are the subject thereof. Such identification may be through the assignment of separate CUSIP numbers or otherwise as the Remarketing Agent informs the Trustee are appropriate. In addition, upon any change in Mode, new Bonds shall be prepared by the Trustee (with the assistance of Bond Counsel if requested by the Trustee) and delivered to the Holders of the Bonds, in the New Mode which shall identify the Mode then applicable to the Bonds and reflect the terms then applicable to such Bonds, all as provided in Section 2.15 hereof. Such new Bonds may also reflect any trademarked name or other product name then being utilized by the Remarketing Agent. Each holder of Bonds by its acceptance thereof shall be deemed to have agreed to surrender its Bonds which are being converted to a New Mode to the Trustee in exchange for a form of Bond reflecting the New Mode. Any Bonds not so delivered shall be deemed to be no longer outstanding hereunder.
(D) Liquidity Facility Event of Default. If a Liquidity Facility is in place and a Liquidity Facility Event of Default shall occur, (i) all optional tender rights described in Section 4.06 shall be immediately suspended and (ii) any mandatory purchase pursuant to the provisions of Sections 4.07, 4.08, 4.09 and 4.10 of Bonds entitled to the benefits of the Liquidity Facility involved for which a notice has been given shall be immediately canceled. The Trustee shall give notice by Electronic Means to the Bondholders of the occurrence of any such Liquidity Facility Event of Default of which the Trustee has actual knowledge. The Authority shall deliver to the Trustee a Substitute Liquidity Facility on or prior to the 15th day next preceding the Liquidity Facility Failure Purchase Date. If by the 15th day next preceding the Liquidity Facility Failure Purchase Date, no Substitute Liquidity Facility has been delivered and such Liquidity Facility Event of Default has not been cured or terminated, the Trustee shall on such date mail to each Bondholder written notice, which notice shall inform the Bondholders that: (i) the Authority has failed to provide a Substitute Liquidity Facility, (ii) on the Liquidity Facility Failure Purchase Date all Bonds entitled to the benefit of the Liquidity Facility are required to be mandatorily tendered for purchase at the Purchase Price, and the procedure to be followed in tendering Bonds, (iii) the Bonds entitled to the benefit of the Liquidity Facility will, except under the circumstances hereinafter described, commence bearing interest at a Fixed Rate on the Liquidity Facility Failure Purchase Date, (iv) the short-term rating on the Bonds entitled to the benefit of the Liquidity Facility will be withdrawn (unless already withdrawn), and (v) the Bonds entitled to the benefit of the Liquidity Facility will bear interest at the Failed Tender Rate until the Liquidity Facility Failure Purchase Date.

On the Liquidity Facility Failure Purchase Date the Bonds entitled to the benefit of the Liquidity Facility shall commence bearing interest at a Fixed Rate established by the Remarketing Agent as described in Section 2.12(B) hereof. The foregoing notwithstanding, if (i) all of such Bonds are not remarkeeted on the Liquidity Facility Failure Purchase Date at the Fixed Rate or (ii) the Authority does not on the Liquidity Facility Failure Purchase Date deliver to the Trustee an Opinion of Bond Counsel to the effect that the conversion of the interest rate on such Bonds to a Fixed Rate will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes, then the mandatory purchase of Bonds will be canceled, the Tender Agent shall return all Bonds to the Holders thereof and the Bonds shall continue bearing interest at the Failed Tender Rate.

In all events, the right to optionally tender Bonds entitled to the benefit of the Liquidity Facility shall remain suspended until a Substitute Liquidity Facility has been delivered to the Trustee.

SECTION 2.13. Form of Bonds. The Bonds shall be substantially in the form set forth as an exhibit to the Supplemental Indenture providing for the issuance of a Series of Bonds.

SECTION 2.14. Execution of Bonds; Limited Obligations; No Liability of State. The Bonds shall be executed by the Governor of the State of West Virginia and in the name and on behalf of the Authority with the manual or facsimile signatures of its President or Vice President, under seal of the State, and attested by the manual or facsimile signature of the Secretary of State. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or
officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication attached thereto, with the manual or facsimile signature of the Trustee as authenticating agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Master Trust Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Master Trust Indenture.

The Bonds are special limited obligations of the Authority. The Bonds and the interest payable thereon and other costs incident thereto will not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith and credit of the State of West Virginia, or any county, municipality, or other political subdivision thereof, within the purview of any constitutional or statutory limitation or provision and shall never constitute nor give rise to a charge against the general credit or taxing power, if any, of any of them. No owner of the Bonds will have any right to compel any exercise of the taxing power, if any, of the State of West Virginia, or any county, municipality, or other political subdivision of the State of West Virginia to pay the principal of the Bonds, or the interest or premium, if any, thereon. Payment of the Bonds, including the principal thereof, redemption premium, if any, and the interest thereon, will be made solely from the Pledged Revenues and other amounts derived from the Trust Estate, in the manner and to the extent provided herein. There will be no pledge of any of the credit or the taxing power, if any, of the Authority, the State of West Virginia, or any county, municipality, or other political subdivision of the State of West Virginia, to the obligations of the Bonds, and no owner of any of the Bonds can ever submit a claim against such credit or taxing power. The Authority has no taxing power.

SECTION 2.15. Transfer of Bonds. Subject to the provisions of Section 2.19, any Bond may, in accordance with its terms, be transferred, upon the bond registration books required to be kept pursuant to the provisions of Section 2.16, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of the same Series. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.
The Trustee shall not transfer any Bond if the Trustee has received notice from the Remarketing Agent (if any) to the effect that the Remarketing Agent (if any) has received notice of tender of such Bond from the Holder of such Bond pursuant to Section 4.06.

The Trustee shall not be required to transfer any Bond, except to the Credit Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption of Bonds is given or (2) the date on which Bonds will be selected for redemption.

SECTION 2.16. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to exchange any Bond, except to the Credit Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption is given or (2) the date on which Bonds will be selected for redemption.

SECTION 2.17. Bond Register. The Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.18. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Master Trust Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will issue definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Master Trust Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.19. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be
given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Holder of a sum not exceeding the actual cost and expenses of preparing each new Bond issued under this Section and of the expenses that may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Master Trust Indenture with all other Bonds secured by this Master Trust Indenture.

SECTION 2.20. Use of Securities Depository. Notwithstanding any provision of this Master Trust Indenture to the contrary:

(A) The Bonds shall be initially issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) ("substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Authority upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Authority that the Securities Depository 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 Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Authority that it is in the best interests of the Authority to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A), upon receipt of the Outstanding Bonds by the Trustee, together with a Certificate of the Authority to the Trustee, a single new Bond shall be executed and delivered for each Series of Bonds in the aggregate principal amount of the Bonds of such Series 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 Certificate of the Authority. In the case of any transfer pursuant to clause (3) of subsection (A), upon receipt of the Outstanding Bonds by the Trustee
together with a Certificate of the Authority to the Trustee, new Bonds shall be executed and
delivered and registered in the names of such persons as are requested in such a Certificate of the
Authority, subject to the limitations of Section 2.02, provided the Trustee shall not be required to
deliver such new Bonds within a period less than 60 days from the date of receipt of such a
Certificate of the Authority.

(C) In the case of partial redemption or an advance refunding of the Bonds evidencing
all or a portion of the principal amount Outstanding, the Securities Depository shall make an
appropriate notation on the Bonds indicating the date and amounts of such reduction in principal,
in form acceptable to the Trustee.

(D) The Authority and the Trustee shall be entitled to treat the Person in whose name
any Bond is registered as the Bondholder thereof for all purposes of this Master Trust Indenture
and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or
the Authority; and the Authority and the Trustee shall have no responsibility for transmitting
payments to, communicating with, notifying or otherwise dealing with any beneficial Holders of
the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations,
legal or otherwise, to the beneficial Holders or to any other party including the Securities
Depository or its successor (or substitute depository or its successor), except for the Holder of
any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its
registered assign, the Authority and the Trustee shall cooperate with Cede & Co., as sole
registered Bondholder, and its registered assigns in effecting payment of the principal of and
premium, if any, and interest on the Bonds by arranging for payment in such manner that funds
for such payments are properly identified and are made immediately available on the date they
are due, all as provided in the blanket Letter of Representations between the Trustee and the
Securities Depository.

(F) Notwithstanding anything to the contrary contained in this Master Trust
Indenture, for so long as Cede & Co., as nominee of the Securities Depository is the sole
registered owner of the Bonds, (i) all tenders and deliveries of Bonds under the provisions of this
Master Trust Indenture shall be made pursuant to the Securities Depository’s procedures as in
effect from time to time and neither the Authority, the Tender Agent nor the Trustee shall have
any responsibility for or liability with respect to the implementation of such procedures and (ii)
any requirement for notice contained herein may be satisfied by Electronic Means.

SECTION 2.21. CUSIP Numbers. The Authority in issuing the Bonds may use
“CUSIP” numbers (if then generally in use), and, if so, the Trustee shall use “CUSIP” numbers
in notices of redemption as a convenience to Holders; provided that any such notice may state
that no representation is made as to the correctness of such numbers either as printed on the
Bonds or as contained in any notice of a redemption and that reliance may be placed only on the
other identification numbers printed on the Bonds, and any such redemption shall not be affected
by any defect in or omission of such numbers. The Authority will promptly notify the Trustee in
writing of any change in the “CUSIP” numbers.
ARTICLE III

APPLICATION OF PROCEEDS; COST OF ISSUANCE FUND; PROJECT FUND

SECTION 3.01. Application of Proceeds of the Bonds. The moneys from time to time on deposit in the Funds and Accounts specified below (except for the Purchase Fund (if any) and the Rebate Fund) are subject to a lien and charge in favor of the owners of the Bonds until expended for the purposes for which such Funds and Accounts are created. The proceeds (net of Underwriter's discount) received from the sale of a Series of Bonds shall be deposited in trust with the Trustee and allocated in accordance with the Supplemental Indenture authorizing the issuance of such Series of Bonds.

SECTION 3.02. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon requisition by the Authority in substantially the form of an exhibit attached to the Supplemental Indenture authorizing the issuance of a Series of Bonds, and otherwise in accordance with the provisions of such Supplemental Indenture.

SECTION 3.03. Establishment and Application of Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the costs of the acquisition, construction, equipping or improvement of Projects upon receipt of a requisition submitted by the Authority in substantially the form attached as an exhibit to the Supplemental Indenture authorizing the issuance of a Series of Bonds, and otherwise in accordance with the provisions of such Supplemental Indenture.

SECTION 3.04. Validity of Bonds. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State of West Virginia shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.
ARTICLE IV

REDEMPTION AND TENDER OF BONDS

SECTION 4.01. Redemption Dates and Prices. Each Series of Bonds are subject to mandatory sinking fund, optional and extraordinary redemption as set forth in the Supplemental Indenture providing for the issuance of such Series of Bonds.

SECTION 4.02. Selection of Bonds for Redemption. Whenever less than all of the Bonds of a Series or any given portion thereof are called for redemption, except as may be provided otherwise in the applicable Supplemental Indenture, the Trustee shall select the Bonds of such Series to be redeemed, in Authorized Denominations, by lot, in any manner which the Trustee in its sole discretion (subject to the procedures of the Securities Depository) shall deem appropriate; provided, however, that Liquidity Facility Bonds (except for any Bonds owned or held on behalf of the Authority or any affiliate of the Authority as Liquidity Facility Provider) of such Series shall be redeemed prior to any other Bonds of such Series. The Trustee shall promptly notify the Authority in writing of any redemption of the Bonds or portions thereof so selected for redemption. The selection of Bonds shall be at such time as determined by the Trustee (subject to the procedures of the Securities Depository). The foregoing notwithstanding the Authority may select the Series of Bonds to be redeemed.

SECTION 4.03. Notice of Redemption. Except as may be provided otherwise in the applicable Supplemental Indenture, notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption (provided that the Trustee shall be given at least 7 days prior notice of such date of mailing), the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds and to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of delivery and Series designation of the Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said 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, and that from and after such date, interest on such Bond shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority. If at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit with the Trustee on or prior to the redemption date of moneys sufficient to pay the Redemption Price of the Bonds to be
redeemed plus interest accrued thereon to the date of redemption, and such notice shall be of no effect unless such moneys are so deposited.

Failure by the Trustee to mail notice of redemption pursuant to this Section 4.03 to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds or to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holder or Holders to whom such notice was mailed.

With respect to notice of any optional redemption of the Bonds, unless moneys sufficient to pay the redemption price of the Bonds to be redeemed shall have been received by the Trustee prior to the giving of that notice, the notice shall state that the redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for the redemption and the satisfaction of other conditions required in this Master Trust Indenture. If such moneys shall not have been so received, the notice shall be of no force and effect, the Bonds shall not be redeemed pursuant thereto and the Trustee shall give notice, in the manner in which notice of redemption was given, that such moneys were not received.

Any notice given pursuant to this Section 4.03 may be rescinded by written notice given to the Trustee by the Authority no later than 5 Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this Section 4.03.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations of the same Series equal in aggregate principal amount to the redeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Master Trust Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price.

SECTION 4.06. Optional Tenders of Bonds in the Daily Mode or the Weekly Mode. The Holders of Eligible Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to integral multiples of the lowest then applicable Authorized Denomination) purchased on any Business Day at a price equal to the Purchase Price,

(i) in the case of Bonds in the Daily Mode, upon delivery of an irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender
Agent not later than 1:00 p.m. New York City time on the Purchase Date specified by the Holder;

(ii) in the case of Bonds in the Weekly Mode, upon delivery of an irrevocable written notice of tender or irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender Agent, promptly confirmed in writing to the Tender Agent, not later than 3:00 p.m. New York City time on a Business Day not less than 7 days before the Purchase Date specified by the Holder in such notice; and

(iii) Intentionally omitted.

Such notices of tender shall state the CUSIP number, Series designation, Bond number (if the Bonds are not registered in the name of the Securities Depository) and the principal amount of such Bond to be optionally tendered and that such Bond shall be purchased on the Purchase Date specified above. Payment of the Purchase Price shall be made pursuant to this Section 4.06 only if the Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice described in this Section 4.06. A Holder who gives the notice of tender as set forth above may repurchase the Bonds so tendered on such Purchase Dates if the Remarketing Agent agrees to sell the Bonds so tendered to such Holder. If such Holder decides to repurchase such Bonds and the Remarketing Agent agrees to sell the specified Bonds to such Holder, the delivery requirements set forth in Section 4.12(D) shall be waived. The Tender Agent may assume that a Bond is an Eligible Bond unless it has actual knowledge to the contrary.

SECTION 4.07. Mandatory Purchase at End of Unit Pricing Rate Periods. Each Bond in the Unit Pricing Mode is subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. No notice of such mandatory purchase shall be given to the Holders. On each Purchase Date for Bonds in the Unit Pricing Mode the Bonds shall be deemed to have been tendered for purchase regardless of whether such Bonds are actually so tendered.

SECTION 4.08. Mandatory Purchase on Mode Change Date.

(A) Bonds to be changed from one Mode to another Mode (other than a change to the Fixed Rate Mode, which Bonds are subject to mandatory purchase pursuant to subsection (B) of this Section 4.08) are subject to mandatory purchase on the Mode Change Date at the Purchase Price as provided in this subsection (A). The Tender Agent shall give notice of such mandatory purchase by Electronic Means to the Holders of the Bonds subject to mandatory purchase no less than fifteen (15) Business Days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to give such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so sent. Any notice sent will be conclusively presumed to have been given, whether or not actually received by any Holder.

(B) Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change Date at the Purchase Price (subject to Section 2.08). The Tender Agent shall give notice such mandatory purchase as part of the notice of change of Mode to be sent to the Holders pursuant to Section 2.11(B)(2). The failure to give such notice with respect to any
Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so given. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

SECTION 4.09. Mandatory Purchase at End of Interest Period for Term Rate Mode. Bonds in the Term Rate Mode are subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. The Tender Agent shall give notice of such mandatory purchase by mail to the Holders of the Bonds subject to mandatory purchase no less than 30 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The Tender Agent may assume that a Bond is an Eligible Bond unless it has actual knowledge that such Bond is not an Eligible Bond. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

SECTION 4.10. Mandatory Purchase on Expiration Date, Substitute Liquidity Facility Date, Substitute Credit Facility Date and Termination Date.

(A) On each Substitute Liquidity Facility Date and Substitute Credit Facility Date, and on the second Business Day preceding each Expiration Date, the Eligible Bonds shall be subject to mandatory purchase on such date at the Purchase Price; provided, however, that the Bonds shall not be subject to Mandatory Purchase on the Substitute Liquidity Facility Date or Substitute Credit Facility Date or the second Business Day preceding each Expiration Date if (1) on or prior to the 15th day prior to such Expiration Date, Substitute Liquidity Facility Date or Substitute Credit Facility Date, the Authority has furnished to the Trustee an agreement to extend the Liquidity Facility or Credit Facility, as applicable or (2) the Trustee receives written confirmation from each Rating Agency then rating the Bonds of such Series to the effect that immediately following such Substitute Liquidity Facility Date, Substitute Credit Facility Date or Expiration Date there will be no withdrawal or reduction of the long-term and short-term rating then in effect with respect to such Bonds and the Trustee gives notice of such substitution or expiration by mail to the Holders no less than 10 days prior to such substitution or expiration. Such notice shall also (i) specify, if applicable, that the Authority will be the only party obligated to purchase Eligible Bonds of the applicable Series upon the Expiration Date and (ii) state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof. The Tender Agent shall give notice of such mandatory purchase by mail to the Holders of the Bonds subject to mandatory purchase no less than 10 days prior to such Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. Such notice shall also (i) specify, if applicable, that the Authority will be the only party obligated to purchase Eligible Bonds of the applicable Series upon the Expiration Date and (ii) state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.
(B) On each Termination Date, the Eligible Bonds shall be subject to mandatory purchase on such date at the principal amount thereof, plus accrued interest, if any, with respect thereto to the Termination Date. The Tender Agent shall give notice of such mandatory purchase by mail to the Holders of the Bonds as soon as practicable after receipt of notice of termination from the Liquidity Facility Provider or the Credit Facility Provider. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. Such notice shall also (i) specify, if applicable, that the Authority will be the only party obligated to purchase Eligible Bonds of the applicable Series upon the Termination Date and (ii) state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder. Any drawing on a Liquidity Facility to pay the Purchase Price of Bonds on any Substitute Liquidity Facility Date shall be made upon the Liquidity Facility then in effect and not on the Substitute Liquidity Facility.

SECTION 4.11. Remarketing of Bonds; Notices.

(A) Remarketing of Bonds. The Remarketing Agent (if any) shall use its best efforts to offer for sale and sell:

1. all Bonds or portions thereof as to which notice of tender has been given pursuant to Section 4.06;

2. all Bonds required to be purchased pursuant to Sections 4.07, 4.08, 4.09 and 4.10; and

3. all Liquidity Facility Bonds.

(B) Notice of Remarketing; Registration Instructions; New Bonds. On each Purchase Date or Mandatory Purchase Date, as the case may be:

1. unless the Remarketing Agent has notified the Tender Agent and the Trustee otherwise, the Remarketing Agent shall notify the Tender Agent and the Trustee by Electronic Means not later than 1:00 p.m. New York City time, of the amount of tendered Bonds which were successfully remarketed, the names of the tendering Holders and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers and the Authorized Denominations with respect thereto); and

2. the Trustee shall execute new Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent pursuant to Section 4.12(E).

The provisions of this clause (B) shall be subject in all respects to the procedures prescribed by any Securities Depository.
(C) Transfer of Funds: Draw on Liquidity Facility. On each Purchase Date or Mandatory Purchase Date, as the case may be:

(1) the Remarketing Agent shall give notice to the Tender Agent of receipt of the Purchase Price of remarketed Bonds by 1:00 p.m. New York City time;

(2) the Remarketing Agent shall cause to be paid to the Tender Agent the Purchase Price of the remarketed Bonds by 1:00 p.m. New York City time;

(3) if a Liquidity Facility is not in effect with respect thereto, the Tender Agent shall give notice to the Trustee, the Authority and, if a Liquidity Facility is then in effect with respect to the Bonds subject to purchase, to the Liquidity Facility Provider (or the Tender Agent shall instruct the Trustee to give notice and the Trustee shall give notice) in accordance with the terms of the Liquidity Facility by 1:30 p.m. New York City time (or 12:00 noon New York City time with respect to Bonds in the Daily Mode) (and promptly thereafter, the Tender Agent shall so notify the Securities Depository) of the amount equal to the Purchase Price of all Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds on hand; and

(4) if a Liquidity Facility is then in effect with respect to the Bonds subject to purchase, the Tender Agent (or the Trustee if the Trustee is the beneficiary under the Liquidity Facility) shall draw on the Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith.

(5) if a Liquidity Facility is not then in effect with respect to the Bonds subject to purchase or if the Liquidity Facility Provider has not paid the full amount required by clause (4) of this subsection (C) at the times required therein, the Authority has agreed in Section 4.02 of the Agreement to pay to the Tender Agent by 3:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith.


(A) Purchase Fund. For any Series of Bonds bearing interest at a rate other than the Fixed Rate, the Tender Agent shall establish and maintain a special fund designated as the “Purchase Fund,” and within such fund three separate accounts designated, respectively, as the “Liquidity Facility Deposit Account,” the “Remarketing Proceeds Account” and the “Authority Purchase Account.” The money in the Purchase Fund shall be held in trust and applied solely as provided in this Section.

The Tender Agent shall deposit all moneys delivered to it pursuant to Section 4.11(C)(2) hereof for the purchase of Bonds into the Remarketing Proceeds Account and shall hold all such moneys in trust for the exclusive benefit of the Person that shall have so delivered such moneys.
until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Holders tendering such Bonds.

The Tender Agent shall deposit all moneys delivered to it pursuant to Section 4.11(C)(2) hereof from a payment by or on behalf of the Liquidity Facility Provider for the purchase of Bonds into the Liquidity Facility Deposit Account and shall hold all such moneys in trust for the exclusive benefit of the Liquidity Facility Provider until the Bonds purchased with such moneys shall have been delivered to or for the account of the Liquidity Facility Provider and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Holders tendering such Bonds.

The Tender Agent shall deposit all moneys delivered to it hereunder from a payment by or on behalf of the Authority for the purchase of Bonds into the Authority Purchase Account and shall hold all such moneys in trust for the exclusive benefit of the Authority until the Bonds purchased with such moneys shall have been delivered to or for the account of the Authority and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Holders tendering such Bonds.

Moneys in the Liquidity Facility Deposit Account, the Remarketing Proceeds Account and the Authority Purchase Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested in an Eligible Account and without liability for interest on the part of the Tender Agent. "Eligible Account" shall mean an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least "A-2" (or, if no short-term debt rating, a long-term debt rating of "BBB++"); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. The Authority shall not have any right, title or interest in or to any moneys held in the Purchase Fund. In the event that an account required to be an Eligible Account no longer complies with the requirement, the Bond Trustee should promptly (and in any case, within not more than thirty (30) calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

(B) Payment of Purchase Price. At or before close of business New York City time on the Purchase Date or Mandatory Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Bonds to the Holders by bank wire transfer in immediately available funds. When the Bonds are in Modes other than the Fixed Rate Mode, the Tender Agent will pay the Purchase Price from the Remarketing Proceeds Account to the extent funds are available therein. The Tender Agent shall pay the Purchase Price from the following accounts and in the following order of priority: (1) the Remarketing Proceeds Account to the extent funds are available therein, (2) in the case of Eligible Bonds, the Liquidity Facility Deposit Account and (3) the Authority Purchase Account. The Tender Agent may assume that a Bond is an Eligible Bond unless it has actual knowledge to the contrary. If at close of business New York City time on any Purchase Date or Mandatory Purchase Date any balance remains in the Liquidity Facility Deposit Account in excess of any unsatisfied purchase obligation, such excess shall be promptly
returned to the Liquidity Facility Provider. If at close of business New York City time on any Purchase Date or Mandatory Purchase Date any balance remains in the Authority Purchase Account in excess of any unsatisfied purchase obligation, such excess shall be promptly returned to the Authority.

(C) Inadequate Funds for Tenders. If the funds available for purchases of Eligible Bonds pursuant to this Article IV are inadequate for the purchase of all Bonds tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Tender Agent shall, after any applicable grace period, (1) return all tendered Bonds to the Holders thereof, (2) return all moneys deposited in the Remarketing Proceeds Account to the Remarketing Agent for return to the Persons providing such moneys, (3) return all moneys deposited in the Liquidity Facility Deposit Account to the Liquidity Facility Provider (if any) and (4) return all moneys deposited in the Authority Purchase Account to the Authority. The Bonds that were tendered shall remain in the pre-existing Mode. Failure of the Authority to pay the Purchase Price of Bonds shall not constitute an Event of Default hereunder.

(D) Delivery of Bonds by Tendering Bondholders: Undelivered Bonds Deemed Purchased. All Bonds to be purchased on any date shall be required to be delivered to the principal corporate office of the Tender Agent at or before 12:00 Noon New York City time on such Purchase Date or Mandatory Purchase Date. If the Holder of any Bond (or portion thereof) that is subject to purchase pursuant to this Article IV fails to deliver such Bond to the Tender Agent for purchase on the Purchase Date or Mandatory Purchase Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (E) below. Any Holder who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any tendered Bonds that have not been delivered to it: (1) promptly notify the Remarketing Agent of such nondelivery; and (2) instruct the Trustee to place a stop transfer against an appropriate amount of Bonds registered in the name of such Holder(s) on the bond registration books. The Trustee shall place such stop(s) commencing with the lowest serial number Bond registered in the name of such Holder(s) until stop transfers have been placed against an appropriate amount of Bonds until the appropriate tendered Bonds are delivered to the Tender Agent who shall deliver such Bonds to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the bond registration books.

(E) Delivery of Bonds to Purchasers. As long as the Bonds are held under the book-entry system of The Depository Trust Company (“DTC”), all tenders and deliveries of Bonds will be accomplished under the procedures of DTC. Otherwise, on the Purchase Date or Mandatory Purchase Date, the Tender Agent shall direct the Trustee to execute and deliver all Bonds purchased on any Purchase Date or Mandatory Purchase Date as follows: (1) Bonds purchased and remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:30 p.m. New York City time in accordance with the instructions of the Remarketing Agent; (2) Bonds purchased with amounts paid by or on behalf of the Liquidity Facility Provider shall be registered and made available in the name of or as directed in writing by the Liquidity Facility Provider on or before 2:30 p.m. New York City time and become
Liquidity Facility Bonds and (3) Bonds purchased with amounts paid by or on behalf of the Authority shall be registered and made available in the name of or as directed in writing by the Authority on or before 2:30 p.m. New York City time. Notwithstanding the foregoing, the Tender Agent shall not deliver any such Bonds unless it has received notice from the Liquidity Provider (if any) that the amount available for the purchase of Bonds (prior to a conversion to Fixed Rate) is at least equal to the aggregate amount of all Bonds then Outstanding (other than Liquidity Facility Bonds) plus an amount equal to the Required Stated Amount.

(F) No Purchases or Sales in Certain Circumstances. Anything in this Master Trust Indenture to the contrary notwithstanding, if (i) there shall have occurred and be continuing an Event of Default as described in Section 7.02(a) and the Credit Facility Provider (if any) has not paid such amount under the Credit Facility (if any) or (ii) any conditions set forth in the Remarketing Agreement to the performance of the Remarketing Agent’s obligation thereunder to remarket tendered Bonds shall not have been satisfied, then the Remarketing Agent shall not remarket any Bonds.

(G) No Remarketing to the Authority. The Remarketing Agent shall not remarket any Bonds to the Authority.

(H) Intentionally Omitted.

SECTION 4.13. The Remarketing Agent.

(A) For a Series of Bonds, during any Mode other than the Stepped Coupon Mode or the Fixed Rate Mode, a Remarketing Agent shall be appointed by the Authority in the Supplemental Resolution authorizing the issuance of such Series of Bonds, subject to the conditions contained herein and shall serve as such under the terms and provisions hereof. The Remarketing Agent and each successor Remarketing Agent, if any, appointed in accordance with this Master Trust Indenture and any Supplemental Indenture shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the Authority, the Trustee and the Tender Agent, under which the Remarketing Agent (subject to subsection (B) below) will agree particularly:

(1) to hold all moneys delivered to it hereunder for the purchase of Bonds for the exclusive benefit of the Person or Persons that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such Person or Persons;

(2) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) at all reasonable times;

(3) to determine the Daily Rate, the Weekly Rate, the Indexed Rate, the Unit Pricing Rate, the Term Rate and the Stepped Coupon Rate and give notice of such rates in accordance with Article II hereto;
(4) to use its best efforts to find purchasers for the Bonds tendered for purchase, any such sale to be made at the Purchase Price in accordance with the terms of this Master Trust Indenture; and

(5) to deliver to the Tender Agent all Bonds held by it in accordance with the terms of this Master Trust Indenture and the Remarketing Agreement.

(B) One or more firms may serve as co-Remarketing Agent hereunder provided that each co-Remarketing Agent satisfies the requirements of this Section 4.13. If co-Remarketing Agents have been appointed and are performing the duties of Remarketing Agent hereunder, all references herein to the Remarketing Agent shall be deemed to refer to all the Remarketing Agents acting jointly; provided that the Remarketing Agreement may provide that one firm may perform certain specified duties hereunder in its sole capacity.

(C) If the Remarketing Agent shall resign, be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed a successor as Remarketing Agent, the Tender Agent shall in so far as be deemed to be such Remarketing Agent for all purposes of this Master Trust Indenture until the appointment by the Authority of a successor Remarketing Agent; provided, however, that the Tender Agent, in its capacity as Remarketing Agent, shall not be required to sell Bonds or determine the interest rate on the Bonds hereunder if the Tender Agent should be prohibited by law from conducting such activities. The Authority will notify each Rating Agency then rating the Bonds of any successor Remarketing Agent or co-Remarketing Agent.

(D) The Remarketing Agent may in good faith hold the Bonds or any other form of indebtedness issued by the Authority; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof, and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of the Remarketing Agent for any real or apparent conflict of interest by reason of any such actions.


(A) The Remarketing Agent (if any) shall be authorized by law to perform all the duties and obligations described in this Master Trust Indenture by giving at least 30 days' notice to the Authority, the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and each Rating Agency then rating the Bonds. Successor Remarketing Agents may be appointed from time to time by the Authority if not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). The Remarketing Agent may be removed upon 30 days' notice upon the written Request of the Authority and upon written notice to the Remarketing Agent, the Trustee, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any), so long as a successor Remarketing Agent shall have assumed the duties thereof by the effective date of such removal.

(B) Notwithstanding any other provision to the contrary contained herein, any corporation or association into which the Remarketing Agent may be converted or merged, or
with which it may be consolidated, or to which it may be consolidated, or to which it may sell or
transfer its marketing business and assets as a whole or substantially as a whole, shall become
successor Remarketing Agent hereunder and fully vested with all of the rights, powers, trusts,
duties and obligations of Remarketing Agent hereunder, without the execution or filing of any
instrument or any further act.

SECTION 4.15. The Tender Agent.

(A) For a Series of Bonds, the Tender Agent (if any) shall be appointed by the
Authority in the Supplemental Resolution authorizing the issuance of such Series of Bonds and
shall serve as such under the terms and provisions hereof. The Tender Agent and each successor
Tender Agent appointed in accordance with this Master Trust Indenture and any Supplemental
Indenture shall designate its principal corporate office and signify its acceptance of the duties
and obligations imposed upon it as described herein by a written instrument of acceptance
delivered to the Authority and the Trustee under which each Tender Agent will agree,
particularly:

(1) to hold all Bonds delivered to it for purchase hereunder in trust for the
exclusive benefit of the respective Holders that shall have so delivered such Bonds until moneys
representing the Purchase Price of such Bonds shall have been delivered to or for the account of
or to the order of such Holders;

(2) to hold all moneys delivered to it hereunder for the purchase of Bonds in
trust for the exclusive benefit of the Person that shall have so delivered such moneys until the
Bonds purchased with such moneys shall have been delivered to it for the account of such Person
and, thereafter, for the benefit of the Holders tendering such Bonds;

(3) to keep such books and records as shall be consistent with prudent
industry practice and to make such books and records available for inspection by the Authority,
the Trustee, the Remarketing Agent, the Liquidity Facility Provider (if any) and the Credit
Facility Provider (if any) at all reasonable times; and

(4) for any Bonds in the Unit Pricing Mode, the Tender Agent shall assign
such CUSIP numbers to the Bonds on each Rate Determination Date as provided in Section 2.05.

(B) The Tender Agent is authorized and directed to execute the Liquidity Facility (if
any). The Tender Agent shall be entitled to the protections, indemnities, immunities and
limitations from liability afforded the Trustee hereunder in the performance of its duties.

SECTION 4.16. Qualifications of Tender Agent.

(A) The Tender Agent (if any) and any successor Tender Agent shall be a commercial
bank with trust powers or trust company duly organized under the laws of the United States of
America or any state or territory thereof, and authorized by law to perform all duties imposed
upon it hereunder. The Tender Agent shall have an office, affiliate office or agency in
New York, New York. The Tender Agent may at any time resign and be discharged of its duties
and obligations by giving at least 60 days’ notice to the Authority, the Trustee, the Remarketing
Agent (if any), the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and
all Holders of Bonds then Outstanding. Any Tender Agent may be removed at any time by the Authority upon notice to the Trustee, the Remarketing Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and each Rating Agency then rating the Bonds. Any resignation or removal of the Tender Agent and appointment of a successor Tender Agent shall become effective upon acceptance of appointment by the successor Tender Agent. Successor Tender Agents may be appointed from time to time by the Authority if not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). The Trustee shall provide notice of such successor Tender Agent to all Holders of the Bonds.

(B) Upon the resignation or removal of a Tender Agent, such Tender Agent shall deliver any Bonds, the Liquidity Facility (if any, and so long as the Tender Agent is the beneficiary under the Liquidity Facility) and moneys held by it in such capacity to its successor.

(C) Notwithstanding any other provision to the contrary contained herein, any corporation or association into which the Tender Agent may be converted or merged, or with which it may be consolidated, or to which it may be consolidated, or to which it may sell or transfer its marketing business and assets as a whole or substantially as a whole, shall become successor Tender Agent hereunder and fully vested with all of the rights, powers, trusts, duties and obligations of Tender Agent hereunder, without the execution or filing of any instrument or any further act.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Pledge and Assignment.

(A) Subject only to the provisions of this Master Trust Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Pledged Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Master Trust Indenture (other than the Purchase Fund (if any) and the Rebate Fund) are hereby pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds, in accordance with their terms and the provisions of this Master Trust Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

(B) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Pledged Revenues and other assets pledged in subsection (A) of this Section. The Trustee shall be entitled to and shall collect and receive all of the Pledged Revenues, and any Pledged Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of Section 7.06 with respect to the control of remedial proceedings by the Credit Facility Provider (if any), the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce,
either jointly with the Authority or separately, all of the rights of the Authority that have been assigned to the Trustee. All Pledged Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Master Trust Indenture.

(C) Upon the delivery of a Series of Bonds hereunder, the Authority shall cause the amounts allocated to the Excess Lottery School Building Debt Service Fund to be forthwith transferred to the Trustee for deposit into the Revenue Fund, and shall thereafter cause amounts from time to time allocated to the Excess Lottery School Building Debt Service Fund to be immediately transferred to the Trustee for deposit into said Revenue Fund.

SECTION 5.02. Revenue Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Revenue Fund" into which it shall deposit as received all transfers from the Excess Lottery School Building Debt Service Fund and any other amounts required or permitted to be deposited therein pursuant to the provisions hereof.

SECTION 5.03. Interest Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Interest Fund" (and within the Interest Fund there shall be maintained a sub-fund for the deposit of the proceeds of a drawing upon the Credit Facility). Moneys in the Interest Fund shall be held, disbursed, allocated and applied by the Trustee only as provided in this Master Trust Indenture.

(B) For each Series of Bonds, on the first Business Day of each month, beginning on July 1 of each fiscal year, the Trustee shall deposit into the Interest Fund from the Revenue Fund an amount equal to one-tenth (1/10th) of the interest which will be due and payable on each such Series of Bonds during that respective fiscal year.

(C) All amounts in the Interest Fund shall be used and withdrawn by the Trustee, on a pro rata basis, solely for the purpose of (i) paying the interest on the Bonds as the same becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Master Trust Indenture), or (ii) reimbursing the Credit Facility Provider with respect to drawings under the Credit Facility for such purposes. Unless there has been an Event of Default, so long as the Credit Facility (if any) is in effect and has been drawn upon to provide sufficient funds to pay in full an interest payment when due as required herein, the Trustee shall use moneys in the Interest Fund to reimburse the Credit Facility Provider for such drawing in such manner as to provide for receipt by the Credit Facility Provider on the same Business Day as the draw is funded.

SECTION 5.04. Principal Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Principal Fund" (and within the Principal Fund there shall be maintained a sub-fund for the deposit of the proceeds of a drawing upon the Credit Facility). The Trustee shall establish, maintain and hold in trust within the Principal Fund a separate Mandatory Sinking Account. Moneys in the Principal Fund shall be held, disbursed, allocated and applied by the Trustee only as provided in this Master Trust Indenture.
(B) For each Series of Bonds, on the first Business Day of each month, beginning on July 1 of each fiscal year, the Trustee shall deposit into the Principal Fund from the Revenue Fund an amount equal to one-tenth (1/10th) of the principal that will be due and payable on each such Series of Bonds during the respective fiscal year.

(C) All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely to redeem the Bonds, or pay the Bonds at maturity, as provided herein or in the Supplemental Indenture with respect to any Series of Bonds, or to reimburse the Credit Facility Provider with respect to drawings under the Credit Facility for such purposes. Unless there has been an Event of Default, so long as the Credit Facility is in effect and has been drawn upon to provide sufficient funds to pay a principal payment when due as required herein, the Trustee shall use moneys in the Principal Fund deposited by the Authority to reimburse the Credit Facility Provider for such drawing in such manner as to provide for receipt by the Credit Facility Provider on the same Business Day as the draw is funded.

(D) On each Mandatory Sinking Account Payment date, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, in the amounts and upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon direction of the Authority, apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Authority may direct, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Bonds with moneys in the Principal Fund, or, during said period and prior to giving said notice of redemption, the Authority has deposited Bonds with the Trustee, or Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and destroyed by the Trustee to or upon the order of the Authority. All Bonds purchased from the Principal Fund or deposited by the Authority with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as selected by the Authority.

SECTION 5.05. Redemption Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Redemption Fund” (and within the Redemption Fund there shall be maintained a sub-fund for the deposit of the proceeds of a drawing upon the Credit Facility). The Trustee shall establish, maintain and hold in trust within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account.

(B) All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV.
hereof or the applicable Supplemental Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively, or to reimburse the Credit Facility Provider with respect to drawings under the Credit Facility for such purpose. All Bonds redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments in inverse order of their payment dates.

SECTION 5.06. Debt Service Reserve Fund.

(A) The Trustee shall establish and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Debt Service Reserve Fund" (hereinafter the "Debt Service Reserve Fund").

(B) There shall be deposited to the credit of the Debt Service Reserve Fund (i) the Reserve Fund Requirement and (ii) any Reserve Fund Credit Facility provided to the Trustee by the Authority.

(C) The Authority may deliver to the Trustee for deposit to the credit of the Debt Service Reserve Fund a Reserve Fund Credit Facility if the following conditions are met: (i) The Reserve Fund Credit Facility may be drawn on by the Trustee without further direction from the Authority to make the payments described in Section 5.05(D), (ii) the amount available to be drawn on the Reserve Fund Credit Facility, together with amounts on deposit in the Debt Service Reserve Fund, equal the Reserve Fund Requirement on the date of delivery of the Reserve Fund Credit Facility and (iii) the obligor on the Reserve Fund Credit Facility either has outstanding uninsured and unsecured obligations or obligations secured by its letter of credit are rated in one of the two highest rating categories by one or more of the Rating Agencies.

(D) If the balance in the Debt Service Reserve Fund on any Interest Payment Date is less than the Reserve Fund Requirement, the Trustee shall give notice to the Authority, and the Authority shall make up such deficiency.

(E) If the balance in the Debt Service Reserve Fund on any Interest Payment Date is greater than the Reserve Fund Requirement, the Trustee shall transfer the excess (i) to the Project Fund and (ii) if the Project has been completed and the Project Fund has been closed, to the Interest Fund. Only the cash or Investment Securities shall be transferred pursuant to this clause (E), and the Trustee shall not draw on any Reserve Fund Credit Facility for the purpose of such transfer. If the amount available to be drawn on any Reserve Fund Credit Facility is in excess of the Reserve Fund Requirement, the Trustee, unless otherwise instructed by the Authority, will take all actions necessary to reduce such amount.

(F) When the balances in the Interest Fund, Mandatory Sinking Account in the Principal Fund and Debt Service Reserve Fund are sufficient to pay the principal of and interest on the Bonds then outstanding to their final maturity or earlier optional redemption date, the Trustee shall transfer the balance in the Debt Service Reserve Fund to the Interest Fund and Mandatory Sinking Account in the Principal Fund, as appropriate, to be held for the payment of such principal of and interest on the Bonds. Anything hereinabove to the contrary notwithstanding, if the amount set forth above in this clause (F) is provided so that the moneys in
the Debt Service Reserve Fund are not necessary, such moneys may be transferred as instructed by the Authority.

(G) When determining the balance in the Debt Service Reserve Fund for the purposes of clauses (D) and (E), the Trustee shall take into account the amount available to be drawn under any Reserve Fund Credit Facility and the value of investments in such Fund determined in accordance with this Master Trust Indenture. When determining the balance in the Debt Service Reserve Fund for the purpose of clause (F), the Trustee shall not take into account any amounts then permitted to be drawn on a Reserve Fund Credit Facility.

SECTION 5.07. Investment of Moneys. All moneys in any of the funds and accounts established pursuant to this Master Trust Indenture shall be invested by the Trustee (other than amounts deposited in the Purchase Fund and the proceeds of a drawing upon the Credit Facility, which proceeds shall remain uninvested), upon the written direction of the Authority given at least 2 days prior to the investment date, solely in Investment Securities. Investment Securities shall be purchased at such prices as the Authority may direct. All directions of the Authority to invest in Investment Securities shall be made subject to the limitations set forth in Section 6.07, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. No Request of the Authority shall impose any duty on the Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Authority, the Trustee shall invest in such Investment Securities as specified in the applicable Supplemental Indenture.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Master Trust Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income, including the amount of accrued interest paid as part of the Purchase Price when received, received from the investment of moneys in any fund or account established pursuant to this Master Trust Indenture shall be deposited when received in such fund or account.

Moneys held in the Redemption Fund for the redemption of Bonds shall be invested solely in Investment Securities or as otherwise specified in the applicable Supplemental Indenture, maturing in such amounts and at such times as are required for such redemption. Investment Securities acquired as an investment of moneys in any fund or account established under this Master Trust Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

Except as hereinafter provided with respect to proceeds of remarketing of Bonds and proceeds of a drawing upon a Credit Facility or a Liquidity Facility, the Trustee may commingle any of the funds or accounts established pursuant to this Master Trust Indenture (other than the
Rebate Fund and the Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Master Trust Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this Section 5.07. Any Investment Securities that are registrable securities shall be registered in the name of the Trustee.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority hereby agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

All proceeds of remarketing of Bonds and all proceeds of a drawing upon the Credit Facility (if any) or the Liquidity Facility (if any) shall be held by the Bond Trustee or the Tender Agent, as applicable, uninvested in an Eligible Account (as defined in Section 3.15) and shall not be commingled and shall be applied to the payment of Eligible Bonds only. Available Moneys held for the redemption or payment of Bonds shall not be commingled with any other funds held under the Master Trust Indenture and shall be invested only in Government Obligations with a maturity no later than the earlier of thirty (30) days or the date on which such Available Moneys are needed for the redemption or payment of the Bonds. In the event that an account required to be an Eligible Account no longer complies with the requirement, the Bond Trustee should promptly (and in any case, within not more than thirty (30) calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

SECTION 5.08. Rebate Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be specified in writing by the Authority in order to comply with the Tax Agreement. Subject to the transfer provisions provided in paragraph (E) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. The Authority and the Holder of any Bonds shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.07 and by the Tax Agreement (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority including the Authority’s supplying all necessary
information in the manner provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Agreement.

(B) Upon the Authority’s written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Authority, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of the Authority in accordance with the Tax Agreement.

(C) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or provided to it by the Authority.

(D) At the written direction of the Authority, the Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Agreement. The Trustee shall not be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in subsection (E) below.

(E) Upon receipt of the Authority’s written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Authority so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Authority’s written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Trustee, and payment of any amount then owed to the Trustee, shall be withdrawn and remitted to the Authority.

(F) Notwithstanding any other provision of this Master Trust Indenture, including in particular Article X, the obligation to remit the Rebate Amounts to the United States of America and to comply with all other requirements of this Section, Section 6.07 and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

SECTION 5.09. Draws Upon Credit Facility. Prior to using any other funds, if the Credit Facility is the Letter of Credit or a letter of credit, the Trustee or the Tender Agent, as applicable, shall, not later than 3:00 p.m. (New York City time) on the Business Day immediately prior to each Interest Payment Date or Principal Payment Date, draw upon such Credit Facility in accordance with its terms in the amount necessary to fully provide for payments due on the Eligible Bonds on each such Interest Payment Date and Principal Payment Date, as the case may be.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The Authority shall punctually cause to be paid the principal of, Redemption Price, if any, and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Master Trust Indenture, according to the true intent and meaning
thereof, but only out of Pledged Revenues and other assets pledged for such payment as provided in this Master Trust Indenture.

SECTION 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Master Trust Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended.

SECTION 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Pledged Revenues and other assets pledged or assigned under this Master Trust Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Master Trust Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Master Trust Indenture and to pledge and assign the Pledged Revenues and other assets purported to be pledged and assigned, respectively, under this Master Trust Indenture in the manner and to the extent provided in this Master Trust Indenture. The Bonds and the provisions of this Master Trust Indenture are and will be the legal, valid and binding limited obligations of the Authority in accordance with their terms, and the Authority and Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Pledged Revenues and other assets and all the rights of the Bondholders under this Master Trust Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. Financial Records and Statements.

(A) The Authority shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries are made, which shall at all reasonable times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than five percent (5%) in principal amount of Bonds Outstanding or their representatives duly authorized in writing.

(B) The Authority shall have an annual audit made by an Accountant and shall within 120 days after the end of its Fiscal year furnish to the Trustee copies of the annual financial statements of the Authority for such Fiscal Year.

SECTION 6.06. Trustee Accounting Records and Financial Statements.

(A) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee’s accounting practices for books of record and account relating to similar trust accounts, in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds, the Pledged Revenues and all funds
and accounts established pursuant to this Master Trust Indenture. Such books of record and account shall be available for inspection by the Authority, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and any Bondholder, or his agent or representative duly authorized in writing, upon reasonable prior written notice at reasonable hours and under reasonable circumstances.

(B) The Trustee shall file and furnish on or before the 15th day of each month to the Authority, the Credit Facility Provider (if any) and each Bondholder who shall have filed his or her name and address with the Trustee for such purpose a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Master Trust Indenture for the preceding month; provided, that the Trustee shall not be required to deliver an accounting for any fund or account that (1) has a balance of $0.00 and (2) has not had any activity since the last reporting date.

SECTION 6.07. Tax Covenants. The Authority agrees that it shall at all times do and perform all acts and things required by law and this Master Trust Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income tax purposes and shall neither take action nor permit any other person to take any action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Agreement.

SECTION 6.08. Intentionally omitted.

SECTION 6.09. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Master Trust Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Master Trust Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Master Trust Indenture.

SECTION 6.11. Continuing Disclosure. The Authority shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). Notwithstanding any other provision of this Master Trust Indenture, failure of the Authority to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default.
ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. Any one or more of the following events shall be Events of Default with respect to a Series of Bonds:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

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

(C) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Master Trust Indenture or in the Bonds contained, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Credit Facility Provider (if any) or by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding;

(D) receipt by the Trustee of notice from the Credit Facility Provider (if any) that an Event of Default (as defined in the Reimbursement Agreement) has occurred under a Reimbursement Agreement and requesting acceleration of the Bonds pursuant to Section 7.02;

(E) a default by the Authority with respect to any payment obligations or in the observance of any of the other covenants, agreements or conditions;

(F) receipt by the Trustee of a written notice from the Credit Facility Provider (if any) pursuant to a Credit Facility (if any) that amounts available to pay interest under the Credit Facility (if any) will not be reinstated following a drawing thereunder to pay interest; and

(G) receipt by the Trustee of a written notice from the Credit Facility Provider (if any) stating that an event of default has occurred under the Reimbursement Agreement and directing that all of the Bonds are required to be tendered for purchase in lieu of acceleration.

SECTION 7.02. Acceleration of Maturities. Upon and during the continuation of an Event of Default described in Section 7.01(A), (B) or (C), unless the principal of all of the Bonds have already become due and payable, the Trustee shall, upon the written direction of the Credit Facility Provider (if any) or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, but only with the prior written consent of the Credit Facility Provider, and upon the occurrence of an Event of Default described in Section 7.01(D) or (G), the Trustee shall, promptly upon such occurrence, upon receipt of written notice from the Credit Facility Provider (if any), by notice in writing to the Authority, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any), declare the principal of all of the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately; provided, however, with respect to an Event of Default specified in clause (D) or (G) of Section 7.01, interest shall cease to accrue on Eligible Bonds on the date of declaration of acceleration.
Upon any such declaration the same shall become and shall be immediately due and payable, anything in this Master Trust Indenture or in the Bonds contained to the contrary notwithstanding.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee an amount sufficient to pay all of the principal of the Bonds matured prior to such declaration and all matured installments of interest upon all the Bonds, and the reasonable fees and expenses of the Trustee, including reasonable fees and expenses of its attorneys and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding anything herein to the contrary, while a Credit Facility is in effect, no declaration of acceleration of the Bonds shall be annulled unless the Credit Facility Provider (if any) shall have rescinded in writing its default notice and the Credit Facility (if any) shall have been reinstated in full.

When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 7.03. Institution of Legal Proceedings by Trustee. Subject to the provisions of Section 7.06, if an Event of Default shall occur and be continuing, the Trustee in its discretion may, upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds under this Master Trust Indenture and by any means permitted by law.

SECTION 7.04. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Master Trust Indenture (other than payments received from the Credit Facility Provider (if any) and moneys required to be deposited in the Rebate Fund and subject to the requirements of Section 11.10 relating to the use of moneys held for particular Bonds) shall be applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Master Trust Indenture;
(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Master Trust Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Holders of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Holders of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(3) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue, subject to the provisions of Section 7.02(a). The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond
shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Notwithstanding anything herein to the contrary, in no event shall the Trustee be entitled to payment of its fees or expenses from any amounts held hereunder that constitute remarketing proceeds, proceeds of a drawing upon a Credit Facility or a Liquidity Facility or any moneys held under the Purchase Fund.

SECTION 7.05. Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Master Trust Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders the Trustee in its discretion may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders and the Credit Facility Provider (if any) by such appropriate action, suit, mandamus or other proceedings as it shall deem necessary to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, in the Credit Facility Provider (if any), or in such Holders and the Credit Facility Provider (if any) under this Master Trust Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Master Trust Indenture, pending such proceedings. All rights of action under this Master Trust Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Master Trust Indenture (including Section 6.02).

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Trust Indenture or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.
Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Master Trust Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Master Trust Indenture or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Master Trust Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of Authority. Nothing in Section 7.07 or in any other provision of this Master Trust Indenture, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee, the Credit Facility Provider (if any) or 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 Trustee, the Credit Facility Provider or the Bondholders, then in every such case the Authority, the Liquidity Facility Provider (if any), the Trustee, the Credit Facility Provider (if any) 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 Authority, the Liquidity Facility Provider (if any), the Trustee, the Credit Facility Provider (if any) and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee, the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein.

Notwithstanding anything herein to the contrary, while a Credit Facility is in effect, the Trustee shall not waive any Master Trust Indenture Event or Default unless the Credit Facility
Provider (if any) shall have rescinded in writing any default notice given by it and the Credit Facility (if any) shall have been reinstated in full.

SECTION 7.11. Notice to Bondholders of Default. The Trustee shall promptly give written notice by first class mail to the Bondholders, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) of the occurrence of an Event of Default, if the Trustee has actual knowledge of such Event of Default.

SECTION 7.12. Rights of the Credit Facility Provider. Notwithstanding any other provision of this Article VII, in the event that all Outstanding Bonds are secured by a Credit Facility Provider pursuant to a Credit Facility, the exercise or direction of all remedies granted under this Article VII and the granting of any waivers pursuant to Section 7.10 hereof shall be subject to the direction or prior written consent of the Credit Facility Provider. The Trustee, in the event that all Outstanding Bonds are secured by the Credit Facility Provider pursuant to the Credit Facility, shall, subject to the provisions of Section 8.07 hereof, be subject to the direction of the Credit Facility Provider. In the event that any Outstanding Bonds are secured by the Credit Facility Provider pursuant to the Credit Facility, the Credit Facility Provider shall be treated as the holder of all Bonds secured by the Credit Facility Provider pursuant to the Credit Facility, for purposes of obtaining directions, consents, waivers or other actions from the holders of such Bonds so secured by the Credit Facility Provider pursuant to the Credit Facility. In no event may the Trustee accelerate the Bonds secured by the Credit Facility Provider without the prior written consent of the Credit Facility Provider, so long as the Credit Facility is in full force and effect and the Credit Facility Provider has not defaulted thereunder. The Trustee shall provide the Credit Facility Provider with copies of all notices required by this Master Trust Indenture to be delivered to Bondholders. This Section will be of no force and effect if the Credit Facility Provider is in default of its payment obligations under the Credit Facility.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Trustee. The Trustee accepts and agrees to execute the trusts imposed upon it by this Master Trust Indenture but only upon the terms and conditions set forth herein.

(A) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in this Master Trust Indenture. The Trustee shall, during the existence of any Event of Default (that has not been cured or waived), exercise such of the rights and powers vested in it by this Master Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent trustee would exercise or use under the circumstances in the conduct of his own affairs.

(B) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance
with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Authority, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) and by giving the Bondholders notice of such resignation by mail at the addresses shown on the bond registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint, with the written consent of the Credit Facility Provider (if any), a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall only become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition at the expense of the Authority any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Master Trust Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall upon payment of its charges hereunder execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Master Trust Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency then rating the Bonds and to the Bondholders at the addresses shown on the bond registration books maintained by the Trustee. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company in the State of West Virginia, having (or if such trust company or bank is a member of a bank holding company
system, its bank holding company has) a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01 shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Liability of Trustee.

(A) The recital of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Master Trust Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Trustee or its powers. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Master Trust Indenture.

(D) Subject to subsection (I) of this Section, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Trust Indenture at the request,
order or direction of any of the Bondholders pursuant to the provisions of this Master Trust
Indenture unless such Bondholders shall have offered to the Trustee security or indemnity
reasonably satisfactory to it against the costs, expenses and liabilities that may be incurred
therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of
interest on, principal of or premium, if any, with respect to the Bonds from its own funds; but
rather the Trustee’s obligations shall be limited to the performance of its duties hereunder.

(E) Except with respect to Events of Default specified in Section 7.01(A) or (B)
hereof, the Trustee shall not be deemed to have knowledge of any Event of Default unless and
until an officer at the Trustee’s corporate trust operation responsible for the administration of its
duties hereunder shall have actual knowledge thereof or the Trustee shall have received written
notice thereof at the Principal Corporate Trust Office. The Trustee shall not be bound to
ascertain or inquire as to the performance or observance of any of the terms, conditions,
covenants or agreements herein or of any of the documents executed in connection with the
Bonds, or as to the existence of a default or Event of Default thereunder. The Trustee shall not
be responsible for the validity or effectiveness of any collateral given to or held by it.

(F) The Trustee may execute any of the trusts or powers hereunder or perform any
duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, and shall
not be answerable for the negligence or misconduct of any such attorney-of-fact, agent or
receiver selected by it with due care. The Trustee shall be entitled to advice of counsel and other
professionals concerning all matters of trust and its duty hereunder, including verification reports
in connection with any defeasance of the Bonds, but the Trustee shall not be answerable for the
acts or omissions of any attorney-in-law or certified public accountant in connection with the
rendering of his professional advice in accordance with the terms of this Master Trust Indenture,
if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

(G) The Trustee shall not be concerned with or accountable to anyone for the
subsequent use or application of any moneys that shall be released or withdrawn in accordance
with the provisions hereof.

(H) Whether or not therein expressly so provided, every provision of this Master Trust
Indenture, the Credit Facility (if any), the Liquidity Facility (if any) or related documents relating
to the conduct or affecting the liability of or affording protection to the Trustee shall be subject
to the provision of this Article.

(I) Notwithstanding anything herein to the contrary, neither the Trustee nor the
Tender Agent, as applicable, shall require or seek indemnity as a condition to drawing on a
Credit Facility or a Liquidity Facility, or, while a Credit Facility is in effect, as a condition to
declaration of acceleration.

(J) In no event shall the Trustee be responsible or liable for special, indirect, or
consequential loss or damage of any kind whatsoever (including, but not limited to, loss of
profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or
damage and regardless of the form of action.
(K) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

SECTION 8.04. Right of Trustee and Tender Agent to Rely on Documents. The Trustee and the Tender Agent (if any) shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond 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 Trustee and the Tender Agent (if any) may consult with counsel of its selection, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Master Trust Indenture the Trustee 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 be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Master Trust Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Master Trust Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. Separate or Co-Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Trustee shall have power to appoint, and, upon the request of the Credit Facility Provider (if any) or the Holders of at least 25% in aggregate principal amount of Bonds Outstanding, shall appoint, one or more Persons approved by the Trustee either to act as co-trustee or co-trustees, jointly with the Trustee, to act as separate trustee or separate trustees, and to vest in such Person or Persons, in such capacity, such rights, powers, duties, trusts or obligations as the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(A) The Bonds shall be authenticated and delivered solely by the Trustee.

(B) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the
Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(C) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(D) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(E) The Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section.

(F) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(G) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(H) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

**SECTION 8.07. Compensation and Indemnification.** The Authority shall pay to the Trustee and the Tender Agent (if any) (solely from Additional Payments) from time to time reasonable compensation for all services rendered under this Master Trust Indenture, and also all reasonable expenses, charges, losses, liabilities, claims, damages, legal and consulting fees and
other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Master Trust Indenture.

Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond, upon the Trust Estate for the foregoing fees, charges and expenses incurred by it.

No provision of this Master Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it has not received the agreed compensation for such services or, in cases where the Trustee has a right to reimbursement or indemnification for such performance or exercise, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; provided, however, that the Tender Agent and the Trustee shall in no event condition any draw upon the Liquidity Facility, any request for payment under the Credit Facility or any payment to Bondholders from such draws under the Liquidity Facility or such payments under the Credit Facility upon the provision of any indemnification for such performance.

The provisions of this Section benefiting the Trustee shall also run to the benefit of the Authority, Liquidity Facility (if any), or, while a Credit Facility is in effect, as a condition to declaration of acceleration.

SECTION 8.08. Notice to Rating Agency. The Trustee shall give written notice to any Rating Agency then rating the Bonds if (i) a successor Trustee is appointed hereunder, (ii) if this Master Trust Indenture, the Remarketing Agreement (if any), the Credit Facility (if any) or the Liquidity Facility (if any) is amended or supplemented in any material manner, or, if any of such documents are amended with the consent of the Credit Facility Provider (if any), (iii) if a Liquidity Facility expires, is terminated, substituted, or is extended, (iv) if a successor Remarketing Agent (if any) is appointed, (v) if the Bonds are paid and this Master Trust Indenture defeased pursuant to Section 10.01, (vi) if the Bonds are accelerated pursuant to Section 7.02, or (viii) if the Bonds are redeemed in whole or in part pursuant to Section 4.01 or are subject to mandatory tender pursuant to Section 4.07, provided that the Trustee shall incur no liability for failure to give any such notice.

SECTION 8.09. Trustee and Master Documents. Reference is hereby made to the Master Documents, wherein it is provided that the Trustee will accept certain duties, perform or consent to certain acts, receive certain documents and exercise certain rights and remedies under such instruments. The Trustee hereby consents to such terms and provisions contained in the Master Documents and covenants and agrees to accept such duties, perform such acts and receive such documents thereunder as is expressly set forth therein on the terms and conditions therein specified. The Trustee hereby covenants and agrees to exercise all rights and remedies set forth in the Master Documents (to the extent provided in such instruments to a holder of an Obligation) as the Trustee deems necessary and proper, employing the standards set forth in Section 8.01 hereof, in the best interests of the Holders of the Bonds.
SECTION 8.10. Books and Records. The Trustee shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all funds and accounts established by or pursuant to this Indenture, which shall at all reasonable times be subject to the inspection by the Authority or the owners (or a designated representative thereof) of not less than ten percent (10%) in aggregate principal amount of the Bonds then outstanding.

Within five (5) days after each date on which principal or Redemption Price of or interest on, any of the Bonds is due, the Trustee shall furnish to the Authority a written certificate setting forth the following:

(a) the designated name of the Bonds;

(b) the date on which such interest on any of the Bonds is due, the rate or rates of interest borne by such Bonds, and the amount of such interest due;

(c) the date on which such interest on any of the Bonds is paid and the amount of such interest paid;

(d) the date on which such principal or Redemption Price of any of the Bonds is due (whether at maturity, upon call for redemption or acceleration) and the amount of such principal or Redemption Price due;

(e) the date on which such principal of or Redemption Price of any of the Bonds is paid and the amount of such principal or Redemption Price; and

(f) the name of the Trustee.

Not later than thirty (30) days after the end of each December 1, March 1, June 1 and September 1, commencing on December 1, 2008 the Trustee will prepare and file with the Authority a statement setting forth, with respect to the preceding bond year and the current bond year, (1) amounts withdrawn from and deposited in each fund and account relating to the Bonds hereunder, (2) the balance on deposit in each such fund or account relating to the Bonds at the end of each period for which such statement is prepared, (3) a brief description of all obligations held as investments in each such fund or account relating to the Bonds, (4) the amount applied to the redemption of the Bonds, a description of the Bonds or portions of Bonds so redeemed, and an accounting of the Bonds of each maturity outstanding, and (5) any other information that the Authority may reasonably request or that the Trustee may from time to time deem appropriate.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS MASTER TRUST INDENTURE

SECTION 9.01. Supplements Not Requiring Consent of Bondholders. The Authority and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplemental Indentures for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission herein;
(b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders or the Authority;

(c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) to preserve the exemption of the interest income borne on the Bonds from federal income taxes;

(f) to implement any amendments or Supplemental Indentures necessary or appropriate to conform to amendments or Supplemental Indentures to the Master Trust Indenture permitted by the Master Trust Indenture;

(g) to authorize Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in Article II hereof and also any other matters and things relative to such Bonds which are not contrary or inconsistent with the Master Trust Indenture;

(h) to qualify this Master Trust Indenture under the Master Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;

(i) to discontinue the book-entry only system of registration of the Bonds; and

(j) to conform to the terms and provisions of any Liquidity Facility or any Credit Facility, or to conform, if and when necessary, to the conditions of Section 2.13(A)(3)(h) hereof upon any conversion to the Unit Pricing Mode; and

(k) to make any modification or amendment to this Master Trust Indenture, even if consent of Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to Sections 3.10, 3.11, 3.12 or 3.13 hereof or (ii) with respect to Bonds in a Daily Mode or a Weekly Mode (except during any Non Remarketing Period) only, if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least 15 days before the effective date thereof and on or before such effective date, the Holders have the right to demand purchase of their Bonds pursuant to Section 3.09 hereof; provided, that, on or prior to the effective date of such modification or amendment, the Trustee shall obtain an Opinion of Bond Counsel as to such modification or amendment.

SECTION 9.02. Supplemental Indentures Requiring Consent of Bondholders.

(a) Other than Supplemental Indentures referred to in Section 9.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the
Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount or Purchase Price of or the Redemption Price or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Trustee to enter into a Supplement pursuant to this Section, the Trustee shall, upon being satisfactorily indemnified, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Trustee for inspection by all Bondholders.

(c) If within such period, as shall be prescribed by the Authority, following the mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection 9.02(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the execution by the Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Trustee shall make and file with the
Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

SECTION 9.03. Execution and Effect of Supplemental Indentures. (a) In executing any Supplement permitted by this Article, the Trustee shall be provided with and may conclusively rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Trustee may but shall not be obligated to enter into any such Supplement which affects the Trustee’s own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof and in the Bonds relating thereto shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Bond authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the Authority or the Trustee shall, bear a notation in form approved by the Authority and Trustee as to any matter provided for in such Supplement. If the Authority shall so determine, new bonds so modified as to conform in the Opinion of Bond Counsel to any such Supplement may be prepared and executed by the Authority and authenticated and delivered by the Authenticating Agent in exchange for and upon surrender of Bonds then Outstanding.

SECTION 9.04. Intentionally Omitted.

SECTION 9.05. Intentionally Omitted.

SECTION 9.06. Consent of Credit Facility Provider. The Trustee shall not permit any amendment pursuant to Section 9.01(f), (i) or (j), or 9.02 hereof without the prior written consent of the Credit Facility Provider (if any). Notwithstanding the requirements of Section 9.02(a) hereof as to requiring the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, the consent of the Credit Facility Provider shall be accepted by the Authority and the Trustee in lieu of the required level of Holders’ consent. The Trustee on behalf of the Authority, at its expense, shall provide the Credit Facility Provider and S&P with complete copies of all transcripts relating to any such amendment. This Section will be of no force and effect if the Credit Facility Provider is in default of its payment obligations under the Credit Facility.
ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Master Trust Indenture. The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(A) by paying or causing to be paid the principal or Redemption Price of and interest on the Bonds, as and when the same become due and payable;

(B) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Bonds then Outstanding; or

(C) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority then and in that case, upon receipt by the Trustee of (i) an Opinion or Opinions of Counsel to the effect that the obligations under this Master Trust Indenture and the Bonds have been discharged and (ii) written evidence from each Rating Agency then rating the Bonds that defeasance will not result in the reduction of such ratings, this Master Trust Indenture and the pledge of Revenues and other assets made under this Master Trust Indenture and all covenants, agreements and other obligations of the Authority under this Master Trust Indenture shall cease, terminate, become void and be completely discharged and satisfied, and the Bonds will no longer be deemed to be outstanding under this Master Trust Indenture.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Redemption Price of and interest on such Bond by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for its payment, provided further, however, that the provisions of Section 10.04 shall apply in all events.

SECTION 10.03. Deposit of Money or Securities with Trustee. Whenever in this Master Trust Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Master Trust Indenture (other than the Purchase Fund (if any) and the Rebate Fund) and shall be:
(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on the Maximum Rate for periods for which the actual interest rate is not known), except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date (based on the Maximum Rate for periods for which the actual interest rate is not known); or

(B) Investment Securities as specified in the applicable Supplemental Indenture and purchased with Available Moneys, the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal, Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed (based on an assumed interest rate of 12% per annum for periods for which the actual interest rate is not known), as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Master Trust Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest on such Bonds.

SECTION 10.04. Escheat. Notwithstanding any provisions of this Master Trust Indenture, any moneys held by the Trustee in trust for the payment of Redemption Price or the principal of, or interest on, any Bonds and remaining unclaimed for two years (or, if less, one day before such moneys would escheat to the State of West Virginia under then applicable West Virginia law) after the due date will be repaid to the Authority.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Authority Limited to Pledged Revenues. Notwithstanding anything in this Master Trust Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Pledged Revenues and other assets pledged under this Master Trust Indenture for any of the purposes in this Master Trust Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Master Trust Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority that may be made available to it for such purposes.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Master Trust Indenture either the Authority or the Trustee 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 Master Trust Indenture contained by or on behalf of the
Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties, Credit Facility Provider and Bondholders. Nothing in this Master Trust Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Master Trust Indenture 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 Authority, the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Master Trust Indenture the giving of notice by mail, Electronic Means or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Intentionally Omitted.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Master Trust Indenture or in the 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 Master Trust Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Master Trust Indenture, and this Master Trust Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Master Trust Indenture and each and every other Section, paragraph, sentence, clause or phrase thereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Master Trust Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. Notices. All notices to the Liquidity Facility Provider (if any) shall be given by Electronic Means (unless otherwise provided herein) and confirmed in writing as soon as practicable. Any notice required to be given to Bondholders shall also be given to the Credit Facility Provider (if any). Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Principal Corporate Trust Office (original address shown below), or at such other address as may have been filed in writing by the Trustee with the Authority. Except with respect to notices to the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any), with respect to claims under the Liquidity Facility (if any) or the Credit Facility (if any), respectively, which notices shall be given in accordance with such documents, any notice to or demand upon the Authority, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box,
addressed, as the case may be, to the respective following addresses (or to such other address as may have been filed in writing by such party with the Trustee):

1) to the Authority at: School Building Authority of West Virginia
   2300 Kanawha Boulevard, East
   Charleston, WV 25311
   Attention: Executive Director

3) to the Master Trustee at: The Bank of New York Mellon
   385 Rifle Camp Road, 3rd Floor
   West Paterson, New Jersey 07424
   ATTN: Corporate Trust Department

4) to S&P at: 55 Water Street
   New York, NY 10041
   ATTN: Public Finance

5) to Moody’s at: 7 World Trade Center
   at 250 Greenwich Street
   New York, NY 10007
   ATTN: Public Finance

6) to Fitch at: One State Street Plaza
   New York, NY 10004

To any Remarketing Agent, Tender Agent, Credit Facility Provider or Liquidity Facility Provider at the addresses provided for any such party in the Supplemental Indenture appointing such party in connection with a Series of Bonds.

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Master Trust Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Master Trust Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.
The ownership of Bonds shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Master Trust Indenture, Bonds that are held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. Any fund or account required by this Master Trust Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.07 and for the protection of the security of the Bonds and the rights of every Holder thereof. The Trustee may establish such additional funds and accounts as it deems necessary to perform its obligations hereunder.

SECTION 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Master Trust Indenture.
SECTION 11.13. Business Days. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

SECTION 11.14. Governing Law. This Master Trust Indenture and the Bonds are contracts made under the laws of the State of West Virginia, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State; provided, however, that the rights, duties, privileges, protections, benefits, immunities and indemnities of the Trustee shall be governed by the laws of the State of New York.

SECTION 11.15. Execution in Several Counterparts. This Master Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.16. Waiver of Jury Trial. EACH OF THE AUTHORITY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS MASTER TRUST INDENTURE, THE BONDS OR THE TRANSACTION CONTEMPLATED HEREBY.

SECTION 11.17. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA has caused these presents to be signed by its authorized representative and its corporate seal to be hereunto affixed and attested to by its Secretary and to evidence its acceptance of the trusts hereby created, the Trustee, in token of its acceptance of the trusts created hereunder, has caused these presents to be signed in its name and behalf by one of its authorized officers, all as of the day and year first and above written.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: ____________________________
   Its: Chairman

Attest:
______________________________
Secretary

THE BANK OF NEW YORK MELLON,
as Trustee

By: ____________________________
   Its: Authorized SIGNATORY
STATE OF WEST VIRGINIA  

COUNTY OF KANAWHA  

I, the undersigned, a Notary Public in and for said counties in said State, DO HEREBY CERTIFY that Carte Goodwin, whose name as Chairman of the School Building Authority of West Virginia, is signed to the foregoing writing, and who is known to me and known to be such officer of said Authority, acknowledged before me on this day that, being informed of the contents of said writing he, as such officer and with full authority, executed the same voluntarily as said officer of said Authority.

Given under my hand and seal of office this 18th day of August, 2008.

[Signature]

Notary Public

SIXTH SUPPLEMENTAL TRUST INDENTURE
Dated as of November 19, 2015

By and Between

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

and

THE BANK OF NEW YORK MELLON,
as Trustee

Supplemental to:
Master Trust Indenture
Dated as of August 1, 2008

and

in connection with the issuance of:
Excess Lottery Revenue Refunding Bonds,
Series 2015 A (Tax-Exempt)
$63,640,000
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
EXCESS LOTTERY REVENUE REFUNDING BONDS,
SERIES 2015 A (Tax-Exempt)

SIXTH SUPPLEMENTAL TRUST INDENTURE

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SIXTH SUPPLEMENTAL TRUST INDENTURE

THIS SIXTH SUPPLEMENTAL TRUST INDENTURE, is dated as of November 19, 2015 (the “Sixth Supplemental Indenture”), between the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA, a public corporation created under the laws of the State of West Virginia (the “Authority”), and THE BANK OF NEW YORK MELLON, a banking corporation organized and existing under the laws of the State of New York and having a corporate trust office in Woodland Park, New Jersey (the “Trustee”).

WHEREAS, the Authority has heretofore entered into a Master Trust Indenture, dated as of August 1, 2008, by and between the Authority and the Trustee (the “Master Indenture”), as supplemented by a First Supplemental Trust Indenture dated as of August 15, 2008 (the “First Supplemental Indenture”), as amended and supplemented by an Amendatory and Second Supplemental Trust Indenture dated as of July 23, 2009 (the “Second Supplemental Indenture”), as further supplemented by a Third Supplemental Trust Indenture dated as of December 15, 2009 (the “Third Supplemental Indenture”) as further supplemented by a Fourth Supplemental Trust Indenture dated as of July 8, 2010 (the “Fourth Supplemental Indenture”), and as further supplemented by a Fifth Supplemental Trust Indenture dated as of July 27, 2010 (the “Fifth Supplemental Indenture,” and together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, and the Fifth Supplemental Indenture, collectively the “Indenture”) pursuant to which it is authorized to issue one or more series of its Excess Lottery Revenue Bonds (the “Bonds”);

WHEREAS, the Indenture establishes the basic provisions regarding the structure of and security for all Bonds to be issued thereunder, and further provides that each Series of Bonds to be issued from time to time is to be individually authorized by a Supplemental Indenture setting forth the principal amount of such Series of Bonds, the terms of such Series of Bonds and any other provisions which may be specific to such Series of Bonds as set forth in the Indenture;

WHEREAS, this Sixth Supplemental Indenture supplements the Indenture as set forth herein;

WHEREAS, pursuant to Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the “School Building Authority Act”) and the Indenture, the Authority is authorized to issue revenue bonds from time to time, either to finance the costs of acquisition, construction, improvement and equipping of public schools in the State of West Virginia or to refund, at the discretion of the Authority, bonds issued and outstanding under and pursuant to the provisions of the School Building Authority Act and the Indenture, and to pay debt service on such bonds with funds distributed from the State Excess Lottery Revenue Fund, a special fund created in the State Treasury pursuant to the Lottery Act, and deposited in the Excess Lottery School Building Debt Service Fund, a special revenue fund created and existing in the State Treasury pursuant to Section 6(c) of the School Building Authority Act to carry out its purposes under the Act;
WHEREAS, the Authority issued its Excess Lottery Revenue Bonds, Series 2008 on August 20, 2008, in the aggregate principal amount of $102,145,000 pursuant to the First Supplemental Indenture;

WHEREAS, the Authority issued its Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 A (Tax Credit Bonds) on July 23, 2009, in the aggregate principal amount of $30,000,000, pursuant to the Second Supplemental Trust Indenture;

WHEREAS, the Authority issued its Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 B (Tax Credit Bonds) on December 15, 2009, in the aggregate principal amount of $48,200,000, pursuant to the Third Supplemental Trust Indenture;

WHEREAS, the Authority issued its Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010 A (Tax Credit Bonds) on July 8, 2010, in the aggregate principal amount of $72,280,000, pursuant to the Fourth Supplemental Trust Indenture;

WHEREAS, the Authority issued its Excess Lottery Revenue Bonds, Series 2010 B (Tax-Exempt) on July 27, 2010, in the aggregate principal amount of $25,000,000, pursuant to the Fifth Supplemental Trust Indenture;

WHEREAS, it is anticipated that the Authority could realize significant debt service savings by refunding the Series 2008 Bonds maturing on July 1, 2019 through July 1, 2028 (the “Series 2008 Bonds To Be Refunded”), which savings could be used to finance the acquisition, construction, equipping or improvement of public schools in the State;

WHEREAS, the Authority therefore deems it desirable and in keeping with its purposes under the Act to issue a series of revenue bonds to be designated “School Building Authority of West Virginia Excess Lottery Revenue Bonds, Series 2015 A (Tax-Exempt)” (the “Series 2015 A Bonds”) for the purpose of (i) financing the refunding and redemption on the date set forth in the Escrow Agreement (defined below) of the Series 2008 Bonds To Be Refunded; (ii) financing a portion of the costs of the Project and (iii) paying the costs of issuance of the 2015 A Bonds (the issuance of the Series 2015 A Bonds and the use of the proceeds for refunding and redeeming the Series 2008 Bonds To Be Refunded are hereinafter referred to together as the “Refunding”);

WHEREAS, pursuant to the Act, in connection with the issuance of the Series 2015 A Bonds, the Authority has approved a list of specific projects for the acquisition, construction, equipping and improvement of public schools in the State of West Virginia (the “Project”) more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Project List”), to be financed a portion of the proceeds of the Series 2015 A Bonds, to the extent proceeds of the Series 2015 A Bonds are available therefor;

WHEREAS, the Authority and Trustee desire that the Master Indenture be supplemented by this Sixth Supplemental Indenture as permitted under Sections 2.02 and 9.01(g)
of the Master Indenture to provide, among other things, for the issuance of the Series 2015 A Bonds;

WHEREAS, all of the requirements and conditions set forth in the Master Indenture for issuance of the Series 2015 A Bonds thereunder have been satisfied, or will be satisfied prior to delivery of the Series 2015 A Bonds;

WHEREAS, the Authority therefore wishes to take all necessary actions to issue the Series 2015 A Bonds for the purposes set forth herein;

WHEREAS, there will be presented to an Authorized Officer of the Authority, this Sixth Supplemental Indenture and such other documents as are deemed necessary or desirable to aid or effectuate the issuance and sale of the Series 2015 A Bonds, including documents relating to the investment of the proceeds (together, the “Bond Documents”), to be executed in connection with the issuance and sale of the Series 2015 A Bonds;

WHEREAS, the execution and delivery of this Sixth Supplemental Indenture and the issuance of the Series 2015 A Bonds under the School Building Authority Act, as herein and in the Master Indenture provided, have been in all respects duly and validly authorized by a resolution duly adopted by the Authority at a meeting duly held on June 22, 2015 (the “Series 2015 A Bond Resolution”); and

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Master Indenture.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS AND AGREEMENTS CONTAINED HEREIN, THE AUTHORITY COVENANTS AND AGREES WITH THE TRUSTEE, FOR THE EQUAL AND PROPORTIONATE BENEFIT OF THE HOLDERS OF THE BONDS, THIS SIXTH SUPPLEMENTAL TRUST INDENTURE WITNESSETH:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. All capitalized terms and definitions contained in the Master Indenture shall, unless defined differently herein, have the same meanings herein, and in addition to the words and terms defined elsewhere in this Sixth Supplemental Indenture, the following words, terms or phrases, when used in this Sixth Supplemental Indenture, shall have the following respective meanings with respect to the Series 2015 A Bonds, unless the context clearly indicates a different meaning:

“Authorized Denominations” means, with respect to the Series 2015 A Bonds, $5,000 or any integral multiple thereof.
“Authorized Officer” means the persons designated pursuant to Section 2.03 hereof.

“Bond Documents” means the documents described in the recitals hereto.

“Bond Year” means, with respect to the Series 2015 A Bonds, the period commencing July 1 in each year and ending on June 30 of each subsequent calendar year during the term of the Series 2015 A Bonds, except that the first Bond Year shall commence on the Closing Date and end on June 30, 2016 (unless a different period is permitted or required by the Code).

“Closing Date” means the date upon which the Series 2015 A Bonds are delivered to the Underwriters upon payment of the purchase price for the Series 2015 A Bonds.

“Costs of Issuance Fund Requisition” means the Authority’s requisition for a disbursement from the Series 2015 A Costs of Issuance Fund substantially in the form of Exhibit C hereto and delivered to the Trustee in accordance with Section 4.05 hereof.

“Defeasance Securities” means any security which fits under the description of subsection (1) of the definition of Investment Securities.

“Escrow Agreement” means the Escrow Agreement dated the date of delivery of the Bonds entered into between the Issuer and The Bank of New York Mellon, as Escrow Trustee.

“Escrow Fund” means the fund created by the Escrow Agreement.

“Fifth Supplemental Indenture” means the Fifth Supplemental Trust Indenture by and between the Authority and the Trustee, dated as of July 27, 2010.

“First Supplemental Indenture” means the First Supplemental Trust Indenture by and between the Authority and the Trustee, dated as of August 15, 2008.

“Fourth Supplemental Indenture” means the Fourth Supplemental Trust Indenture by and between the Authority and the Trustee, dated July 8, 2010, as amended.

“Indenture” means (unless the context clearly indicates otherwise) collectively, the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and this Sixth Supplemental Indenture, all by and between the Authority and the Trustee, as they may be amended or supplemented.

“Investment Securities” means:
(1) (i) direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purpose ("Government Obligations");

(2) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:

   Export-Import Bank;
   Farm Credit System Financial Assistance Corporation;
   Rural Economic Community Development Administration;
   (formerly the Farmers Home Administration);
   General Services Administration;
   U.S. Maritime Administration;
   Small Business Administration;
   Government National Mortgage Association (GNMA);
   U.S. Department of Housing & Urban Development (PHA’s);
   Federal Housing Administration; and
   Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America and which are rated “AAA” by Moody’s and “Aaa” by S&P:

   Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
   Senior debt obligations of the Resolution Funding Corporation (REFCORP);
   Senior debt obligations of the Federal Home Loan Bank System; and
   Senior debt obligations of other government-sponsored agencies approved in writing by the applicable bond insurer, if any.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1+” or “A-1” by S&P and “P-1” by Moody’s and which mature no more than 360 days after the date of purchase.
purchase (ratings on holding companies are not considered as the rating of the banks);

(5) Commercial paper which is rated at the time of purchase “A-1+” or “A-1” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

(7) Advance-Refunded Municipal Bonds;

(8) General obligations of the State or any other state within the territorial United States, or any of its political subdivisions therein, with a rating of at least “A2/A” or higher by Moody’s and S&P; and

(9) Investment agreements (including repurchase agreements) provided by an institution with a rating of at least “A2/A,” without regard to qualifier, numerical or otherwise, by Moody’s and S&P.

“IRS” means the Internal Revenue Service.

“Mandatory Redemption Date” means the date established for the mandatory redemption of Series 2015 A Bonds pursuant to Section 3.02 hereof.

“Master Indenture” means the Master Indenture by and between the Authority and the Trustee, dated as of August 1, 2008, as amended by the Second Supplemental Indenture.

“Parity Bonds” means the Unrefunded Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds and the Series 2010 B Bonds.

“Paying Agent” means The Bank of New York Mellon or its successors, designated as a paying agency or place of payment for the Series 2015 A Bonds.

“Project” means the acquisition, construction, equipping and improvement of the public school project approved by the Authority in connection with the issuance of the Series 2015 A Bonds and more specifically identified on Exhibit A attached hereto and incorporated herein by reference.

“Project List” means the list of Projects identified on Exhibit A, as approved in the Series 2015 A Bond Resolution, attached hereto and incorporated herein by reference.

“Project Fund Requisition” means the Authority’s requisition for a disbursement from the Series 2015 A Project Fund substantially in the form of Exhibit D hereto and delivered to the Trustee in accordance with Section 4.06 hereof.
“Record Date” means each June 15 and December 15.

“Redemption Date” means the date set forth in the Escrow Agreement on which the Series 2008 Bonds To Be Refunded will be paid.

“Redemption Price” means the price at which the Series 2015 A Bonds are redeemed prior to the stated maturity thereof and shall include the principal thereof, and the premium thereon, if any.

“Refunding” means the issuance of the Series 2015 A Bonds and the use of the proceeds for refunding and redeeming the Series 2008 Bonds To Be Refunded.

“Registrar” means The Bank of New York Mellon or its successors, designated as the registrar for the Series 2015 A Bonds.

“Second Supplemental Indenture” means the Amendatory and Second Supplemental Trust Indenture by and between the Authority and the Trustee, dated July 23, 2009.

“Series 2008 Bonds” means the Authority’s Excess Lottery Revenue Bonds, Series 2008, in the aggregate principal amount of $102,145,000, issued pursuant to the First Supplemental Indenture.

“Series 2008 Bonds To Be Refunded” means the Series 2008 Bonds maturing on July 1, 2019 through July 1, 2028.

“Series 2009 A Tax Credit Bonds” means the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 A (Tax Credit Bonds), in the aggregate principal amount of $30,000,000, issued pursuant to the Second Supplemental Indenture.

“Series 2009 B Tax Credit Bonds” means the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 B (Tax Credit Bonds), in the aggregate principal amount of $48,200,000, issued pursuant to the Third Supplemental Indenture.

“Series 2010 A Tax Credit Bonds” means the Authority’s Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010 A (Tax Credit Bonds), in the aggregate principal amount of $72,280,000, issued pursuant to the Fourth Supplemental Indenture.

“Series 2010 B Bonds” means the Authority’s Excess Lottery Revenue Bonds, Series 2010 B (Tax-Exempt), in the aggregate principal amount of $25,000,000, issued pursuant to the Fifth Supplemental Indenture.
“Series 2015 A Bonds” means the Authority’s Excess Lottery Revenue Refunding Bonds, Series 2015 A (Tax-Exempt), in the aggregate principal amount of $63,640,000, issued pursuant to this Sixth Supplemental Indenture.


“Series 2015 A Costs of Issuance Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Interest Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Mandatory Sinking Account” means the account by that name established within the Series 2015 A Principal Fund pursuant to Section 4.01 hereof.

“Series 2015 A Optional Redemption Account” means the account by that name established with the Series 2015 A Redemption Fund pursuant to Section 4.01 hereof.

“Series 2015 A Principal Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Project Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Rebate Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Redemption Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2015 A Special Redemption Account” means the account by that name established within the Series 2015 A Redemption Fund pursuant to Section 4.01 hereof.

“Sixth Supplemental Indenture” means this Sixth Supplemental Trust Indenture by and between the Authority and the Trustee, dated November 19, 2015.

“Tax Agreement” means the Tax Certificate and Agreement relating to the Series 2015 A Bonds, by and between the Authority and the Trustee, to be dated November 19, 2015, as it may be amended or supplemented.

“Third Supplemental Indenture” means the Third Supplemental Trust Indenture by and between the Authority and the Trustee, dated December 15, 2009.

Section 1.02. **Interpretation.**

A. Any reference herein to the Authority, or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

B. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

C. Any terms not defined herein but defined in the Master Indenture shall have the same meanings herein.

D. Headings or articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

E. Words importing the redemption of a Series 2015 A Bond or the calling of a Series 2015 A Bond for redemption do not mean or include the payment of a Series 2015 A Bond at its stated maturity or the purchase of a Series 2015 A Bond.

Section 1.03. **Designation of Authorized Officers.** The Authority hereby designates the Governor, Governor’s Designee (and Chairperson), Vice Chair or Executive Director and the Secretary as Authorized Officers of the Authority with respect to the Series 2015 A Bonds.

**ARTICLE II**

**AUTHORIZATION AND TERMS OF SERIES 2015 A BONDS**

Section 2.01. **Authorization of Series 2015 A Bonds.** The Authority hereby authorizes the issuance of the Series 2015 A Bonds in the aggregate principal amount of $63,640,000 pursuant to the School Building Authority Act and the Lottery Act for the purposes of providing for the refunding and redemption of the Series 2008 Bonds to Be Refunded, financing the qualifying costs of the Project and to pay costs of issuance of the Series 2015 A Bonds. The Series 2015 A Bonds so authorized shall be designated “School Building Authority of West Virginia Excess Lottery Revenue Refunding Bonds, Series 2015 A (Tax-Exempt),” and shall constitute a “Series” of Bonds, as such term is defined in the Master Indenture, and shall be issued and sold as directed by the Authority in accordance herewith. All conditions precedent to the issuance of the Series 2015 A Bonds required by the Master Indenture have been satisfied.

Section 2.02. **Terms.** The Series 2015 A Bonds shall be issued in fully registered form without coupons as herein provided, in denominations of $5,000 and integral
multiples thereof, and shall be payable as to interest on January 1 and July 1 of each year during the life of the Series 2015 A Bonds, commencing July 1, 2016. The Series 2015 A Bonds shall be dated November 19, 2015. The Series 2015 A Bonds shall mature on July 1 in the years and amounts and bear interest from their date as follows:

<table>
<thead>
<tr>
<th>Year (July 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$85,000</td>
<td>3.00%</td>
</tr>
<tr>
<td>2018</td>
<td>$90,000</td>
<td>3.00%</td>
</tr>
<tr>
<td>2019</td>
<td>$5,080,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>2020</td>
<td>$5,345,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2021</td>
<td>$5,555,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2022</td>
<td>$5,830,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2023</td>
<td>$6,125,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2024</td>
<td>$6,430,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2025</td>
<td>$6,750,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2026</td>
<td>$7,090,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2027</td>
<td>$7,445,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2028</td>
<td>$7,815,000</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

The Series 2015 A Bonds shall be numbered from AR-1 upward.

Section 2.03. Form of Series 2015 A Bonds. The definitive Series 2015 A Bonds shall be in substantially the form set forth in Exhibit B, attached hereto and incorporated by reference herein, with such necessary and appropriate omissions, insertions and variations as shall be appropriate and as are approved by those Authorized Officers executing such Series 2015 A Bonds on behalf of the Authority. Execution thereof by such Authorized Officers shall constitute conclusive evidence of such approval.

The Series 2015 A Bonds may be initially issued in temporary form exchangeable for definitive Series 2015 A Bonds of the same Series when ready for delivery. The temporary Series 2015 A Bonds shall be of such denomination or denominations as may be determined by the Authority in accordance with Series 2015 A Bond Resolution and may contain such references to any of the provisions of this Sixth Supplemental Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated upon the same conditions and in substantially the same manner as the definitive Series 2015 A Bonds. If temporary Series 2015 A Bonds are issued, the Authority will thereafter execute and furnish definitive Series 2015 A Bonds and thereupon the temporary Series 2015 A Bonds may be surrendered for cancellation in exchange therefor at the principal corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Series 2015 A Bonds an equal aggregate principal amount of definitive Series 2015 A Bonds of the same Series and maturity of authorized denominations. Until so exchanged, the temporary Series 2015 A Bonds shall be entitled to the same benefits under this Sixth Supplemental Indenture as definitive Series 2015 A Bonds authenticated and delivered hereunder.
Section 2.04. Lien Position with Respect to the Parity Bonds; Pledge and Assignment. The Series 2015 A Bonds constitute Additional Bonds issued on a parity with the Parity Bonds pursuant to Section 2.02(F) and Section 2.02(G) of the Master Indenture. The Series 2015 A Bonds are secured by a first lien on the Pledged Revenues, as defined in the Master Indenture, on a parity with the lien on the Pledged Revenues of the Parity Bonds. The pledge of the Pledged Revenues and any other amounts held in any fund or account established pursuant to the Master Indenture (other than the Purchase Fund (if any) and the Rebate Fund) which was granted to the Trustee pursuant to Section 5.01 of the Master Indenture to secure the payment of the principal of and premium, if any, and interest, if any, on the Bonds (as defined in the Master Indenture), including the Series 2015 A Bonds, is hereby ratified and confirmed and shall apply to the Series 2015 A Bonds as if they were originally issued under the Master Indenture.

Section 2.05. Defeasance Securities. With regard to any defeasance of the Series 2015 A Bonds pursuant to Section 10.03(B) of the Master Indenture, such defeasance may only be accomplished by investing in Defeasance Securities.

ARTICLE III

REDEMPTION OF SERIES 2015 A BONDS

Section 3.01. Optional Redemption. The Series 2015 A Bonds maturing on or after July 1, 2026, are subject to redemption prior to their maturity on or after July 1, 2025, at the option of the Authority, in whole or in part, at any time from amounts deposited with the Trustee by the Authority and from other funds available therefore at 100% of par (expressed as a percentage of the principal amount redeemed), plus accrued interest thereon to the date fixed for redemption.
ARTICLE IV
FUND AND ACCOUNTS;
APPLICATION OF SERIES 2015 A BOND PROCEEDS;
APPLICATION OF MONEYS IN SERIES 2015 A PROJECT FUND

Section 4.01. Funds and Accounts. All Funds and Accounts heretofore created by the Master Indenture shall be maintained by the Trustee as provided therein, except as may be modified herein. In addition to such existing Funds and Accounts, the Trustee shall, when and as needed, create the following Funds and Accounts to be held in trust in connection with the Series 2015 A Bonds:

(i) Series 2015 A Interest Fund;
(ii) Series 2015 A Principal Fund, and within the Series 2015 A Principal Fund, a Series 2015 A Mandatory Sinking Account;
(iii) Series 2015 A Costs of Issuance Fund;
(v) Series 2015 A Rebate Fund; and
(vi) Series 2015 A Project Fund.

The Series 2015 A Bonds do not have a Debt Service Reserve Fund and therefore a Reserve Fund Requirement is not applicable to the Series 2015 A Bonds.

Section 4.02. Application of Series 2015 A Bond Proceeds. Proceeds of the sale of the Series 2015 A Bonds in the amount of $75,556,201.65, representing the par amount of $63,640,000, plus original issue premium of $12,153,804.50, less underwriters’ discount of $237,602.85, along with $1,286,767.50 from the Series 2008 Interest Fund shall initially be transferred as set forth below:

(i) The sum of $70,984,915.58 shall be deposited in the Escrow Fund with the Escrow Trustee to be used to pay any principal and interest when due and the redemption price of the Series 2008 Bonds To Be Refunded on the Redemption Date; and

(ii) The sum of $5,608,203.57 shall be deposited in the Series 2015 A Project Fund with the Trustee; and
(ii) The sum of $249,850.00 shall be deposited in the Series 2015 A Costs of Issuance Fund, with the Trustee and be disbursed by the Trustee (in accordance with applicable law) for payment of Costs of Issuance of the Series 2015 A Bonds.

Section 4.03. Acceleration upon Default. Pursuant to Section 7.02 of the Master Indenture, the Series 2015 A Bonds are subject to acceleration upon an Event of Default. If an Event of Default occurs and is continuing for a period of sixty days following written notice to the Authority, the Trustee shall accelerate the principal of and interest on the Series 2015 A Bonds. The Trustee shall declare the principal of all the Series 2015 A Bonds due immediately and payable; provided, however, that the case of acceleration by the Trustee hereunder, the payment of all principal on the Bonds then Outstanding shall be repayable solely from Pledged Revenues and any other funds then held or thereafter received by the Trustee (other than moneys required to be deposited in the Rebate Fund and subject to the requirements of Section 11.10 of the Master Indenture relating to the use of moneys held for particular Bonds) and applied in accordance with the provisions of Section 7.04 of the Master Indenture. The Trustee shall then immediately notify the Holders of the Series 2015 A Bonds that the Series 2015 A Bonds have been accelerated pursuant to this section of this Sixth Supplemental Indenture.

Section 4.04. Flow of Funds. So long as any Series 2015 A Bonds are Outstanding, amounts deposited in the Funds and Accounts established by Section 4.01 hereof, Section 4.01 of the First Supplemental Indenture, Section 6.01 of the Second Supplemental Indenture, Section 5.01 of the Third Supplemental Indenture, Section 5.01 of the Fourth Supplemental Indenture and Section 4.01 of the Fifth Supplemental Indenture shall, in accordance with the Master Indenture, be applied by the Trustee in the manner and order of priority set forth as follows:

(a) The Trustee shall first on the first Business Day of each month, beginning on July 1 of each fiscal year simultaneously transfer from the Revenue Fund (1) to the Series 2008 Interest Fund, an amount equal to one-tenth (1/10th) of the amount necessary to pay the interest on the unrefunded Series 2008 Bonds during that respective fiscal year, as determined by the First Supplemental Indenture and the Master Indenture; (2) to the Series 2010 B Interest Fund an amount equal to one-tenth (1/10th) of the amount necessary to pay the interest on the Series 2010 B Bonds during that respective fiscal year, as determined by the Fifth Supplemental Indenture and the Master Indenture; and (3) to the Series 2015 A Interest Fund an amount equal to one-tenth (1/10th) of the amount necessary to pay the interest on the Series 2015 A Bonds during that respective fiscal year, as determined by this Sixth Supplemental Indenture and the Master Indenture.

(b) The Trustee shall next on the first Business Day of each month, beginning on July 1 of each fiscal year simultaneously transfer from the Revenue Fund (1) to the Series 2008 Principal Fund an amount equal to one-tenth (1/10th) of the amount necessary to pay the principal on the unrefunded Series 2008 Bonds during that respective fiscal year, as determined by the First Supplemental Indenture and the Master Indenture; (2) to the Series 2009 A Accumulated Mandatory Sinking Account an amount equal to one-tenth (1/10th) of the amount determined by the Trustee to be necessary to satisfy the annual Series 2009 A Accumulated Mandatory Sinking Account Payment for that respective fiscal year pursuant to Section 6.03 of
the Second Supplemental Indenture; (3) to the Series 2009 B Accumulated Mandatory Sinking Account an amount equal to one-tenth (1/10th) of the amount determined by the Trustee necessary to satisfy the annual Series 2009 B Accumulated Mandatory Sinking Account Payment for that respective fiscal year pursuant to Section 5.03 of the Third Supplemental Indenture; (4) to the Series 2010 A Accumulated Mandatory Sinking Account an amount equal to one-tenth (1/10th) of the amount determined by the Trustee necessary to satisfy the annual Series 2010 A Accumulated Mandatory Sinking Account Payment for that respective fiscal year pursuant to Section 5.03 of the Fourth Supplemental Indenture; (5) to the Series 2010 B Principal Fund an amount equal to one-tenth (1/10th) of the amount necessary to pay the principal on the Series 2010 B Bonds during that respective fiscal year, as determined by the Fifth Supplemental Indenture and the Master Indenture; and (6) to the Series 2015 A Principal Fund, an amount equal to one-tenth (1/10th) of the amount necessary to pay the principal on the Series 2015 A Bonds during that respective fiscal year, as determined by this Sixth Supplemental Indenture and the Master Indenture. If the Revenue Fund does not contain sufficient moneys to make the principal payment on the unrefunded Series 2008 Bonds, Series 2009 A Accumulated Mandatory Sinking Account Payments on the Series 2009 A Tax Credit Bonds, Series 2009 B Accumulated Mandatory Sinking Account Payments on the Series 2009 B Tax Credit Bonds, Series 2010 A Accumulated Mandatory Sinking Account Payments on the Series 2010 A Tax Credit Bonds, principal payment on the Series 2010 B Bonds and the principal payment on the Series 2015 A Bonds, then the Trustee shall apply the moneys in the Revenue Fund on a pro rata basis to such payments.

Section 4.05. Application of Series 2015 A Costs of Issuance Fund.

(a) The moneys in the Series 2015 A Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt by the Trustee of a Costs of Issuance Fund Requisition from the Authority in substantially the form of Exhibit C attached hereto, signed by an Authorized Officer of the Authority, with each such Requisition consecutively numbered.

(b) Any moneys remaining in the Series 2015 A Costs of Issuance Fund as of April 30, 2016, shall be transferred to the Series 2015 A Project Fund.

Section 4.06. Application of Series 2015 A Project Fund.

(a) The moneys in the Series 2015 A Project Fund shall be used and withdrawn by the Trustee to pay the costs of acquisition, construction, equipping and improvement of the Project upon receipt by the Trustee of a Project Fund Requisition from the Authority in substantially the form of Exhibit D attached hereto, signed by an Authorized Officer of the Authority, with each such Project Fund Requisition consecutively numbered.

(b) All moneys on deposit in the Series 2015 A Project Fund shall be disbursed to pay the costs of acquisition, construction, equipping and improvement of the Project.
ARTICLE V
THE FIDUCIARIES

Section 5.01. Reappointment of Fiduciaries. The Bank of New York Mellon is hereby ratified as the Trustee, Registrar and Paying Agent for the Series 2015 A Bonds.

ARTICLE VI
MISCELLANEOUS

Section 6.01. Master Indenture Applies and is Incorporated Herein. This Sixth Supplemental Indenture is supplemental to the Master Indenture, and all provisions of said Master Indenture, unless clearly inapplicable or amended or altered hereby, shall apply to the Series 2015 A Bonds, this Sixth Supplemental Indenture and matters relating thereto as if set forth verbatim herein. In the event of any conflict between the Master Indenture and this Sixth Supplemental Indenture, this Sixth Supplemental Indenture shall control with respect to the Series 2015 A Bonds and consistent with Section 9.01(g) of the Master Indenture. This Sixth Supplemental Indenture and the Master Indenture, to the extent applicable, shall and must be read as a single document and shall supersede all prior resolutions, orders and understandings, both written and oral, by the Authority, with respect to the subject matter hereof; provided, that the rights of the owners of the Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds or the Series 2010 B Bonds shall not be impaired hereby.

Section 6.02. Consent to Supplementation of Master Indenture, Sixth Supplemental Indenture and Other Documents. By joining in the execution hereof, the Authority and the Trustee hereby consent to the supplementation of the Master Indenture, the Sixth Supplemental Indenture and all documents, instruments and agreements in connection herewith.

Section 6.03. Incidental Action. The execution and delivery of the Series 2015 A Bonds and the execution, delivery and due performance of the Bond Documents are hereby in all respects approved, authorized, ratified and confirmed including all acts heretofore taken in connection with the issuance of the Series 2015 A Bonds, and it is hereby ordered that an Authorized Officer of the Authority execute and deliver such other documents, certificates, agreements and instruments, and take such other action as may be required or desirable to carry out the purposes of this Sixth Supplemental Indenture, the Series 2015 A Bonds and the aforesaid instruments.

Section 6.04. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the
remaining provisions hereof, or the Series 2015 A Bonds issued pursuant hereto, but shall be
confined to the specific sections, clauses, sentences and parts so adjudged.

Section 6.05. Governing Law. This Sixth Supplemental Indenture and the Series
2015 A Bonds are contracts made under the laws of the State of West Virginia and shall be
governed and construed in accordance with such laws.

Section 6.06. Notices.

(A) Unless otherwise expressly specified or permitted by the terms hereof, all
notices, consents or other communications required or permitted hereunder shall be deemed
sufficiently given or served if given in writing, mailed by registered or certified mail, postage
prepaid or by overnight courier service and addressed as follows:

(i) IF TO THE AUTHORITY, ADDRESSED TO:

School Building Authority of West Virginia
2300 Kanawha Boulevard, East
Charleston, WV 25311
Attention: Executive Director

(ii) IF TO THE TRUSTEE, REGISTRAR OR PAYING AGENT,
ADDRESSED TO:

The Bank of New York Mellon
385 Rifle Camp Road
3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Department

(iii) IF TO THE OWNER OF A SERIES 2015 A BOND,
ADDRESSED TO: Such Owner at the address shown
on the books of the Registrar kept pursuant hereto

(B) The Authority, the Trustee, the Registrar and the Paying Agent may from
time to time by notice in writing to the others designate a different address or addresses for
notice hereunder.

(C) In connection with any consent required to be obtained from any
Registered Owner of Series 2015 A Bonds, the Authority shall establish a record date to
determine the ownership of any Series 2015 A Bonds for purposes of obtaining such consent,
and shall give the Trustee at least 15 calendar days advance notice of the record date so
established.

Section 6.07. Immunity of Individuals. No recourse shall be had for the payment
of the principal of or premium, if any, on any of the Series 2015 A Bonds or for any claim based
thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, member, employee or agent of the Authority, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Series 2015 A Bonds.

Section 6.08. **Counterparts.** This Sixth Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 6.09. **Binding Effect.** This Sixth Supplemental Indenture shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns subject to the limitations contained herein.

Section 6.10. **Effective Date.** This Sixth Supplemental Indenture shall take effect immediately upon execution.
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed by the persons thereunto duly authorized, as of the day and year first above written.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: ___________________________________
   Its: Chairperson (Governor’s Designee)

[Seal]

Attest: ___________________________________
   Its: Secretary

THE BANK OF NEW YORK MELLON
as Trustee

By: ___________________________________
   Its: Authorized Signatory
EXHIBIT A

Project List

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooke</td>
<td>Construction of new Brooke County Middle School</td>
<td>$5,608,203.57</td>
</tr>
</tbody>
</table>

**TOTAL:** $5,608,203.57
EXHIBIT B

Form of Series 2015 A Bond

Number UNITED STATES OF AMERICA Maturity Value
AR-__ STATE OF WEST VIRGINIA $__________

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
EXCESS LOTTERY REVENUE REFUNDING BONDS, SERIES 2015 A (TAX-EXEMPT)

Maturity Date Interest Rate Bond Date CUSIP NO.
_____________ _________ ____________ ___________

Registered Owner: CEDE & CO.
Principal Sum: ________________________________________ DOLLARS

The School Building Authority of West Virginia (the “Authority”) hereby acknowledges itself obligated to and promises to pay, but only from the Pledged Revenues as defined in the Master Trust Indenture dated as of August 1, 2008 (the “Master Indenture”) between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”), as supplemented by a First Supplemental Trust Indenture dated as of August 15, 2008 (the “First Supplemental Indenture”), as amended and supplemented by an Amendatory and Second Supplemental Trust Indenture dated as of July 23, 2009 (the “Second Supplemental Indenture”) between the Authority and the Trustee, as further supplemented by a Third Supplemental Trust Indenture dated as of December 15, 2009 (the “Third Supplemental Indenture”) between the Authority and the Trustee, as further supplemented by the Fourth Supplemental Trust Indenture dated as of July 8, 2010 (the “Fourth Supplemental Indenture”) between the Authority and the Trustee, as further supplemented by a Fifth Supplemental Trust Indenture dated as of July 27, 2010 (the “Fifth Supplemental Indenture”) between the Authority and the Trustee, and as further supplemented by a Sixth Supplemental Trust Indenture dated as of November 19, 2015 (the “Sixth Supplemental Indenture”) between the Authority and the Trustee (the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture are collectively referred to as the “Indenture”), to the registered owner identified above or registered assigns, on the maturity date set forth above, the principal sum specified above (the “Principal Amount”) and to pay interest from those sources on the Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on January 1 and July 1 in each year, beginning July 1, 2016 (each on “Interest Payment Date”) until maturity or until the date fixed for
redemption if this Bond is called for prior redemption and payment on such date is provided for. Principal of and interest on this Bond are payable by the Trustee.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Trustee to the Registered Owner hereof as of the applicable Record Date (each June 15 and December 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Trustee by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Authority maintained by the Trustee. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment to the Trustee, in Woodland Park, New Jersey.

THIS BOND IS A SPECIAL OBLIGATION OF THE AUTHORITY. PAYMENT OF THIS BOND, INCLUDING THE PRINCIPAL OR REDEMPTION PRICE HEREOF, AND THE INTEREST HEREON, WILL BE MADE SOLELY FROM THE FUNDS AND OBLIGATIONS DULY PLEDGED IN THE INDENTURE. THIS BOND SHALL NOT BE A DEBT OF THE STATE OF WEST VIRGINIA, AND THE STATE SHALL NOT BE LIABLE HEREON. THIS BOND SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS BOND DOES NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE STATE OF WEST VIRGINIA, ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA, TO THE REGISTERED OWNER OF THIS BOND, AND THE REGISTERED OWNER OF THIS BOND SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OR BY THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THE AUTHORITY HAS NO TAXING POWER.

NONE OF THE PAST, PRESENT OR FUTURE BOARD MEMBERS, OFFICERS OR EMPLOYEES OF THE AUTHORITY OR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THIS BOND BY REASON OF THE ISSUANCE HEREOF.

This Bond is one of an issue of Bonds authorized to be issued in the aggregate principal amount of $63,640,000 (hereinafter called the “Bonds”) for the purpose of (i) providing for the refunding and redemption of the Series 2008 Bonds to Be Refunded, (ii) providing funds to pay the costs of acquiring, constructing, improving or equipping public school projects in the State of West Virginia (the “Project”), as described in the Indenture; and (iii) paying costs of issuance of the Bonds. The Bonds are issued under and pursuant to the Indenture, an executed counterpart of which is on file at the office of said Trustee, as authorized by a Resolution adopted by the Authority on June 22, 2015, (the “Series 2015 A Bond Resolution”). Reference is hereby made to the Indenture and all indentures supplemental thereto for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of revenues, the revenues charged with and pledged to the payment of
the principal of and interest on the Bonds, the nature and extent of security, the terms and conditions under which the Bonds are issued, the rights, duties and obligations of the Authority and the Trustee, and the rights of the holders of the Bonds, and, by the acceptance of this Bond, the holder hereof assents to all the provisions of the Indenture.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO THE LIEN ON THE PLEDGED REVENUES (AS DEFINED IN THE MASTER INDENTURE, AS SUPPLEMENTED AND AMENDED) OF THE AUTHORITY'S OUTSTANDING (1) EXCESS LOTTERY REVENUE BONDS, SERIES 2008, DATED AUGUST 15, 2008, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $102,145,000; (2) EXCESS LOTTERY REVENUE BONDS (QUALIFIED SCHOOL CONSTRUCTION BONDS), SERIES 2009 A (TAX CREDIT BONDS), DATED JULY 23, 2009, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $30,000,000; (3) EXCESS LOTTERY REVENUE BONDS (QUALIFIED SCHOOL CONSTRUCTION BONDS), SERIES 2009 B (TAX CREDIT BONDS), DATED DECEMBER 15, 2009, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $48,200,000; (4) EXCESS LOTTERY REVENUE BONDS (QUALIFIED SCHOOL CONSTRUCTION BONDS), SERIES 2010 A (TAX CREDIT BONDS), DATED JULY 8, 2010, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $72,280,000; AND (5) EXCESS LOTTERY REVENUE BONDS, SERIES 2010 B (TAX-EXEMPT), DATED JULY 27, 2010, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $25,000,000.

This Bond is transferable by the Authority hereof in person or by its attorney duly authorized in writing at the principal office of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new bond or bonds of the same series, interest rate, maturity or maturities and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Authority and the Trustee may deem and treat the Registered Owner thereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable only in the full amount thereof. The Bonds may, at the option of the Registered Owner thereof, upon the surrender thereof at the principal office of the Trustee with a written instrument of transfer, in form and with guarantee of signature satisfactory to the Trustee, duly executed by the Registered Owner or his duly authorized attorney, be exchanged for an equal aggregate principal amount of fully registered bonds of the same series, maturity and interest rate of any other authorized denomination.

The Bonds are subject to optional redemption under the terms and subject to the provisions set forth in the Indenture.

This Bond, as may be outstanding from time to time, is issued pursuant to and in full conformity with the Constitution and the laws of the State of West Virginia, particularly Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended, and pursuant to the
Series 2015 A Bond Resolution duly adopted by the Authority, which Series 2015 A Bond Resolution also authorizes the execution and delivery of the Indenture.

The Bonds are limited special obligations of the Authority and are payable solely out of the Trust Estate as described in the Indenture. Under the Indenture, the Authority must pay the Trustee solely from the Trust Estate such payments as will be fully sufficient to pay the principal of an interest on the Bonds, as the same mature.

Pursuant to the Indenture, on the first Business Day of each month, beginning on July 1 of each fiscal year, the Trustee shall transfer from the Revenue Fund and deposit, respectively, into the Series 2015 A Principal Fund and the Series 2015 A Interest Fund, an amount equal to one-tenth (1/10th) of the principal and interest that will be due and payable on the Bonds during the respective fiscal year. Moneys in the Series 2015 A Principal Fund and the Series 2015 A Interest Fund established under the Indenture have been duly pledged to secure payment of the principal of an interest on the Bonds.

The Registered Owners of the Bonds shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the bonds issued under the Indenture and then outstanding, may become or may be declared due and payable before the stated maturity thereof together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts and conditions necessary to be done or performed by the Authority or to have happened precedent to and in the issuance of the Bonds in order to make them legal, valid and binding special obligations of the Authority in accordance with their terms, and precedent to and in the execution and delivery of the Indenture, have happened or have been preformed in regular and due form as required by law; that payment in full for such Bonds has been received; and that such Bonds do not exceed or violate any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication appearing thereon shall have been duly and manually executed by the Trustee.
IN WITNESS WHEREOF the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA has caused this BOND, to be executed in its name by the manual signature of the Governor of West Virginia and the Chairman of the Authority and its seal to be impressed or imprinted and attested by the manual signature of the Secretary of State, all as of the date set forth above.

Earl Ray Tomblin, Governor of the State of West Virginia

[Great Seal of the State of West Virginia]

Peter Markham, Chairperson (Governor’s Designee)

Attest:

Secretary of the State of West Virginia
TRUSTEE’S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
EXCESS LOTTERY REVENUE REFUNDING BONDS, SERIES 2015 A (Tax-Exempt),
described in the within-mentioned Series 2015 A Bond Resolution and Indenture and
authenticated and registered on November 19, 2015.

The Bank of New York Mellon, as Trustee

By __________________________

Authorized Officer
(FORM OF ASSIGNMENT)

For value received the undersigned do(es) hereby sell, assign and transfer unto _________________________ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _______________________ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

I.D. Number

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

Dated: ______________________

Signature Guarantee: ______________________

Notice: signature must be guaranteed by an Eligible guarantor institution.
EXHIBIT C

Form of Costs of Issuance Fund Requisition

$63,640,000
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
EXCESS LOTTERY REVENUE REFUNDING BONDS,
SERIES 2015 A (TAX-EXEMPT)

The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Department

Requisition Number: ________________

COST OF ISSUANCE FUND REQUISITION

You are hereby directed by the undersigned Authorized Officer of the School Building Authority of West Virginia (the “Authority”) in accordance with Section 4.05 of the Sixth Supplemental Trust Indenture dated as of November 19, 2015 (the “Sixth Supplemental Indenture”), between the Authority and The Bank of New York Mellon (the “Trustee”), to pay the following persons the following amounts from proceeds of the above-captioned Bonds (the “Bonds”) deposited in the Series 2015 A Costs of Issuance Fund created under Section 4.01 of the Sixth Supplemental Indenture:

1. The name of each person, firm or corporation to whom payment is due is as follows:

2. The amount to be paid to each such person, firm or corporation is as follows:

3. The purpose for which each obligation to be paid was incurred is as follows:

The undersigned Authorized Officer hereby certifies as follows:

A. The obligations in the stated amounts have been incurred and are presently due and payable and each item thereof is a proper charge and has not been previously paid from the Series 2015 A Costs of Issuance Fund.

B. There has not been filed with or served upon the Authority any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in this Requisition, that has not been released or will not be released simultaneously with the payment of such
obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

C. No event has occurred and is continuing which constitutes an Event of Default under the Master Indenture, as amended, or the Sixth Supplemental Indenture.

Attached hereto are invoices or other appropriate evidence of each payment request described in this Requisition.

Capitalized terms used are not otherwise defined herein shall have the meanings assigned to such terms in the Sixth Supplemental Indenture.

Dated: ________________________.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: ____________________________

Its: ____________________________

Approved: 

THE BANK OF NEW YORK MELLON

By: ____________________________

Its: ____________________________
PROJECT FUND REQUISITION

You are hereby directed by the undersigned Authorized Officer of the School Building Authority of West Virginia (the “Authority”), in accordance with Section 4.06 of the Sixth Supplemental Trust Indenture dated as of November 19, 2015 (the “Sixth Supplemental Indenture”), between the Authority and The Bank of New York Mellon (the “Trustee”), to transfer via wire transfer to the account set forth below an amount equal to $__________ from which the Authority shall directly pay the attached invoices from proceeds of the above-captioned Bonds (the “Bonds”) deposited in the Series 2015 A Project Fund created under Section 4.01 of the Sixth Supplemental Indenture:

Account Name:

Account Number:

ABA Routing Number:

The disbursements to be made by the Authority in connection with this requisition are as follows:

<table>
<thead>
<tr>
<th>Name of Payee</th>
<th>Amount</th>
<th>Purpose of Expense</th>
</tr>
</thead>
</table>

**TOTAL**

$
The undersigned Authorized Officer hereby certifies as follows:

1. there has been received no notice of either (A) any lien, right to lien or attachment upon, or claim affecting the right of any payee to receive payment of any of the moneys payable by the Authority under this requisition to any of the person, firms or corporations named in the attached invoices, or (B) that any materials, supplies or equipment covered by this requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released or discharged or will be released or discharged upon payment by the Authority of the invoices attached to this requisition;

2. the invoices attached to this requisition contain on items representing payment on account of any percentage entitled to be retained at the date of this requisition;

3. the payment by the Authority of the invoices attached to this requisition will not result in any proceeds of the Bonds being used directly or indirectly in any trade or business carried on by any person who is not a “governmental person” within the meaning of Section 141 of the Code;

4. each invoice attached to this requisition and to be paid by the Authority has been incurred in or about the acquisition, construction, improving or equipping of the Projects, each item is a proper charge against the Series 2015 A Project Fund, each obligation has not been the basis for a prior requisition that has been paid and no item or part thereof constitutes Costs of Issuance; and

5. no event has occurred and is continuing which constitutes an Event of Default under the Master Indenture, as amended, or the Sixth Supplemental Indenture.

Attached hereto are invoices or other appropriate evidence of each obligation to be paid by the Authority pursuant to this requisition. The undersigned Authorized Officer hereby certifies that he or she has, shall make available for the Trustee for inspection upon Trustee’s request, and shall retain as part of the Authority’s records until all Bonds are fully paid, a copy of the invoice or other evidence of each obligation the payment of which is requisitioned, which invoice or evidence the Authorized Officer hereby certifies is appropriate to substantiate the subject obligation and is authorized under the Indenture. The Trustee shall be entitled to rely conclusively upon the requisition and accompanying certificate. The Trustee shall be under no duty to inspect, analyze or verify any invoice, but shall hold such invoices solely as a repository for the benefit of the Bondholders.

Capitalized terms used are not otherwise defined herein shall have the meanings assigned to such terms in the Sixth Supplemental Indenture.
Dated: _______________________. SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: ____________________________

Its: ____________________________

Approved: THE BANK OF NEW YORK MELLON

By: ____________________________

Its: ____________________________
November 19, 2015

School Building Authority of West Virginia
2300 Kanawha Boulevard, East
Charleston, WV 25311

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, NJ 07424

Re:
$63,640,000 School Building Authority of West Virginia
Excess Lottery Revenue Refunding Bonds, Series 2015 A

Ladies and Gentlemen:

We have served as bond counsel to the School Building Authority of West Virginia (the “Authority”) in connection with the issuance of its Excess Lottery Revenue Refunding Bonds, Series 2015 A, dated November 19, 2015 (the “Bonds”), in the aggregate principal amount of $63,640,000. The Bonds are issued pursuant to the laws of the State of West Virginia (the “State”), particularly Article 9D of Chapter 18 of the Code of West Virginia, 1931, as amended (the “Act”), and in accordance with a Resolution of the Authority adopted on June 22, 2015, (the “Resolution”) and a Master Trust Indenture, dated as of August 1, 2008, between the Authority and The Bank of New York Mellon, as Trustee (the “Trustee”), as supplemented and amended from time to time (collectively, the “Indenture”), including as supplemented and amended by the Sixth Supplemental Trust Indenture dated as of November 19, 2015, between the Authority and the Trustee (the “Sixth Supplemental Indenture”). Proceeds of the Series 2015 A Bonds will be used for the purpose of (i) financing the refunding and redemption of the Authority’s Excess Lottery Revenue Bonds, Series 2008 maturing on July 1, 2019 through July 1, 2028 (the “Series 2008 Bonds To Be Refunded”); (ii) financing a portion of the costs of a new Brooke County Middle School (the “Project”) and (iii) paying the costs of issuance of the 2015 A Bonds. The Bonds and the Sixth Supplemental Indenture are collectively referred to herein as the “Bond Documents.” Capitalized terms used but not defined in this opinion shall have the meanings assigned to them under the Indenture.

In our capacity as bond counsel, we have examined the transcript of proceedings (the “Transcript”) relating to the Bonds, including certified copies of the Resolution, signed counterparts of the Bond Documents and a copy of a signed and authenticated Bond. The Bonds
recite that they have been issued pursuant to the Act to be used in the manner described in the Indenture to finance the costs described therein.

The Series 2015 A Bonds will mature on such dates in each of the years in the respective principal amounts, and bear interest from their date at the respective rates per annum, as set forth or provided in the Sixth Supplemental Indenture and in a Certificate of Determination dated as of November 4, 2015, executed by the Chairman of the Authority, all as provided under the Resolution. The provisions for redemption of the Bonds are provided in the Sixth Supplemental Indenture.

The Authority has also entered into a Tax Certificate and Agreement with the Trustee (the “Tax Certificate”) dated as of November 19, 2015.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal authorization, execution and delivery thereof by, the binding effect, enforceability and validity against, any parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. We have relied upon and assumed the correctness of the legal conclusions contained in the legal opinion letters of even date herewith of (a) Goodwin & Goodwin, LLP, as counsel to the Authority, and (b) Bowles Rice LLP, as counsel to the Trustee.

Without undertaking to verify the same by independent investigation, we have relied on the accuracy of, and assumed the correctness of, certifications and representations by representatives of the Authority and the State with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (collectively, the “Code”). The Authority has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the “Covenants”). For purposes of this opinion, we have assumed that the Authority will comply with the Covenants.

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

1. The Authority is a public body corporate and politic, with the power to adopt the Resolution, to execute and deliver the Bond Documents and to perform the covenants on its part contained therein and to issue the Bonds.
2. The Resolution has been duly adopted by the Authority, is in full force and effect, and is valid and binding upon the Authority and enforceable against the Authority in accordance with its terms.

3. The Tax Certificate has been duly authorized, executed and delivered by the Authority and constitutes a valid and binding agreement of the Authority and the Trustee and is enforceable against the Authority in accordance with the terms thereof.

4. The Sixth Supplemental Indenture has been duly and lawfully adopted and is in full force and effect and the Indenture has been duly and lawfully authorized, executed and delivered by the Authority and is valid and binding upon and enforceable against the Authority (except to the extent bankruptcy, insolvency and similar laws affecting rights and remedies of creditors) and creates the valid pledge which it purports to create of the Trust Estate (as defined in the Indenture), including the moneys and securities on deposit in any of the Funds established under the Indenture (other than the Purchase Fund (if any) and the Rebate Fund), subject to the application thereof to the purposes and on the conditions permitted by the Master Trust Indenture.

5. The Bonds have been duly authorized, executed and delivered by the Authority and, assuming proper authentication, are valid and binding special, limited obligations of the Authority, payable solely from the sources provided therefor and authorized and issued in accordance with the Indenture.

6. Under current law, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The opinion set forth in the preceding sentence is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes are so satisfied, and therefore failure by the Authority to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion regarding any other tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) any event for which the Indenture requires an opinion of Bond Counsel or (b) any amendment of the Indenture or waiver of the terms thereof.
7. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia, or by any county, school district, municipality or political subdivision thereof.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the liens and pledges set forth therein 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, and by the exercise of judicial discretion. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), or regarding the perfection or priority of the lien on Revenues or other funds created by the Resolution except as provided in the Act. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is rendered solely for your benefit and is furnished only with respect to the transactions contemplated by the Resolution and the Bond Documents. Accordingly, this opinion may not be relied upon by or quoted to any other person or entity without, in each instance, our prior written consent; provided that this opinion may be relied upon by the Trustee, for the purpose of its authentication of the Bonds.

This opinion is given as of the date hereof, based on the law in effect and the factual representations made to us as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any changes in law that may hereafter occur or any changes in facts or circumstances that may hereafter occur or come to our attention. This opinion is limited to the matters set forth above, and no other opinions should be implied or inferred beyond the matters expressly stated.
Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on the Bonds.

Very truly yours,

White Law Offices, PLLC
APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT
DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated November 19, 2015, is executed and delivered by the State of West Virginia (the “State”), acting by and through its Department of Administration (the “Department”), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the School Building Authority of West Virginia (the “Authority”) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Department through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Department or anyone on the Department’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) (March 31 of each year) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the Lottery’s annual financial statements for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the respective Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event...
notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Department and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Department pursuant to Section 9 hereof.

“Disclosure Representative” means Robert P. Paulson, General Counsel for the Department, or his or her designee, or such other person as the Department shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Department’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shutdown of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Lottery” means the West Virginia Lottery.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.
“Obligated Person” means any person, including the State, who is committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the State in connection with the Bonds, as listed on Appendix A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Department shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than March 31 of the calendar year following the end of each fiscal year of the State, commencing with the fiscal year ended June 30, 2016 (which is due March 31, 2017). Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Department of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Department will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Department irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the
form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Lottery are prepared but not available prior to the Annual Filing Date, the Department shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Department pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”
2. “Non-Payment related defaults, if material;”
3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
5. “Substitution of credit or liquidity providers, or their failure to perform;”
6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
7. “Modifications to rights of securities holders, if material;”
8. “Bond calls, if material;”
9. “Defeasances;”
10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. “Rating changes;”
12. “Tender offers;”
13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Department pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary
Financial Disclosure as instructed by the Department pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Department evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Department may adjust the Annual Filing Date upon change of the Lottery’s fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. The Annual Report shall contain or include by reference:

(a) Annual Financial Information with respect to the Lottery, which shall include the Lottery’s Audited Financial Statements and certain operating data with respect to the Lottery of the type included in Tables I, II and III under the heading entitled “Pledged Revenues, Debt Service Coverage and Select Financial Information” in the Official Statement dated
November 4, 2015, relating to the Bonds. Audited Financial Statements will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the State is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Department will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change on the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
Note to subsection (a) 12 of this Section 4: For the purposes of the event described in subsection (a) 12 of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Department shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Authority shall give notice to the Department of the occurrence of any of the following events, if applicable, with respect to the Bonds within five business days of occurrence so that the Department may then notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event in accordance with its obligations under Section 4(a) hereof:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial
difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

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

7. modifications to rights of security holders, if material;

8. bond calls, if material, and tender offers;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds,
if material;

11. bankruptcy, insolvency, receivership, or similar event of the Authority;

12. the consummation of a merger, consolidation or acquisition involving an
obligated person, or the sale of all or substantially all of the assets of the
obligated person, other than in the ordinary course of business, the entry
into a definitive agreement to undertake such an action or the termination
of a definitive agreement relating to any such actions, other than pursuant
to its term, if material; and

13. appointment of a successor or additional trustee or the change of name of
a trustee, if material.

(c) The Disclosure Dissemination Agent is under no obligation to notify the
Department or the Disclosure Representative of an event that may constitute a Notice Event. In
the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the
Disclosure Representative will within two business days of receipt of such notice (but in any
event not later than the tenth business day after the occurrence of the Notice Event, if the
Department determines that a Notice Event has occurred), instruct the Disclosure Dissemination
Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event
has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to
subsection (c) of this Section 4, together with a Certification. Such Certification shall identify
the Notice Event that has occurred (which shall be any of the categories set forth in Section
2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Department
desires to make, contain the written authorization of the Department for the Disclosure
Dissemination Agent to disseminate such information, and identify the date the Department
desires for the Disclosure Dissemination Agent to disseminate the information (provided that
such date is not later than the tenth business day after the occurrence of the Notice Event).
(d) If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in subsections (a) or (c) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Department shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Department acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Department, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Department acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Department may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Department may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.
(b) The parties hereto acknowledge that the Department is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Department chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Department and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the State is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel with expertise in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Department has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Department or DAC, the Department agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Department shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the Department.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Department or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties’ obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or an Event of Default under the Indenture, or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.
SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Department has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Department and shall not be deemed to be acting in any fiduciary capacity for the Department, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Department’s failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Department has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Department at all times.

The obligations of the Department under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Department.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Department and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel with expertise in federal securities laws acceptable to both the Department and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Department or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of
the intent to do so together with a copy of the proposed amendment to the Department. No such amendment shall become effective if the Department shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the State, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of West Virginia (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]
The Disclosure Dissemination Agent and the Department have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:_______________________________________
Name:     Jenny Emami
Title:     Assistant Vice President

STATE OF WEST VIRGINIA, acting by and through the Department of Administration

By:_______________________________________
Name:  Jason C. Pizatella
Title:    Acting Secretary

ACKNOWLEDGED AND AGREED:

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
AUTHORITY

By:_______________________________________
Name:     Peter G. Markham
Title:     Chairman

WEST VIRGINIA LOTTERY

By:_______________________________________
Name:    
Title:  
EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: School Building Authority of West Virginia
Obligated Person(s): State of West Virginia
Name of Bond Issue: Excess Lottery Revenue Refunding Bonds, Series 2015 A
Date of Issuance: November 19, 2015
Date of Official Statement: November 4, 2015

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EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: School Building Authority of West Virginia

Obligated Person: State of West Virginia

Name(s) of Bond Issue(s): Excess Lottery Revenue Refunding Bonds, Series 2015 A

Date(s) of Issuance: November 19, 2015

Date(s) of Disclosure Agreement: November 19, 2015

CUSIP Numbers: 95639D______

NOTICE IS HEREBY GIVEN that the State of West Virginia, acting by and through its Department of Administration, has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the State of West Virginia, acting by and through its Department of Administration, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Department of Administration has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ____________].

Dated: _____________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the State of West Virginia Department of Administration

________________________________________

cc:
EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying “event notice” will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer’s and/or Other Obligated Person’s Name:
School Building Authority of West Virginia

Issuer’s Six-Digit CUSIP Number:
95639D

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95639D____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. “Principal and interest payment delinquencies;”
2. “Non-Payment related defaults, if material;”
3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
5. “Substitution of credit or liquidity providers, or their failure to perform;”
6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
7. “Modifications to rights of securities holders, if material;”
8. “Bond calls, if material;”
9. “Defeasances;”
10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. “Rating changes;”
12. “Tender offers;”
13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material.”

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: ______________________________________________________________________________________
Name: ______________________________________ Title: _____________________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: ____________________________
EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated November 19, 2015, between the State of West Virginia, acting by and through its Department of Administration, and DAC.

Issuer’s and/or Other Obligated Person’s Name:
School Building Authority of West Virginia

Issuer’s Six-Digit CUSIP Number:
95639D

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95639D____

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____“amendment to continuing disclosure undertaking;”
2. _____“change in obligated person;”
3. _____“notice to investors pursuant to bond documents;”
4. _____“certain communications from the Internal Revenue Service;”
5. _____“secondary market purchases;”
6. _____“bid for auction rate or other securities;”
7. _____“capital or other financing plan;”
8. _____“litigation/enforcement action;”
9. _____“change of tender agent, remarketing agent, or other on-going party;”
10. _____“derivative or other similar transaction;” and
11. _____“other event-based disclosures.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____________________________________________________________________________________________

Name: ___________________________________ Title: ______________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: ____________________________
This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated November 19, 2015, between the State of West Virginia, acting by and through its Department of Administration, and DAC.

Issuer’s and/or Other Obligated Person’s Name:
School Building Authority of West Virginia
Issuer’s Six-Digit CUSIP Number:
95639D
or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95639D____
Number of pages attached: _____

___ Description of Voluntary Financial Disclosure (Check One):

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____________________________________________________________________________________________
Name: _____________________________________ Title: _____________________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: ___________________________
APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2015 A Bonds. The Series 2015 A 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 Series 2014 A Bond certificate will be issued for each maturity of the Series 2015 A Bonds and in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market 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 bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a AA+ rating from S&P. 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 Series 2015 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014 A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 A Bonds, except in the event that use of the book-entry system for the 2014 A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 A 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.
Redemption and other notices shall be sent to DTC. If less than all Series 2015 A Bonds of a maturity and series are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2015 A Bonds to be redeemed.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 A Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Series 2015 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2015 A 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 Authority or the Trustee, on the 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2015 A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY’S OBLIGATION UNDER THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.


In the event that either (a) the Authority receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2015 A Bonds or (b) the Authority elects to discontinue its use of DTC as a clearing agency for the Series 2015 A Bonds, then the Authority will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2015 A Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2015 A Bonds and to transfer the ownership of each of the Series 2015 A Bonds to such person or persons, including any clearing agency, as provided in the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2015 A Bonds, will be paid by the Authority.
According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC’s book-entry only system has been obtained from DTC. The Authority, the State and the Underwriter take no responsibility for the accuracy thereof.