The Series 2016 A Bonds are issuable only as fully-registered Bonds without coupons, and when initially issued, will be registered to Cede & Co., as nominee of, The Depository Trust Company (“DTC”), New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Series 2016 A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Series 2016 A Bonds, payments of the principal of and interest on the Series 2016 A Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see “THE SERIES 2016 A BONDS – Book-Entry Only System” herein). United Bank, Inc., Charleston, West Virginia, is Trustee, Registrar and Paying Agent for the Series 2016 A Bonds. Interest on the Series 2016 A Bonds will be payable on January 1 and July 1, commencing July 1, 2016.

The Series 2016 A Bonds are being issued to (i) provide funds to be expended to permanently finance a portion of the costs of certain public schools facilities capital improvement projects in the State of West Virginia, and (ii) pay costs of issuing the Series 2016 A Bonds.

The Series 2016 A Bonds are special obligations of the School Building Authority (the “Authority”), payable, together with the Prior Bonds and any Additional Bonds, solely from the Trust Estate pledged under the Indenture, as such terms are defined herein. The Series 2016 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State of West Virginia, any county, school district, municipality or political subdivision of said State. The owners of the Series 2016 A Bonds shall have no right to have taxes levied by the Legislature of the State of West Virginia or by the taxing authority of any county, school district, municipality or political subdivision of the State for the payment of the principal thereof or interest thereon. The Authority has no taxing power. The Series 2016 A Bonds, the Series 2012 Bonds, the Series 2013 Bonds and the Series 2014 Bonds, together with any Additional Bonds (as such terms are defined herein) which may subsequently be issued on a parity therewith, shall be payable equally and ratably solely from the Trust Estate pledged under the Indenture.

The Series 2016 A Bonds are issued pursuant to Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the “School Building Authority Act”) and Chapter 29, Article 22 of the Code of West Virginia, 1931, as amended, (the “Lottery Act”). The Series 2016 A Bonds shall be primarily secured by and payable from Net Profits (as such term is defined herein), as set forth in the Lottery Act and Certain Racetrack Video Lottery Income (as such term is defined herein), as set forth in Chapter 29, Article 22A of the Code of West Virginia, 1931, as amended (the “Racetrack Video Lottery Act”), deposited into the School Building Debt Service Fund and transferred to the Trustee for deposit in the Revenue Fund established under the Indenture. In addition, any and all remaining funds in the State Excess Lottery Revenue Fund (as such term is defined herein) after payment of debt service on Excess Lottery Bonds (as such term is defined herein) shall be made available to pay debt service on bonds issued pursuant to Section 18 of the Lottery Act, including but not limited to, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2016 A Bonds and any Additional Bonds issued under the Indenture. See “SECURITY FOR THE SERIES 2016 A BONDS” herein.

The Series 2016 A Bonds are issued on parity with (i) the Authority’s Lottery Capital Improvement Revenue Bonds, Series 2012 A (the “Series 2012 Bonds”) issued on May 30, 2012, in the original aggregate principal amount of $25,575,000, $24,075,000 of which is currently outstanding; (ii) the Authority’s Lottery Capital Improvement Revenue Bonds, Series 2013 A (the “Series 2013 Bonds”) issued on April 18, 2013, in the original aggregate principal amount of $24,425,000, $23,085,000 of which is currently outstanding; (iii) the Authority’s Lottery Capital Improvement Revenue Bonds, Series 2014 A (the “Series 2014 Bonds”) issued on June 5, 2014, in the original aggregate principal amount of $20,055,000, $24,840,000 of which is currently outstanding; and (iv) any Additional Bonds (as defined in the Indenture) subsequently issued under the Indenture. The Authority may issue Additional Bonds under the Indenture. See “SECURITY FOR THE SERIES 2016 A BONDS” herein.

The Series 2016 A Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2016 A BONDS – Redemption” herein. This cover page contains certain summary information regarding the Series 2016 A Bonds and is not a complete summary of the Series 2016 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 2016 A Bonds are 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 2016 A Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about February 9, 2016.

CITIGROUP

BoFA MERRILL LYNCH

January 14, 2016
$21,340,000
STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2016 A

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

<table>
<thead>
<tr>
<th>Year (July 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP**</th>
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<tbody>
<tr>
<td>2017</td>
<td>$1,025,000</td>
<td>5.00%</td>
<td>0.650%</td>
<td>106.028</td>
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<tr>
<td>2018</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 2016 A Bonds only at the time of issuance of the Series 2016 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 2016 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 2016 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 2016 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 WEST VIRGINIA LOTTERY, 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 2016 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 2016 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 WEST VIRGINIA LOTTERY, 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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INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to set forth certain information concerning the School Building Authority of West Virginia (the “Authority”), and its $21,340,000 Lottery Capital Improvement Revenue Bonds, Series 2016 A (the “Series 2016 A Bonds”). The Series 2016 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”), a Resolution of the Authority adopted December 14, 2015, authorizing the issuance of the Series 2016 A Bonds (the “Resolution”), a Trust Indenture dated as of July 1, 2004, as supplemented by a First Supplemental Trust Indenture dated as of July 1, 2004, as amended and supplemented by an Amendatory and Second Supplemental Trust Indenture dated as of May 30, 2012, as supplemented by a Third Supplemental Trust Indenture dated as of April 18, 2013, as amended and supplemented by an Amendatory and Fourth Supplemental Trust Indenture dated as of June 1, 2014, and as supplemented by a Fifth Supplemental Trust Indenture dated as of February 9, 2016 (collectively, the “Indenture”), each between the Authority and United Bank, Inc., Charleston, West Virginia, as trustee (the “Trustee”). The Trustee is also the Paying Agent and Registrar for the Series 2016 A Bonds. The Series 2016 A Bonds are initially issued in “book-entry” form only. See “THE SERIES 2016 A BONDS -- Book-Entry Only System” herein.

Security for the Series 2016 A Bonds

All Bonds issued by the Authority under the Indenture (the “Bonds”), including the Series 2016 A Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds and any Additional Bonds, are secured by a pledge of certain Revenues as defined in the Indenture and described herein. The Revenues pledged under the Indenture include (i) all moneys deposited in the School Building Debt Service Fund, and transferred, at the request of the Authority or otherwise, to the Trustee for deposit in the Revenue Fund established under the Indenture, including all amounts deposited in the School Building Debt Service Fund pursuant to the Lottery Act or any other provision of applicable law, and (ii) any other moneys, income or property legally available therefor and pledged by the Authority to payment of the Bonds, including any and all remaining funds in the State Excess Lottery Revenue Fund after payment of debt service on the Excess Lottery Bonds (as hereinafter defined) (collectively, the “Revenues”).

The School Building Authority Act, the Lottery Act and Chapter 29, Article 22A of the Code of West Virginia, 1931, as amended (the “Racetrack Video Lottery Act”) together provide a system through which a defined amount of “net profit” of instant and on-line games (except the Veterans’ Instant Lottery) (collectively, the “Traditional Games”) of the West Virginia Lottery and Certain Racetrack Video Lottery Income (as defined below) is dedicated to the payment of debt service on the Bonds. “Net profit” is statutorily defined to mean all gross amounts received from Traditional Games of the West Virginia Lottery less: (i) a minimum annual average of forty-five percent of the gross amount received from each lottery allocated and disbursed as prizes, and (ii) not more than fifteen percent of the gross amount received from each lottery 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 (the “Net Profits”). The State Lottery Fund also receives each fiscal year, revenues equal to thirty percent of net terminal income up to the Net Benchmark (as defined herein), 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 $9 million a year for deposit into the Racetrack Modernization Fund (the deposit of such funds into the State Lottery Fund is referred to as “Certain Racetrack Video Lottery Income”). Net Profits and Certain Racetrack Video Lottery Income are then deposited in the State Lottery Fund for payment of debt service and other appropriations.

From the State Lottery Fund, monthly transfers are first made to the School Building Debt Service Fund pursuant to the School Building Authority Act and the Lottery Act and are transferred to the Trustee to pay debt service on the Bonds. After satisfying such requirement, and after satisfying the requirements for the monthly transfers of funds from the State Lottery Fund dedicated to the Education, Arts, Sciences and Tourism Debt Service Fund (the “EAST Fund”) to pay debt service on the EAST Lottery Bonds (as defined herein), and then satisfying the requirements for the monthly transfers of funds dedicated to the Community and Technical College Capital Improvement Fund to pay debt service on the CTC Lottery Bonds (as defined herein) (the Bonds, the East Lottery Bonds, the CTC Lottery Bonds and any future bonds issued pursuant to Section 18 of the Lottery Act, are referred to herein as 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 “Lottery Bonds Debt Service”). After satisfying the requirements for the monthly transfers of funds dedicated to the payment of Lottery Bonds Debt Service, funds on deposit in the State Lottery Fund shall be made available to pay Excess Lottery Bonds Debt Service (as herein defined), if and to the extent needed for such purpose from time to time. The remaining funds on deposit in the State Lottery Fund are appropriated by the West Virginia 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; provided, however, that no such transfers shall be made to any of these accounts other than the School Building Debt Service Fund (i) during any period in which a default exists in respect to Lottery Bonds Debt Service, or (ii) when Net Profits and Certain Racetrack Video Lottery Income for the preceding twelve months are not at least equal to one hundred fifty percent of Lottery Bonds Debt Service.

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 Director of the West Virginia Lottery shall allocate to the School Building Debt Service Fund created under the School Building Authority Act, as a first priority from the State Lottery Fund for the preceding month, an amount equal to one-tenth of the projected annual principal, interest and coverage ratio requirements on any and all bonds and refunding bonds issued, or to be issued, on or after the first day of April, 1994, as certified to the Director in accordance with the School Building Authority Act; provided, that in no event shall said monthly amount exceed $1,800,000; and provided, further, that in no event shall the total allocation of Net Profits and Certain Racetrack Video Lottery Income to be paid into the School Building Debt Service Fund for any fiscal year exceed the lesser of the principal and interest requirements certified to the Director as aforesaid or $18,000,000. The Lottery Act further provides that when the school improvement bonds secured by profits from the Lottery and deposited in the School Building Debt Service Fund mature, the profits shall become available for debt service on additional school improvement bonds as a first priority from the net profits of the West Virginia Lottery or may at the discretion of the Authority be placed into the School Construction Fund.
The Lottery Act also permits the Authority to grant a lien on the proceeds of the State Lottery Fund up to a maximum amount equal to the projected annual principal, interest and coverage ratio requirements on the Bonds, not to exceed $27,000,000 annually.

Additionally, on March 14, 2014, the West Virginia Legislature enacted House Bill 101 and House Bill 106 during the First Extraordinary Session (together, the “2014 Legislation”) that affected the State Lottery Fund and the State Excess Lottery Revenue Fund. The 2014 Legislation provides that any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of debt service pursuant to Section 18a (for bonds issued by the Authority, bonds issued by the West Virginia Economic Development Authority, and bonds issued by the Higher Education Policy Commission), Section 18d (for bonds issued by the West Virginia Water Development Authority for infrastructure), and Section 18e (for bonds issued by the West Virginia Economic Development Authority for state park improvements) of the Lottery Act (bonds issued pursuant to Section 18a, Section 18d and Section 18e of the Lottery Act are referred to as “Excess Lottery Bonds” and the payment of debt service on Excess Lottery Bonds is referred to as “Excess Lottery Bonds Debt Service”), shall be made available to pay Lottery Bonds Debt Service, if and to the extent needed for such purpose from time to time. Accordingly, any such remaining funds in the State Excess Lottery Revenue Fund are available to pay Lottery Bonds Debt Service on the Lottery Bonds, including debt service on the Series 2016 A Bonds. See “SECURITY FOR THE SERIES 2016 A BONDS – Summary of 2014 Legislation” herein.

**Bondholders’ Risks**

The purchase of the Series 2016 A Bonds is subject to certain risks, including those described under “INVESTMENT CONSIDERATIONS” herein.

**Miscellaneous**

Definitions of certain terms used in this Official Statement and a copy of the Indenture are included in Appendix C to this Official Statement. In addition, this Official Statement contains brief descriptions of, among other things, the State, the Authority, the Program, as defined herein, and the West Virginia Lottery. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2016 A Bonds are qualified in their entirety by reference to the form of bond included in the Indenture. Copies of other documents described in this Official Statement may be obtained from the Trustee or the Authority.

**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 2016 A Bonds and to pledge the Revenues as security therefor pursuant to the School Building Authority Act. The Authority is issuing the Series 2016 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:

<table>
<thead>
<tr>
<th>Name</th>
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<tr>
<td>Governor Earl Ray Tomblin</td>
<td>Governor and President Ex-Officio</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</td>
<td>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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<td>Eric J. Lewis</td>
<td>Secretary</td>
<td>July 31, 2016</td>
</tr>
<tr>
<td>Victor L. Gabriel</td>
<td>Member</td>
<td>July 31, 2015*</td>
</tr>
<tr>
<td>Thomas Campbell</td>
<td>Member</td>
<td>November 4, 2016</td>
</tr>
<tr>
<td>Tina H. Combs</td>
<td>Member</td>
<td>November 4, 2017</td>
</tr>
<tr>
<td>Robert E. Holroyd, Esquire</td>
<td>Member</td>
<td>July 31, 2015*</td>
</tr>
<tr>
<td>Tom Lange</td>
<td>Member</td>
<td>July 31, 2015*</td>
</tr>
<tr>
<td>Dr. William M. White</td>
<td>Member</td>
<td>November 4, 2018</td>
</tr>
<tr>
<td>Chris Morris</td>
<td>Member</td>
<td>July 31, 2018</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 bond program. During his 13-year career in Kanawha County, he created several educational facilities planning processes that are still being used today. Mr. Sneed also served as Assistant Superintendent of School Planning and Operations in Kanawha County prior to joining the Authority staff. Mr. Sneed has over 35 years of educational planning experience.

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

<table>
<thead>
<tr>
<th>Series Name</th>
<th>Original Principal</th>
<th>Amount of Bonds Outstanding as of December 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>13,690,000</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 Bonds</td>
<td>25,575,000</td>
<td>24,075,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2013 Bonds</td>
<td>24,425,000</td>
<td>23,095,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2014 Bonds</td>
<td>26,055,000</td>
<td>24,840,000</td>
<td>School Building Debt Service Fund</td>
</tr>
<tr>
<td>Series 2015 A Bonds</td>
<td>63,640,000</td>
<td>63,640,000</td>
<td>Excess Lottery School Building Debt Service Fund</td>
</tr>
<tr>
<td>Totals</td>
<td>$603,300,000</td>
<td>$381,697,210</td>
<td></td>
</tr>
</tbody>
</table>


The Trust Estate, which includes Revenues deposited into the School Building Debt Service Fund, does not secure the Series 2007 A Bonds, 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, the Series 2010 B Bonds or the Series 2015 A Bonds, and no part of the principal and premium, if any, and interest on such bonds, is payable out of the 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 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 and the Series 2015 A Bonds are secured ratably by and payable from moneys transferred by the Lottery Director from the State Excess Lottery Revenue Fund to the Excess Lottery School Building Debt Service Fund, and a backup pledge of any and all remaining funds in the State Lottery Fund after payment of debt service on Lottery Bonds. The Series 2012 Bonds, the Series 2013 Bonds and the Series 2014 Bonds (collectively, the “Parity Bonds”), together with the Series 2016 A 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 its Lottery Capital Improvement Revenue Bonds, Series 2004 in the original principal amount of $141,600,000 (the “Series 2004 Bonds”), both series of 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 Bonds, the Series 2013 Bonds, the 2014 Bonds and the Series 2015 A Bonds payable from certain revenues of the West Virginia Lottery as set forth in the chart on the previous page. The Series 2016 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 $500,000,000; 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 2016 A Bonds, the amount of bonds outstanding, as reflected in the chart on the previous page, together with the Series 2016 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 $500,000,000.

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 2016 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 Parity Bonds and will be used to pay principal, premium, if any, and interest on the Series 2016 A Bonds and any Additional Bonds issued by the Authority under the Indenture. 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 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 and 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 from State allocations and bond proceeds.

THE PROJECTS

In accordance with the procedures described in the section entitled “The Program” above, the Authority, by official action on December 14, 2015, selected the projects listed in APPENDIX A to receive a portion of the proceeds of the Series 2016 A Bonds (the “Initial Projects”). The Authority expects to approve additional construction projects of public schools in subsequent years, and to the extent that bond proceeds are available, may add such additional construction projects to the list of Initial Projects (the “Additional Projects” and together with the Initial Projects, the “Projects”). The costs of the Projects will be financed, in whole or in part, by a portion of the proceeds of the Series 2016 A Bonds and, if in part, by local and other funds available to the county boards of education. See APPENDIX A – PROJECTS.

THE SERIES 2016 A BONDS

General

The Series 2016 A Bonds are issued in fully-registered form in Authorized Denominations of $5,000 or any integral multiple thereof. The Series 2016 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 2016 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 2016 A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2016. The Series 2016 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 2016 A Bonds are subject to redemption prior to maturity as described below under “THE SERIES 2016 A BONDS - Redemption” or acceleration as described under “THE INDENTURE – Defaults and Remedies” in APPENDIX C – 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 2016 A BONDS - Book-Entry Only System,” the Series 2016 A Bonds will initially be issued exclusively in “book-entry” form.

Redemption

Optional Redemption. The Series 2016 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. In the event of such optional redemption, the Authority may direct the maturity or maturities of the Series 2016 A Bonds and the amounts thereof to be redeemed, provided the Series 2016 A Bonds will be redeemed in whole multiples of $5,000 in principal amount.

Notice of Redemption. Notice of redemption of the Series 2016 A Bonds will be mailed by the Trustee postage prepaid 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 2016 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 2016 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 2016 A Bonds to be redeemed and, in the case of Series 2016 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 2016 A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2016 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 2016 A Bond shall cease to accrue and be payable.

Notice of redemption of Series 2016 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 2016 A Bonds, unless moneys sufficient to pay the redemption price of the Series 2016 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 2016 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 2016 A Bonds within a maturity are to be redeemed, the Trustee shall select the Series 2016 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 2016 A Bonds or portions thereof so selected for redemption. The selection of Series 2016 A Bonds shall be at such time as determined by the Trustee. The foregoing notwithstanding, the Authority may select the Series 2016 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 2016 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 2016 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 2016 A Bonds so called for redemption shall cease to accrue, said Series 2016 A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2016 A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price.

Book-Entry Only System

The Series 2016 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 2016 A Bonds. One fully-registered Series 2016 A Bond will be issued for each maturity, and will be deposited with the DTC.

Purchases of the Series 2016 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 Series 2016 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 F – BOOK-ENTRY ONLY SYSTEM, each actual purchaser of each Series 2016 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 2016 A Bonds under the Indenture. For additional information about DTC and the book-entry-only system, see APPENDIX F – BOOK-ENTRY ONLY SYSTEM.

PLAN OF FINANCE

The proceeds of the Series 2016 A Bonds will (i) provide funds to be expended to permanently finance a portion of the costs of certain public schools facilities capital improvement projects in the State of West Virginia, and (ii) pay costs of issuing the Series 2016 A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.
SOURCES AND USES OF FUNDS

The 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 2016 A Bonds</td>
<td>$21,340,000.00</td>
</tr>
<tr>
<td>Plus: Original Issue Premium</td>
<td>3,961,698.50</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$25,301,698.50</strong></td>
</tr>
</tbody>
</table>

USES OF FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to Series 2016 A Project Fund</td>
<td>$25,000,000.00</td>
</tr>
<tr>
<td>Costs of Issuance*</td>
<td>198,296.14</td>
</tr>
<tr>
<td>Underwriters’ Discount</td>
<td>103,402.36</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$25,301,698.50</strong></td>
</tr>
</tbody>
</table>

* Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, rating agencies, Financial Advisor, printing costs and other miscellaneous fees and expenses relating to the issuance of the Series 2016 A Bonds.

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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 Series 2016 A Bonds and the Parity Bonds.

<table>
<thead>
<tr>
<th>Year Ending July 1</th>
<th>Series 2016 A Bonds Principal</th>
<th>Series 2016 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>$398,394</td>
<td>$7,507,700</td>
<td>$7,906,094</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$1,025,000</td>
<td>1,010,013</td>
<td>7,514,600</td>
<td>9,549,613</td>
</tr>
<tr>
<td>2018</td>
<td>1,075,000</td>
<td>958,763</td>
<td>7,512,250</td>
<td>9,546,013</td>
</tr>
<tr>
<td>2019</td>
<td>1,130,000</td>
<td>905,013</td>
<td>7,512,950</td>
<td>9,547,963</td>
</tr>
<tr>
<td>2020</td>
<td>1,145,000</td>
<td>888,063</td>
<td>7,510,700</td>
<td>9,543,763</td>
</tr>
<tr>
<td>2021</td>
<td>1,205,000</td>
<td>830,813</td>
<td>7,513,550</td>
<td>9,549,363</td>
</tr>
<tr>
<td>2022</td>
<td>1,265,000</td>
<td>770,563</td>
<td>7,508,800</td>
<td>9,544,363</td>
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<tr>
<td>2023</td>
<td>1,325,000</td>
<td>707,313</td>
<td>7,506,300</td>
<td>9,538,613</td>
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<tr>
<td>2024</td>
<td>1,395,000</td>
<td>641,063</td>
<td>7,515,300</td>
<td>9,551,363</td>
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<tr>
<td>2025</td>
<td>1,445,000</td>
<td>588,750</td>
<td>7,509,550</td>
<td>9,543,300</td>
</tr>
<tr>
<td>2026</td>
<td>1,520,000</td>
<td>516,500</td>
<td>7,511,050</td>
<td>9,547,550</td>
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<tr>
<td>2027</td>
<td>1,595,000</td>
<td>440,500</td>
<td>7,502,425</td>
<td>9,537,925</td>
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<tr>
<td>2028</td>
<td>1,675,000</td>
<td>360,750</td>
<td>4,933,250</td>
<td>6,969,000</td>
</tr>
<tr>
<td>2029</td>
<td>1,755,000</td>
<td>277,000</td>
<td>2,499,000</td>
<td>4,531,000</td>
</tr>
<tr>
<td>2030</td>
<td>1,845,000</td>
<td>189,250</td>
<td></td>
<td>2,034,250</td>
</tr>
<tr>
<td>2031</td>
<td>1,940,000</td>
<td>97,000</td>
<td></td>
<td>2,037,000</td>
</tr>
<tr>
<td>Total</td>
<td>$21,340,000</td>
<td>$9,579,744</td>
<td>$97,557,425</td>
<td>$128,477,169</td>
</tr>
</tbody>
</table>

SECURITY FOR THE SERIES 2016 A BONDS

Pledge of the Indenture

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 2016 A Bonds, the Parity Bonds and any Additional Bonds issued under the Indenture. The Trust Estate is comprised of (i) the Revenues (as defined herein), (ii) all right, title and interest of the Authority in and to the proceeds of the State Lottery Fund up to a maximum amount equal to the projected annual debt service and coverage ratio requirements on the Bonds, not to exceed $27,000,000 annually, as set forth in the Lottery Act or any successor provision, (iii) with respect to each Series of Bonds, all moneys and securities from time to time held by the Trustee in the Funds and Accounts created with respect to such Series of Bonds (except moneys and securities held in the Purchase Fund, if any, the Rebate Fund and the Debt Service Reserve Fund) and (iv) any and all other real or personal property conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds by the Authority or by anyone on its behalf or with its written consent, to the Trustee. The pledge of the Revenues under the Indenture now includes State Excess Lottery Revenues if the amount of State Lottery Revenues available for payment of Lottery Bonds Debt Service is not sufficient to make all required payments, but only if State Excess Lottery Revenues are available after payment in full of all Excess Lottery Bonds Debt Service and are then transferred by the Director to the School Building Debt Service Fund. See “Summary of 2014 Legislation” below.
Limited Obligations

The Series 2016 A Bonds are special obligations of the Authority, payable, together with the Prior Bonds and any Additional Bonds, solely from the Trust Estate pledged under the Indenture. The Series 2016 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State of West Virginia, any county, school district, municipality or political subdivision of said State. The owners of the Series 2016 A Bonds shall have no right to have taxes levied by the Legislature of the State of West Virginia or by the taxing authority of any county, school district, municipality or political subdivision of the State for the payment of the principal thereof or interest thereon. The Authority has no taxing power.

Parity Bonds

The Series 2016 A Bonds will be issued on parity with the Series 2012 Bonds, the Series 2013 Bonds and the Series 2014 Bonds. The Series 2012 Bonds were issued pursuant to the Trust Indenture dated as of July 1, 2004 (the “Master Indenture”), as amended and supplemented by an Amendatory and Second Supplemental Trust Indenture thereto, dated as of May 30, 2012, between the Authority and the Trustee. The Series 2013 Bonds were issued pursuant to the Master Indenture, as supplemented by a Third Supplemental Trust Indenture thereto, dated as of April 18, 2013, between the Authority and the Trustee. The Series 2014 Bonds were issued pursuant to the Master Indenture, as amended and supplemented by an Amendatory and Fourth Supplemental Trust Indenture dated as of June 1, 2014, between the Authority and the Trustee.

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 Excess Lottery Bonds Debt Service on Excess Lottery Bonds, and then are available for payment of Lottery Bonds Debt Service (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 “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 “THE WEST VIRGINIA LOTTERY – “The State Lottery Fund” and “The State Excess Lottery Revenue 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 “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 2016 A Bonds.

Revenues

All Bonds issued under the Indenture, including the Series 2016 A Bonds, are secured by a pledge of Revenues. “Revenues” means (i) all moneys deposited in the School Building Debt Service Fund, and transferred, at the request of the Authority or otherwise to the Trustee for deposit in the Revenue Fund in conformance with the Constitution and laws of the State, including all amounts deposited in the School Building Debt Service Fund pursuant the Lottery Act or any other provision of applicable law and (ii) any other moneys, income or property pledged by the Authority to the payment of Bonds.

The School Building Authority Act, the Lottery Act and the Racetrack Video Lottery Act together provide a system through which Net Profits and Certain Racetrack Video Lottery Income is dedicated to the payment of debt service on the Bonds issued under the Indenture. “Net Profits” is statutorily defined to mean all gross amounts received from Traditional Games of the West Virginia Lottery less: (i) a minimum annual average of forty-five percent of the gross amount received from each lottery allocated and disbursed as prizes, and (ii) not more than fifteen percent of the gross amount received from each lottery allocated to and disbursed, as necessary for funding operations 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. Traditional Games of the West Virginia Lottery include Instant Games and On-line Games as such terms are defined in the Legislative Rule promulgated by the West Virginia State Lottery Commission entitled “State Lottery Rules,” 179 West Virginia Code of State Rules 1. Net Profits are then deposited in the State Lottery Fund together with Certain Racetrack Video Lottery Income for payment of debt service and other appropriations. From the State Lottery Fund, monthly transfers are first made to the School Building Debt Service Fund pursuant to the School Building Authority Act and the Lottery Act and are transferred to the Trustee to pay debt service on the Bonds issued under the Indenture. After satisfying such requirement, and after satisfying the requirements for monthly payment of funds dedicated to the EAST Fund, and then satisfying the requirements for monthly transfers of funds dedicated to the Community and Technical College Capital Improvement Fund, and after satisfying the requirements for monthly transfers of funds dedicated to the payment of Excess Lottery Bonds, the remaining Net Profits and Certain Racetrack Video Lottery Income are appropriated by the West Virginia 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, provided, however, that no such transfers shall be made to any of these accounts other than the School Building Debt Service Fund (i) during any period in which a default exists with respect to Lottery Bonds Debt Service, or (ii) when Net Profits for the preceding twelve months are not at least equal to one hundred fifty percent of Lottery Bonds Debt Service. See “Summary of 2014 Legislation” herein.

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 Director of the West Virginia Lottery shall allocate to the School Building Debt Service Fund created under the School Building Authority Act, as a first priority from Net Profits together with Certain Racetrack Video Lottery Income for the preceding month, an amount equal to one-tenth of the projected annual principal, interest and coverage ratio requirements on any and all bonds and refunding bonds issued, or to be issued, on or after the first day of April, 1994,
and secured by funds on deposit in the School Building Debt Service Fund as certified to the Lottery Director in accordance with the School Building Authority Act; provided, that in no event shall said monthly amount exceed $1,800,000; and provided, further, that in no event shall the total allocation of Net Profits and Certain Racetrack Video Lottery Income to be paid into the School Building Debt Service Fund for any fiscal year exceed the lesser of the principal and interest requirements certified to the Lottery Director as aforesaid or $18,000,000.

The 2014 Legislation makes available any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of Excess Lottery Bonds Debt Service, to pay Lottery Bonds Debt Service. In the event there are insufficient funds on deposit in the State Lottery Fund to make the $1,800,000 one-tenth deposit into the School Building Debt Service Fund, the Lottery’s process will be to have the Lottery Director transfer such additional amounts as necessary to equal $1,800,000 from funds on deposit in the State Excess Lottery Revenue Fund following all required one-tenth transfers to the funds used to pay Excess Lottery Bonds Debt Service. See “SECURITY FOR THE SERIES 2016 A BONDS - Summary of 2014 Legislation” herein for additional discussion regarding the availability of funds from the State Excess Lottery Revenue Fund to be used to pay debt service on bonds payable from the State Lottery Fund, as may be needed from time to time.

The Lottery Act further provides that when the school improvement bonds, secured by Net Profits and Certain Racetrack Video Lottery Income and deposited in the School Building Debt Service Fund, mature, the profits shall become available for debt service on additional school improvement bonds as a first priority from the Net Profits and Certain Racetrack Video Lottery Income or may at the discretion of the Authority be placed into the School Construction Fund.

Moneys deposited in the School Building Debt Service Fund and transferred to the Trustee are currently the primary source of Revenues for the payment of principal, interest, and premium, if any, on Bonds issued under the Indenture. Additionally, any and all remaining funds in the State Excess Lottery Revenue Fund after payment of debt service on the Excess Lottery Bonds also serve as a backup source for the payment of principal, interest, and premium, if any, on the Bonds.

Additional Bonds

The Authority may issue Additional Bonds on a parity with the lien of the Series 2016 A Bonds and all other outstanding Parity Bonds on the Revenue Fund established under the Indenture if the Authority delivers a certificate to the effect that (i) the maximum amount of Debt Service/Additional Bonds which may be payable in the then current or any subsequent Fiscal Year, and the maximum aggregate face value of such Additional Bonds, together with all Bonds theretofore issued, do not exceed the amounts then permitted under the Lottery Act, (ii) the amount of net revenues derived during twelve consecutive months of the prior eighteen (18) months prior to the issuance of such Additional Bonds from the operation of any lottery by the State, as determined under the Lottery Act and deposited into the State Lottery Fund, is not less than 200% of the Maximum Annual Debt Service payable on such Additional Bonds (net of any capitalized interest on outstanding bonds financed with proceeds of such Additional Bonds), and any Bonds then Outstanding; and (iii) the amount of net revenues derived during twelve consecutive months of the prior eighteen (18) months prior to the issuance of such Additional Bonds from the operation of any lottery operated by the State, whether deposited in the State Lottery Fund, the State Excess Lottery Revenue Fund described in Section 18a of the Lottery Act or otherwise, whether or not pledged to the payment of the then Outstanding Bonds or such Additional Bonds is not less than 300% of the maximum amount of Debt Service/Additional Bonds which may be payable in the then current or any subsequent Fiscal Year.
The Resolution adopted by the Authority authorizing the issuance of the Series 2016 A Bonds authorized the issuance of not to exceed $30,000,000 aggregate principal amount of the Authority’s Lottery Capital Improvement Revenue Bonds.

THE 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 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.

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>David McCormick, Jr.</td>
<td>Marketing Expert</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>VACANT</td>
<td>Law Enforcement</td>
<td></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: The position of Deputy Director for Marketing for the West Virginia Lottery is currently vacant.

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 currently owns and operates a Scientific Games Aegis Video central computer system that controls all video lottery machines for both racetrack and limited video lottery. Recently, the West Virginia Lottery finalized a new contract with Scientific Games for a new Connexus central computer system to monitor and control all video lottery machines in the State. Under the new $8.7 million contract, Scientific Games will install the new Connexus system to replace the current Aegis Video system that was installed in 2006. The new Connexus system will use up-to-date IP cellular connections that are faster and more reliable that the current dial-up phone connections used to relay data from approximately 14,000 video lottery machines located in more than 1,400 bars, clubs and fraternal organizations around the State. The new system will also control and monitor more than 7,000 video lottery machines located in the State’s four racetrack casinos and the casino at the Greenbrier Resort. The
Connexus system will not go into operation until January 2018, in order to provide existing video lottery retailers and distributors time to make upgrades to existing machines.

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 newly constructed Bridgeport, West Virginia facility which was completed in December of 2015. The Bridgeport, West Virginia facility contains approximately 8,260 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 120 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.

Sales for Traditional Games are collected via electronic funds transfer (sweep) on a weekly basis from each retailers 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 all four West Virginia racetracks. 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 horse racing), Wheeling Island Hotel-Casino-Racetrack (greyhound dog racing), Hollywood Casino at Charles Town Races (thoroughbred horse racing) 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. In
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 (%) as of June 30, 2015

<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 28%</td>
<td>Pennsylvania 23%</td>
<td>Ohio 21%</td>
<td>Pennsylvania 5%</td>
</tr>
<tr>
<td>Ohio 65%</td>
<td>Ohio 55%</td>
<td>Kentucky 9%</td>
<td>Maryland 29%</td>
</tr>
<tr>
<td>West Virginia 3%</td>
<td>West Virginia 17%</td>
<td>North Carolina 8%</td>
<td>Virginia 50%</td>
</tr>
<tr>
<td>Other 4%</td>
<td>Other 5%</td>
<td>Virginia 9%</td>
<td>Washington DC 1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>West Virginia 36%</td>
<td>West Virginia 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other 17%</td>
<td>Other 5%</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 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) and thirty percent of the net terminal income from the Racetrack Video Lottery.

Lottery Traditional Games

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. In fiscal year 2015, $40.7 million in net profits from Traditional Games was deposited into the State Lottery Fund.

Racetrack Video Lottery

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”). The Gross Benchmark and Net Benchmark for each of the racetracks are summarized below.
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 $9 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.

The table that follows summarizes the Net Terminal Income for the Racetracks and the sources of the deposits to the Lottery Fund for FY 2011-2015.

<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></td>
<td></td>
<td>438.1</td>
</tr>
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</table>

Source: West Virginia Lottery

<table>
<thead>
<tr>
<th>Net Terminal Income¹</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountaineer</td>
<td>$160.3</td>
<td>$153.8</td>
<td>$170.6</td>
<td>$154.3</td>
<td>$143.7</td>
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<tr>
<td>Wheeling</td>
<td>96.9</td>
<td>116.0</td>
<td>119.0</td>
<td>95.0</td>
<td>83.2</td>
</tr>
<tr>
<td>Mardi Gras</td>
<td>44.4</td>
<td>47.2</td>
<td>51.7</td>
<td>47.7</td>
<td>43.4</td>
</tr>
<tr>
<td>Hollywood Casino</td>
<td>132.2</td>
<td>380.9</td>
<td>393.0</td>
<td>332.5</td>
<td>297.0</td>
</tr>
<tr>
<td>Total</td>
<td>$433.8</td>
<td>$697.9</td>
<td>$734.3</td>
<td>$629.5</td>
<td>$567.3</td>
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</table>

30% of Net Terminal Income up to Net Benchmark

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$128.2</td>
<td>$130.1</td>
<td>$127.8</td>
<td>$120.8</td>
<td>$115.0</td>
</tr>
</tbody>
</table>

Administrative Surplus

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>0.4</td>
<td>2.5</td>
<td>2.8</td>
<td>1.5</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Transfer from the Racetrack Modernization Fund

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Total deposit to the Lottery Fund

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$128.6</td>
<td>$132.6</td>
<td>$130.6</td>
<td>$126.1</td>
<td>$120.1</td>
</tr>
</tbody>
</table>

¹ 2012 was the last year that all the Racetracks met the Net Benchmark. The deposit to the Lottery Fund from Racetrack Video Lottery has fluctuated from year to year since this time.
Transfers from the State Lottery Fund required by the Lottery Act

First Priority Transfers: First, a portion of the Net Profits from Traditional Games and a portion of Certain 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 maximum amount to be transferred annually shall not exceed $18,000,000. The current maximum annual debt service on the Authority’s Series 2012 Bonds, Series 2013 Bonds, Series 2014 Bonds and Series 2016 A Bonds, which are the Authority’s only Bonds currently payable from revenues of the State Lottery Fund, is $9,551,363.

Second Priority Transfers: Second, a portion of the remaining Net Profits from Traditional Games and a portion of Certain Racetrack Video Lottery Income is then transferred to the EAST Fund established under Chapter 5, Article 6, Section 11a of the Code of West Virginia, 1931, as amended, as necessary to pay debt service on 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 $10,000,000 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 Certain 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 the CTC Lottery Bonds payable from the Community and Technical College Capital Improvement Fund pursuant to the Lottery Act. 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 $5,000,000. The current annual principal and interest on the CTC Lottery Bonds is approximately $5,000,000 and these bonds mature by their terms in 2039. Upon the maturity of the CTC Lottery Bonds, the $5,000,000 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 $5,000,000 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 $10,000,000 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 Certain 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 Certain 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 Certain 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, $7.5 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 $138.3 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 “HISTORICAL, ESTIMATED AND PROJECTED WEST VIRGINIA LOTTERY REVENUES – Historic and Projected Debt Service Coverage - Table II – Debt Service Coverage Analysis” herein.

NO PORTION OF THE STATE LOTTERY FUND OR THE STATE EXCESS LOTTERY REVENUE FUND IS PLEDGED AS PART OF THE TRUST ESTATE TO SECURE THE SERIES 2016 A BONDS. ONLY AMOUNTS ON DEPOSIT IN THE SCHOOL BUILDING DEBT SERVICE FUND CONSTITUTE REVENUES UNDER THE INDENTURE.

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 “SECURITY FOR THE SERIES 2016 A BONDS – 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

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 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, Mountaineer or Wheeling will meet their benchmarks 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>
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<td>44.4</td>
</tr>
<tr>
<td>Hollywood Casino</td>
<td>133.5</td>
<td>132.2</td>
</tr>
<tr>
<td></td>
<td>438.1</td>
<td>433.8</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 “SECURITY FOR THE

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
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>$ in 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><strong>Total Deposit to the State Excess Lottery Revenue Fund</strong></td>
<td><strong>134.5</strong></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.
$ in millions
10% Reduction to Live Racing Transfers $ 0.6
16 72/100% of the 35% 22.4
Total Deposit to the State Excess Lottery Revenue Fund $ 23.0

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.

$ in millions
2.5% of gross terminal income $ 0.03
86% of remaining funds 2.28
Total Deposit to the State Excess Lottery Revenue Fund $ 2.31

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.
STATE’S SHARE CALCULATION

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

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1 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.
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 $10,000,000 for fiscal years 2011 through 2015. The West Virginia Department of Revenue projects that the annual Refundable Credit will be $10,000,000 during the next three fiscal years.

**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 million</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 Fund</td>
<td>$72.0 million</td>
</tr>
</tbody>
</table>

2 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.

3 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. To date, two bills have been introduced in the regular session of the 2016 Legislative Session that, if enacted, would amend and reenact Section 18d of the Lottery Act. One of those bills introduced at the request of the current administration seeks to reduce the deposit to $30 million for the fiscal year beginning July 1, 2016, while the other bill introduced by a member of the House of Delegates seeks to maintain the deposit at $40 million per fiscal year. There is no way to predict whether either of these bills, or any other legislative proposals, will be enacted by the State Legislature.

4 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 “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.
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 $19,000,000 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.

(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 $15,000,000 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 $19,000,000 to pay debt service on the Bonds issued by the Authority and a $6,000,000 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 “THE STATE EXCESS LOTTERY REVENUE FUND - 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.


**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 $3,000,000 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.
HISTORICAL, ESTIMATED AND PROJECTED
WEST VIRGINIA LOTTERY REVENUES

THE PROJECTIONS INCLUDED IN TABLES I AND II 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 and II below at the request of the Authority
to present projected annual debt service coverage information related to the Series 2016 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, 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 “SECURITY FOR THE SERIES 2016 A BONDS - 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. Maryland issued the casino license to National
Harbor in December 2013, and construction is currently underway and expected to be completed in the
latter half of 2016. 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. The West Virginia Lottery projects that the impact of cross-border competition will level off in 2017 and 2018, resulting in more stable revenues from table gaming and video lottery. See “Table I” herein. 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.

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### Table I

**Historical, Estimated and Projected Revenues**

*(In Millions)*

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<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Lottery Revenues</strong> ¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instant games</td>
<td>$115.7</td>
<td>117.7</td>
<td>108.6</td>
<td>105.6</td>
<td>103.1</td>
<td>95.0</td>
<td>95.0</td>
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<td>On-line games</td>
<td>77.9</td>
<td>83.6</td>
<td>87.0</td>
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<td>76.7</td>
<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>
<td>452.0</td>
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<tr>
<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>
<td>349.6</td>
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<tr>
<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>
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<td>Historic resort lottery</td>
<td>6.2</td>
<td>7.1</td>
<td>7.6</td>
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<td>6.1</td>
<td>6.1</td>
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<td>5.5</td>
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<tr>
<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>
<td></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>On-line 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>
<td>30.5</td>
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<tr>
<td>Racetrack Video Lottery - State 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>
<td>105.0</td>
</tr>
<tr>
<td>Racetrack Video Lottery - State Excess Lottery Revenue Fund ³</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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</tr>
<tr>
<td>Limited Video Lottery - State Excess Lottery Revenue Fund</td>
<td>109.6</td>
<td>193.9</td>
<td>190.4</td>
<td>179.9</td>
<td>177.5</td>
<td>173.1</td>
<td>164.5</td>
<td>164.5</td>
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<tr>
<td>Limited Video Lottery Fees - State Excess Lottery Revenue Fund</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>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Racetrack Table Games - State Excess Lottery Revenue Fund ⁴</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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<tr>
<td>Historic Resort Lottery - State Excess Lottery Revenue Fund ⁴</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<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><strong>Total Racetrack and Limited Video Lottery Net Revenues</strong></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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<tr>
<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**

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<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>State Excess Lottery Revenue Fund</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>State Lottery Fund</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>
</tr>
<tr>
<td><strong>Total</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>
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</tbody>
</table>

* 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
## Historic and Projected Debt Service Coverage

Table II shows the last five fiscal years historic coverage of debt service of the Bonds and the projected debt service coverage of the Bonds for fiscal years ended June 30, 2016 through June 30, 2018.

### Table II

**Projected Debt Service Coverage Analysis**

(In Millions)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledged State Lottery Fund Revenues&lt;sup&gt;1&lt;/sup&gt;</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>
</tr>
<tr>
<td>SBA Bond Debt Service&lt;sup&gt;2&lt;/sup&gt;</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
<td>7.5</td>
<td>18.0</td>
<td>18.0</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>SBA Bonds Debt Service Coverage</strong></td>
<td>9.1</td>
<td>9.9</td>
<td>9.9</td>
<td>9.1</td>
<td>21.4</td>
<td>7.6</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Aggregate Debt Service Coverage of Lottery Bonds using State Lottery Fund Revenues Only&lt;sup&gt;3&lt;/sup&gt;</td>
<td>5.0</td>
<td>5.4</td>
<td>5.4</td>
<td>5.0</td>
<td>7.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>State Excess Lottery Revenue Fund Balance Available following payment of Excess Lottery Bonds Debt Service (&quot;Remaining SELRF Balances&quot;)&lt;sup&gt;4&lt;/sup&gt;</td>
<td>278.0</td>
<td>228.3</td>
<td>212.5</td>
<td>212.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Projected</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Aggregate Debt Service Coverage of Lottery Bonds using State Lottery Fund Revenues and Remaining SELRF Balances</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>19.5</td>
<td>11.1</td>
<td>10.5</td>
<td>10.5</td>
</tr>
</tbody>
</table>

---

1. Net Profits and Certain Racetrack Video Lottery Income.
2. Bonds debt service for 2016 through 2018 may be less than the projected $18,000,000, but $18,000,000 has been included in anticipation of future Bonds.
3. Pledged Revenues divided by the sum of the (i) debt service on the Bonds ($18 million), (ii) the debt service on the EAST Lottery Bonds ($10 million), and (iii) the debt service on the CTC Lottery Bonds ($5 million). See “THE STATE LOTTERY FUND” herein for a description of the priority of transfers from the State Lottery Fund.
4. Prior to the 2014 Legislation, monies in the State Excess Lottery Revenue Fund were not required by statute to be made available for the payment of Lottery Bonds Debt Service. The 2014 Legislation created a mechanism by which certain revenues of the State Excess Lottery Revenue Fund, may, after payment of Excess Lottery Bonds Debt Service, be used for payment of Lottery Bonds Debt Service as needed from time to time. Revenues reflected are net of all Excess Lottery Bonds Debt Service including bonds authorized but not issued under Section 18e (for bonds issued by the West Virginia Economic Development Authority for state park improvements). See “SECURITY FOR THE 2016 A BONDS – Summary of 2014 Legislation” herein.
INVESTMENT CONSIDERATIONS

The purchase of the Series 2016 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 Projects financed with the proceeds of the Series 2016 A Bonds, and no lien or security interest in the Projects is being granted to the Owners of the Series 2016 A Bonds. As a result, in the event amounts generated as Net Profits and Certain Racetrack Video Lottery Income and deposited in the School Building Debt Service Fund are not sufficient to pay debt service on the Series 2016 A Bonds and transfers of remaining available funds from the State Excess Lottery Revenue Fund, as described herein, deposited into the School Building Debt Service Fund pursuant to the Lottery Act and are not sufficient to make up any shortfall in the payment of debt service on the Series 2016 A Bonds, neither the Trustee nor the Owners will have any rights with respect to the Projects.

Enforceability of Rights of Owners Against the State or the Authority

The remedies available to the Trustee or the Owners of the Series 2016 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 2016 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 2016 A Bonds and upon the availability to Owners of the Series 2016 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 2016 A Bonds.

Effect of Changes in Allocation or Dissolution of West Virginia Lottery

Current law provides that the allocation of up to $18,000,000 of Net Profits and the Certain Racetrack Video Lottery Income in each fiscal year shall continue until the Series 2016 A Bonds are paid. The primary source of funding for the School Building Debt Service Fund is the $18,000,000 of Net Profits and Certain Racetrack Video Lottery Income. Although the annual allocation of Net Profits and Certain Racetrack Video Lottery Income to the School Building Debt Service Fund could be changed by future action of the West Virginia Legislature, the Authority believes that the importance of the projects funded with the proceeds of the Series 2016 A Bonds makes a decrease in the allocation unlikely. Any such change would require statutory amendment.

Since the Revenues are derived from Net Profits and Certain Racetrack Video Lottery Income and other funds, including transfers from the State Excess Lottery Revenue Fund, as described herein, deposited into the School Building Debt Service Fund pursuant to the Lottery Act or any other provision of applicable law, dissolution of the West Virginia Lottery would leave the School Building Debt Service
Fund without a source of funding unless the West Virginia 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 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 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 Legislature will continue the Lottery Commission, the Lottery Commission is not aware of any matters which would cause the Legislature to terminate the Lottery Commission.

No Requirement to Include Revenues from Expanded Gaming in the Trust Estate

There exists no constitutional or legislative mandate that future revenues generated from new lottery games or other gaming enterprises, e.g., riverboat gambling, casinos, etc., be included in the calculation of Net Profits or otherwise available for deposit into the School Building Debt Service Fund.

Reductions in Discretionary Consumer Spending as a Result of an Economic Downturn

Gaming revenues are highly dependent upon the volume and spending levels of customers, and gaming revenues are adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions in the State have negatively impacted and may continue to negatively impact the State’s gaming revenues for an indefinite period of time while the general economic conditions remain weakened.

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 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 a day, 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:
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 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>

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.


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<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>
</tr>
<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.

On December 16, 2015, Gaming & Leisure Properties, Inc., a Pennsylvania corporation based out of Wyomissing, Pennsylvania, acquired Meadows Racetrack and Casino located in Washington County, Pennsylvania, from Cannery Casino Resorts LLC for $440 million, ending a legal battle between the parties over the financial condition of the venue. PGCB conditionally approved the sale in July 2015, and is expected to consider final approval at its January 2016 meeting. The Pennsylvania state harness racing commission must also approve the transaction. While Gaming & Leisure Properties, Inc. will own
Meadows Racetrack and Casino, it will not operate the casino and is currently in the process of searching for a third-party operator.

The recent sale of Meadows Racetrack and Casino represents the fifth sale involving a casino in Pennsylvania. The other Pennsylvania casinos that have undergone a change in control include The Rivers Casino, Mount Airy Casino, Presque Isle Downs & Casino and Harrah’s Chester Downs.

In October 2015, the Pennsylvania Harness Racing Commission approved an ownership change for Lawrence Downs Casino and Racing Resort to be built near New Castle, Pennsylvania. The Pennsylvania Harness Racing Commission approved the transfer of 90% of the stock of Endeka Entertainment and the transfer of its harness license to Joseph Procacci, a resident of Cherry Hill, New Jersey and owner of a Philadelphia-based produce supplier. Mr. Procacci announced his commitment to spend $210 million to building Lawrence Downs Casino and Racing Resort to be located off Route 422 in Mahoning Township. Plans include a mile-long harness racing track, a 105,000 square foot facility that will include 1,500 slot machines, 43 table games, 15 poker games, seats for 1,050 patrons and simulcast theater to accommodate 150 patrons. It is expected that Merit Management, a Chicago-based casino development and management firm owned by New Castle native Joe Canfora, will manage the Lawrence County facility once built. At the time the stock transfer was approved in October, the Pennsylvania Harness Racing Commission, acting by its sole member, Chairman Jonathan Newman, imposed a schedule upon the new developer which, if not met, will result in the termination and revocation of the harness license. The schedule requires that the developer provide proof that it has the financing in place to construct the proposed racetrack by January 21, 2016, followed by the submission of architectural plans, blueprints and a construction timeline to the Commission by April 2016, the commencement of construction by October 2016 and at least 50% completion of the construction of the racetrack by April 2017, with full completion and live racing to begin by no later than October 2017. The project has not yet been awarded a gaming license by the PGCB although Procacci posted a $50 million bond in May 2015 to seek the gaming license. In November 2015, the developer filed an appeal asking the Commission to reconsider its order and work with the developer to establish more reasonable deadlines to give the developer more time to obtain a gaming license, secure financing and construct the project. Without a modification of the schedule, the new developer has reported that he may have to pull out of the project.

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 current casino and racino locations* in West Virginia and its bordering states:

* This graphic has been prepared by the West Virginia Lottery and depicts, to the best of its knowledge, the current competition from surrounding states. It should be noted that National Harbor was awarded a license to operate in December of 2013, and the casino is currently under construction and expected to open during the latter half of 2016.

New Local Option Elections

The Racetrack Video Lottery Act, the Table Games Act and Article 29, Chapter 25, Section 7 of the 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 2016 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 may decline further as more competition opens. The West Virginia Lottery projects that revenue from table games will decline in 2016 and then will stabilize in 2017 and 2018. All of the State’s racetracks renewed their table game licenses on July 1, 2015. However, 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 2016 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.

Indoor Smoking Bans

Legislation in various forms to ban indoor tobacco smoking has been enacted in many local jurisdictions in the State. Implementation of local tobacco smoking bans have had a negative impact on attendance at casinos and limited video lottery retailers in some areas of the State where smoking bans have been enacted. As a result of decreased attendance at such locations, lottery revenues have been adversely affected. If restrictions on smoking are enacted statewide or by additional local jurisdictions in which casinos or limited video lottery retailers operate in the State, there could be a decrease in attendance at such locations which could further negatively affect lottery 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 Lottery Fund and the State Excess Lottery Revenue Fund, especially if the disruptions are widespread and/or lengthy. See “THE WEST VIRGINIA LOTTERY – “Traditional Games,” “Racetrack Video Lottery Games” and “Racetrack Table Games” herein.

Tax-Exempt Status of the Series 2016 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 2016 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 2016 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 2016 A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Series 2016 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 2016 A Bonds. Prospective purchasers of the Series 2016 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 B 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 2016 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 2016 A Bonds, or in any manner contesting or affecting the validity of the Series 2016 A Bonds, or the proceedings taken with respect to the authorization, issuance and sale thereof.
LEGAL MATTERS

The authorization and issuance of the Series 2016 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 D 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 2016 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 2016 A Bonds.

Federal Income Tax Exemption of the Series 2016 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 2016 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 2016 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 purposes of calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel for the Series 2016 A Bonds is set forth in APPENDIX D 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 2016 A Bonds. The Authority has covenanted to comply with certain restrictions designed to insure that interest on the Series 2016 A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2016 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2016 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 2016 A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 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 2016 A Bonds. Prospective purchasers of Series 2016 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 2016 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 2016 A Bonds in order for the Series 2016 A Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the Series 2016 A Bonds, use of the facilities financed by the Series 2016 A Bonds, 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 2016 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 2016 A Bonds may have no right to participate in the audit process. The initiation of an audit with respect to the Series 2016 A Bonds could adversely affect the market value and liquidity of the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 A Bonds. Prospective purchasers of the Series 2016 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 2016 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 2016 A Bonds ends with the issuance of the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 A Bonds at an aggregate purchase price of $25,198,296.14 (par, plus original issue premium of $3,961,698.50, less an Underwriters’ discount of $103,402.36), pursuant to a bond purchase agreement among the Authority and the Underwriters. The Underwriters may offer and sell the Series 2016 A Bonds to certain dealers (including dealers depositing such Series 2016 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 2016 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 2016 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 2016 A Bonds.

Piper Jaffray & Co. has 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 2016 A Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016 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 2016 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.
RATINGS

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Corporation (“S&P”) have assigned ratings of “A1” and “AAA,” respectively, with respect to the Series 2016 A Bonds. Any desired explanation of the significance of such ratings should be obtained from Moody’s and S&P, 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 and S&P. Generally, Moody’s and S&P 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 or S&P, 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 2016 A Bonds any proposed revision or withdrawal of any rating of the Series 2016 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 2016 A Bonds.

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 2016 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 2016 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 and II of the section of this Official Statement entitled “HISTORICAL, ESTIMATED AND PROJECTED WEST VIRGINIA LOTTERY REVENUES,” 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 2016 A Bonds, an Event of Default under the Indenture, or a default under any other document relating to the Series 2016 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) fourteen series of capital improvement, lottery revenue or excess lottery revenue bonds issued by the 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, the Series 2010 B Bonds and the Series 2015 A Bonds (collectively referred to in this section of the Official Statement as 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 of the Department of Highways (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.

In connection with the series of WVEDA Bonds described above, specifically designated as the West Virginia Economic Development Authority Lease Revenue Refunding Bonds (Correctional, Juvenile and Public Safety Facilities), 2011 Series A, on December 22, 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 2015 annual financial information within 180 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.

(6) 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.

(7) 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 2016 A Bonds. The Authority has approved this Official Statement by official action on December 14, 2015.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: /s/ Peter Markham
Chair
The Authority intends to finance a portion of the costs of acquiring, constructing, rehabilitating, equipping and/or improving the following projects (the “Projects”) with the portion of the proceeds of the Series 2016 A Bonds deposited into the Series 2016 A Project Fund. The Authority expects to approve additional construction projects during subsequent funding cycles that satisfy requirements of the School Building Authority Act. Such additional projects that are subsequently approved by the Authority, and which may be funded by proceeds of the Series 2016 A Bonds, shall be added to this list of Projects by subsequent resolution of the Authority.

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbour</td>
<td>Energy Management &amp; Digital Controls at Seven (7) Schools</td>
<td>$4,593,322</td>
</tr>
<tr>
<td>Brooke</td>
<td>Construction of new Middle School</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Calhoun</td>
<td>HVAC Renovations at two (2) Schools</td>
<td>1,096,238</td>
</tr>
<tr>
<td>Doddridge</td>
<td>Additions at Doddridge Co High School</td>
<td>800,000</td>
</tr>
<tr>
<td>Harrison</td>
<td>New Johnson Elementary School</td>
<td>10,678,000</td>
</tr>
<tr>
<td>Jackson</td>
<td>Additions &amp; Renovations to Ravenswood High School</td>
<td>10,212,177</td>
</tr>
<tr>
<td>Kanawha</td>
<td>Additions &amp; Renovations to Andrews Heights Elementary School</td>
<td>1,755,612</td>
</tr>
<tr>
<td>Logan</td>
<td>New (2-4) Elementary School</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Monongalia</td>
<td>Additions &amp; Renovations to Brookhaven Elementary School</td>
<td>4,360,000</td>
</tr>
<tr>
<td>Pleasants</td>
<td>Entrance &amp; ADA Renovations at Pleasants Co Middle School</td>
<td>316,596</td>
</tr>
<tr>
<td>Pocahontas</td>
<td>Renovations to two (2) School</td>
<td>100,000</td>
</tr>
<tr>
<td>Raleigh</td>
<td>Renovations To Shady Spring High School / New School</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Roane</td>
<td>Physical Education Addition at Spencer Elementary School</td>
<td>970,110</td>
</tr>
<tr>
<td>Tucker</td>
<td>HVAC Renovations at two (2) Schools</td>
<td>2,306,839</td>
</tr>
<tr>
<td>Webster</td>
<td>Roof Replacement at Webster Springs Elementary School</td>
<td>716,078</td>
</tr>
<tr>
<td>Wirt</td>
<td>Roof Replacement &amp; Exterior Waterproofing at two (2) Schools</td>
<td>2,159,651</td>
</tr>
</tbody>
</table>

**TOTAL:** $58,064,623

*Proceeds of the Authority’s Series 2014 Bonds and Excess Lottery Revenue Refunding Bonds, Series 2015 A were used to pay for portions of this project as well.*
APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR THE
WEST VIRGINIA LOTTERY FOR FISCAL
YEARS ENDED JUNE 30, 2015 AND 2014
WEST VIRGINIA LOTTERY
Audited Financial Statements
With Other Financial Information
Years Ended June 30, 2015 and 2014

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<td></td>
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<td>45-46</td>
</tr>
</tbody>
</table>
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
West Virginia Lottery
Management’s Discussion and Analysis
-Unaudited-

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.
West Virginia Lottery
Management's Discussion and Analysis
(Continued)
-Unaudited-

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, net of accumulated depreciation and amortization</td>
<td>37,763</td>
<td>38,745</td>
<td>40,220</td>
</tr>
<tr>
<td>Total assets</td>
<td>$238,765</td>
<td>$227,223</td>
<td>$353,892</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows of resources related to pension</td>
<td>$1,099</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><strong>Total assets</strong></td>
<td><strong>$47,763</strong></td>
<td><strong>$47,391</strong></td>
<td><strong>$46,846</strong></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>Revenues:</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>655,876</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></td>
<td>1,164,004</td>
<td>1,214,284</td>
<td>1,328,377</td>
</tr>
<tr>
<td>Less commissions:</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></td>
<td>505,211</td>
<td>559,742</td>
<td>614,527</td>
</tr>
<tr>
<td>Less on-line prize costs</td>
<td>38,162</td>
<td>42,096</td>
<td>44,109</td>
</tr>
<tr>
<td>Less instant ticket prize costs</td>
<td>68,314</td>
<td>69,665</td>
<td>72,121</td>
</tr>
<tr>
<td>Less ticket costs</td>
<td>1,516</td>
<td>1,730</td>
<td>1,804</td>
</tr>
<tr>
<td>Less vendor fees and costs</td>
<td>7,456</td>
<td>8,044</td>
<td>8,325</td>
</tr>
<tr>
<td></td>
<td>115,448</td>
<td>121,535</td>
<td>126,359</td>
</tr>
<tr>
<td>Gross profit</td>
<td>543,345</td>
<td>533,007</td>
<td>587,491</td>
</tr>
<tr>
<td>Administrative expenses:</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></td>
<td>24,690</td>
<td>25,879</td>
<td>24,863</td>
</tr>
<tr>
<td>Other operating income</td>
<td>11,313</td>
<td>11,719</td>
<td>11,860</td>
</tr>
<tr>
<td>Operating income</td>
<td>529,968</td>
<td>518,847</td>
<td>574,488</td>
</tr>
<tr>
<td>Nonoperating income (expense):</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></td>
<td>(526,955)</td>
<td>(518,693)</td>
<td>(571,597)</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,013</td>
<td>154</td>
<td>2,891</td>
</tr>
</tbody>
</table>
West Virginia Lottery

Management's Discussion and Analysis
(Continued)

-Reaudited-

Revenues, Expenses and Changes in Fund Net Position (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position, beginning of year</td>
<td>55,020</td>
<td>54,866</td>
<td>51,975</td>
</tr>
<tr>
<td>Cumulative effect of adoption of accounting principle</td>
<td>-3,877</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net position, beginning of year, as restated</td>
<td>51,143</td>
<td>54,866</td>
<td>51,975</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$54,156</td>
<td>$55,020</td>
<td>$54,866</td>
</tr>
</tbody>
</table>

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></th>
<th></th>
<th>On-Line</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>$103,276</td>
<td>$105,562</td>
<td>$108,635</td>
<td>$76,724</td>
<td>$83,069</td>
<td>$86,986</td>
</tr>
<tr>
<td>Less direct costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prizes and bonuses</td>
<td>68,314</td>
<td>69,665</td>
<td>72,121</td>
<td>38,162</td>
<td>42,096</td>
<td>44,109</td>
</tr>
<tr>
<td>Commissions</td>
<td>7,229</td>
<td>7,390</td>
<td>7,604</td>
<td>5,372</td>
<td>5,821</td>
<td>6,095</td>
</tr>
<tr>
<td>Ticket printing costs</td>
<td>1,516</td>
<td>1,730</td>
<td>1,804</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vendor fees and costs</td>
<td>4,286</td>
<td>4,510</td>
<td>4,537</td>
<td>3,170</td>
<td>3,534</td>
<td>3,788</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>81,345</td>
<td>83,295</td>
<td>86,066</td>
<td>46,704</td>
<td>51,451</td>
<td>53,992</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$21,931</td>
<td>$22,267</td>
<td>$22,569</td>
<td>$30,020</td>
<td>$31,618</td>
<td>$32,994</td>
</tr>
<tr>
<td>Gross profit percentage</td>
<td>21.2%</td>
<td>21.1%</td>
<td>20.8%</td>
<td>39.1%</td>
<td>38.1%</td>
<td>37.9%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Racetrack Video Lottery</th>
<th>Limited Video Lottery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>$557,803</td>
<td>$590,918</td>
</tr>
<tr>
<td>Less direct costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prizes and bonuses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commissions</td>
<td>286,778</td>
<td>336,205</td>
</tr>
<tr>
<td>Ticket printing costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vendor fees and costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>286,778</td>
<td>336,205</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$271,025</td>
<td>$254,713</td>
</tr>
<tr>
<td>Gross profit percentage</td>
<td>48.6%</td>
<td>43.1%</td>
</tr>
</tbody>
</table>
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>
<tr>
<td>Gross Profit</td>
<td>$27,043</td>
<td>$28,433</td>
<td>$39,584</td>
</tr>
<tr>
<td>Gross profit percentage</td>
<td>57.6%</td>
<td>56.3%</td>
<td>56.3%</td>
</tr>
</tbody>
</table>

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)
- Unaudited -

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

<table>
<thead>
<tr>
<th>Total Number of Machines at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2015: 6,378</td>
</tr>
<tr>
<td>2014: 7,023</td>
</tr>
<tr>
<td>2013: 7,795</td>
</tr>
</tbody>
</table>

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.
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>6,467</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

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.
WEST VIRGINIA LOTTERY
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>Total current assets</td>
<td>$199,872</td>
<td>$187,081</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>Total noncurrent assets</td>
<td>37,763</td>
<td>38,745</td>
</tr>
<tr>
<td>Total assets</td>
<td>$238,765</td>
<td>$227,223</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>Lottery revenues:</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></td>
<td>1,164,004</td>
<td>1,214,284</td>
</tr>
<tr>
<td>Less commissions:</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></td>
<td>505,211</td>
<td>559,742</td>
</tr>
<tr>
<td>Less on-line prize costs</td>
<td>38,162</td>
<td>42,096</td>
</tr>
<tr>
<td>Less instant prize costs</td>
<td>68,314</td>
<td>69,665</td>
</tr>
<tr>
<td>Less ticket costs</td>
<td>1,516</td>
<td>1,730</td>
</tr>
<tr>
<td>Less vendor fees and costs</td>
<td>7,456</td>
<td>8,044</td>
</tr>
<tr>
<td></td>
<td>115,448</td>
<td>121,535</td>
</tr>
<tr>
<td>Gross profit</td>
<td>543,345</td>
<td>533,007</td>
</tr>
</tbody>
</table>

| Administrative expenses: |        |        |
| Advertising and promotions | 5,229 | 5,755 |
| Wages and related benefits | 10,266 | 10,854 |
| Telecommunications        | 944    | 881    |
| Contractual and professional | 5,160 | 4,682 |
| Rental                    | 271    | 267    |
| Depreciation and amortization | 1,354 | 2,020 |
| Other administrative expenses | 1,466 | 1,420 |
|                          | 24,690 | 25,879 |
| Other operating income    | 11,313 | 11,719 |
| Operating income          | 529,968 | 518,847 |

| Nonoperating income (expense): |        |        |
| Investment income            | 406    | 463    |
| Distributions to municipalities and counties | (7,315) | (7,394) |
| Distributions for capital reinvestment | (11,717) | (13,397) |
| Distributions to the State of West Virginia | (508,329) | (498,365) |
| Net income                   | 3,013  | 154    |

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

| Net position, end of year | $ 54,156 | $ 55,020 |

The accompanying notes are an integral part of these financial statements.
## STATEMENTS OF CASH FLOWS

### (In Thousands)

**WEST VIRGINIA LOTTERY**

**Years Ended June 30, 2015 and 2014**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers and other sources</td>
<td>$1,176,178</td>
</tr>
<tr>
<td>Cash payments for:</td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>(10,752)</td>
</tr>
<tr>
<td>Suppliers</td>
<td>(12,388)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(620,065)</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td>$532,973</td>
</tr>
</tbody>
</table>

**Cash flows from noncapital financing activities:**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonoperating distributions to the State of West Virginia</td>
<td>(499,323)</td>
</tr>
<tr>
<td>Distributions to municipalities and counties</td>
<td>(7,300)</td>
</tr>
<tr>
<td>Distributions to racetracks from racetrack capital reinvestment fund</td>
<td>(12,829)</td>
</tr>
<tr>
<td><strong>Cash used in noncapital financing activities</strong></td>
<td>(519,452)</td>
</tr>
</tbody>
</table>

**Cash flows from capital and related financing activities**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of capital assets</td>
<td>(372)</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities:**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment earnings</td>
<td>464</td>
</tr>
</tbody>
</table>

**Increase (decrease) in cash and cash equivalents**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,613</td>
<td>(123,949)</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents (including restricted cash and cash equivalents), beginning of year**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>151,109</td>
<td>275,058</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents (including restricted cash and cash equivalents), end of year**

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$164,722</td>
<td>$151,109</td>
</tr>
</tbody>
</table>

(Continued)
Reconciliation of operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<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.
WEST VIRGINIA LOTTERY
NOTES TO 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.
2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and local government 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.
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 games 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 improve</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>
</tbody>
</table>

Liabilities estimated to be paid in one year | $ 563,913 | $ 573,313 |
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><strong>Total</strong></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>Credit Rating</th>
<th>Carrying Value</th>
<th>Percent of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Type</td>
<td>Moody's</td>
<td>S&amp;P</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-1+</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1</td>
</tr>
<tr>
<td>Corporate bonds and notes</td>
<td>Aa3</td>
<td>A+</td>
</tr>
<tr>
<td></td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td></td>
<td>Aa3</td>
<td>NR</td>
</tr>
<tr>
<td>U.S. agency bonds</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td>U.S. Treasury notes*</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td>U.S. Treasury bills *</td>
<td>P-1</td>
<td>A-1+</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1+</td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1</td>
</tr>
<tr>
<td>U.S. agency discount notes</td>
<td>P-1</td>
<td>A-1+</td>
</tr>
<tr>
<td>Money market funds</td>
<td>Aaa</td>
<td>AAAm</td>
</tr>
<tr>
<td>Repurchase agreements (underlying securities):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury notes*</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td>U.S. agency notes</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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>Credit Rating</th>
<th>Carrying Value</th>
<th>Percent of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Type</td>
<td>Moody's</td>
<td>S&amp;P</td>
</tr>
<tr>
<td>Corporate asset backed securities</td>
<td>Aaa</td>
<td>AAA</td>
</tr>
<tr>
<td></td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td></td>
<td>Aaa</td>
<td>NR</td>
</tr>
<tr>
<td></td>
<td>NR</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds and notes</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td></td>
<td>Aa1</td>
<td>AA+</td>
</tr>
<tr>
<td></td>
<td>Aa1</td>
<td>AA</td>
</tr>
</tbody>
</table>
### Credit Rating

<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>

$ 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.
WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</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>1,068</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>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Prize Reserve</td>
<td>Lottery Share</td>
<td>Total Prize Reserve</td>
<td>Lottery Share</td>
<td></td>
</tr>
<tr>
<td>POWERBALL®</td>
<td>$109,940</td>
<td>$1,887</td>
<td>$111,576</td>
<td>$1,887</td>
<td></td>
</tr>
<tr>
<td>HOT LOTTO™</td>
<td>8,022</td>
<td>548</td>
<td>7,412</td>
<td>548</td>
<td></td>
</tr>
<tr>
<td>MEGA MILLIONS®</td>
<td>37,272</td>
<td>561</td>
<td>35,843</td>
<td>583</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$155,234</td>
<td>$2,996</td>
<td>$154,831</td>
<td>$3,018</td>
<td></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 associated with the racing industry</td>
<td>8.7%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Local county and municipal governments</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>5,796</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)

<table>
<thead>
<tr>
<th>Fund</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Office Promotion Fund</td>
<td></td>
<td>2,065</td>
</tr>
<tr>
<td>Research Challenge Fund</td>
<td></td>
<td>2,754</td>
</tr>
<tr>
<td>Capitol Renovation and Improvement Fund</td>
<td></td>
<td>3,787</td>
</tr>
<tr>
<td>Parking Garage Fund</td>
<td></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></td>
<td>3,508</td>
</tr>
<tr>
<td>Workers Compensation Debt Reduction Fund</td>
<td>1,500</td>
<td>11,000</td>
</tr>
<tr>
<td><strong>Total nonoperating distributions</strong></td>
<td><strong>$ 255,225</strong></td>
<td><strong>$ 238,127</strong></td>
</tr>
</tbody>
</table>

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></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><strong>Limited video lottery revenues available for distribution</strong></td>
<td><strong>$ 175,563</strong></td>
<td><strong>$ 177,445</strong></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><strong>Total available for distribution</strong></td>
<td>42,910</td>
<td>46,143</td>
</tr>
</tbody>
</table>

Less distributions:

- Racetrack purse funds: 3,017, 3,605
- Thoroughbred & greyhound development funds: 2,413, 2,884
- Racing commission pension plan: 1,180, 1,269
- Municipalities/counties: 13,275, 14,274

**Total distributions:** 19,885, 22,032

Table games distribution to the state debt reduction fund/Excess Lottery Fund: $23,025, $24,111

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><strong>Net terminal income</strong></td>
<td><strong>$2,121</strong></td>
<td><strong>$2,314</strong></td>
</tr>
</tbody>
</table>
10 - HISTORIC RESORT HOTEL (Continued)

Historic Resort Video Lottery (Continued)

Historic Resort Hotel Fund | 2015 | 2014
--- | --- | ---
| $ 1,429 | $ 1,559 |
Human Resource Benefit Fund | 692 | 775 |
Total | $ 2,121 | $ 2,314 |

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:

| | 2015 | 2014 |
--- | --- | ---
Table games privilege tax | $ 1,982 | $ 2,607 |
Historic Resort Hotel Fund | $ 1,699 | $ 2,235 |
Human Resource Benefit Fund | 283 | 372 |
Total distributions | $ 1,982 | $ 2,607 |

Historic Resort Hotel Fund

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.
WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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><strong>Historic Resort Hotel Fund net income</strong></td>
<td><strong>$2,654</strong></td>
<td><strong>$3,219</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><strong>Total distributions</strong></td>
<td><strong>$2,654</strong></td>
<td><strong>$3,219</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></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary distributions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Center Construction Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose Account</td>
<td>$</td>
<td>$ 724</td>
</tr>
<tr>
<td><strong>Administrative Operations Account:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose Account</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>State Lottery Fund:</strong></td>
<td></td>
<td></td>
</tr>
<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>167,767</td>
<td>200,087</td>
</tr>
<tr>
<td><strong>State Excess Lottery Revenue Fund:</strong></td>
<td></td>
<td></td>
</tr>
<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>
<tr>
<td><strong>Distributions to Statutory Funds and Purposes</strong></td>
<td></td>
<td></td>
</tr>
<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>
<tr>
<td><strong>Other racetrack video lottery distributions:</strong></td>
<td></td>
<td></td>
</tr>
<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><strong>Total</strong></td>
<td>510</td>
<td>33,045</td>
</tr>
<tr>
<td><strong>Table games distributions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Debt Reduction Fund</td>
<td>1,765</td>
<td>24,702</td>
</tr>
<tr>
<td><strong>Historic resort hotel distributions:</strong></td>
<td></td>
<td></td>
</tr>
<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><strong>Total</strong></td>
<td>199</td>
<td>2,870</td>
</tr>
<tr>
<td><strong>Total nonoperating distributions to the State of West Virginia (cash basis)</strong></td>
<td>499,323</td>
<td>622,486</td>
</tr>
<tr>
<td><strong>Accrued nonoperating distributions,</strong> beginning of year</td>
<td>(114,914)</td>
<td>(239,035)</td>
</tr>
<tr>
<td><strong>Accrued nonoperating distributions,</strong> end of year</td>
<td>123,920</td>
<td>114,914</td>
</tr>
<tr>
<td><strong>Total nonoperating distributions to the State of West Virginia</strong></td>
<td><strong>$ 508,329</strong></td>
<td><strong>$ 498,365</strong></td>
</tr>
</tbody>
</table>

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](http://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:

\[
\begin{array}{ccc}
\text{Deferred Outflows of Resources} & \text{Deferred Inflows of Resources} \\
\text{Net difference between projected and actual earnings on pension plan investments} & $ & - \\
\text{Changes in proportion and differences between Lottery contributions and proportionate share of contributions} & 59,990 & - \\
\text{Lottery contributions made subsequent to the measurement date of June 30, 2014} & 1,039,330 & - \\
\text{Total} & $1,099,320 & $2,152,870 \\
\end{array}
\]

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:

\[
\begin{array}{ccc}
\text{Year Ended June 30:} & \text{Deferred Outflows of Resources} & \text{Deferred Inflows of Resources} \\
2016 & $ (519,872) & \\
2017 & (519,872) & \\
2018 & (519,872) & \\
2019 & (533,264) & \\
\end{array}
\]
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, $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>Year Ended June 30</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 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.

See Independent Auditor's Report and accompanying Note to Required Supplementary Information.
### SCHEDULE OF CONTRIBUTIONS TO THE PERS

#### (In Thousands)

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

By and Between

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

and

UNITED BANK, INC.,
as Trustee

Dated as of July 1, 2004

Securing

Lottery Capital Improvement Revenue Bonds, Series 2004

and

Subsequent Series
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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of July 1, 2004, by and between the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA, a public body corporate and politic, validly formed and existing under the laws of the State of West Virginia (the "Authority"), and UNITED BANK, INC., a state banking corporation duly organized and existing under and by virtue of the laws of the State of West Virginia and qualified to accept and administer the trusts created hereunder (together with its successors hereunder, the "Trustee"):

WITNESSETH:

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the meanings set forth in Article I hereof;

WHEREAS, pursuant to Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is authorized to issue revenue bonds from time to time, either to finance the cost of capital improvement projects for public schools in the State, or to refund, at the discretion of the Authority, bonds issued and outstanding under and pursuant to the provisions of the Act, to carry out its purposes thereunder;

WHEREAS, the Authority has heretofore issued several series of revenue bonds or revenue refunding bonds (collectively, the "Previous Bonds") pursuant to a Trust Indenture dated as of January 1, 1990 and certain supplemental trust indentures (collectively, the "Previous Indenture");

WHEREAS, the Previous Bonds are payable from appropriations anticipated to be made by the State Legislature in accordance with the provisions of the Act and the Previous Indenture;

WHEREAS, the Supreme Court of Appeals of the State of West Virginia in Winkler vs. State of West Virginia School Building Authority, et al., 434 S.E.2d 420 (W.Va. 1993), has determined that payment of bonds from legislative appropriations is contrary to the West Virginia Constitution but did not apply such decision retroactively to the Previous Bonds;

WHEREAS, in response to the Winkler decision, the State Legislature has, through the enactment and amendment of Chapter 29, Article 22 of the Code of West Virginia, 1931, as amended (the "Lottery Act") and particularly Section 18(h) thereof, provided for the payment of debt service on future revenue bonds of the Authority through the monthly transfer by the lottery director of certain net profits of the West Virginia lottery;

WHEREAS, the Supreme Court of Appeals of the State of West Virginia in a test case captioned State ex rel. Marockie vs. Waggoner, 446 S.E.2d 680 (W.Va. 1994), determined that the Lottery Act and payment of revenue bonds from the sources described therein do not violate the West Virginia Constitution;
WHEREAS, the Authority therefore deems it desirable and in keeping with its purposes under the Act, to issue its Bonds from time to time for the purposes of permanently financing certain public school building capital improvement projects within the State, refunding all or a portion of any Series of Bonds issued hereunder, paying costs of issuance of such Bonds, capitalizing interest on such Bonds, funding reserve accounts for such Bonds, or for such other purposes as may be permitted under the Act or any combination of such purposes;

WHEREAS, the Bonds to be issued hereunder shall be issued pursuant to the Act and the Lottery Act in one or more Series, the initial Series to be designated "Lottery Capital Improvement Revenue Bonds, Series 2004," and subsequent Series to be designated as shall be set forth in the Related Supplemental Indenture;

WHEREAS, the Bonds to be issued hereunder and the Previous Bonds shall be paid from completely separate sources and shall not be on a parity or share any sources of payment or security therefor;

WHEREAS, the execution and delivery of this Indenture and the issuance of Bonds under the Act and the Lottery Act as herein provided have been in all respects duly and validly authorized by a resolution duly adopted by the Authority and other proceedings of the Authority; and

WHEREAS, the Trustee agrees to accept and administer the trusts created hereby.

NOW, THEREFORE, THIS INDENTURE WITNESSETH: The Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof and the issuance and delivery by a Credit Provider of a Credit Facility or a Reserve Fund Credit Facility, if any, and of the sum of One Dollar to it duly paid by the Trustee at the execution of these presents and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure the payment of the Principal, Redemption Price and Purchase Price of and interest on the Bonds according to their tenor and effect, to secure the payment of the obligations, if any, of the Authority under any Credit Facility or Reserve Fund Credit Facility, and to secure the performance and observance by the Authority of all covenants expressed or implied herein and in the Bonds, does hereby grant, convey, sell, assign, transfer and pledge, without recourse, unto United Bank, Inc., as Trustee, and its successors and assigns in trust forever to the extent provided herein, the following Trust Estate:

GRANTING CLAUSES

I

All right, title and interest of the Authority in and to the Revenues.
II

All right, title and interest of the Authority in and to the proceeds of the State Lottery Fund up to a maximum amount equal to the projected annual Debt Service and coverage ratio requirements, not to exceed $27,000,000 annually, as set forth in the Lottery Act or any successor provision.

III

All moneys and securities from time to time held by the Trustee under and subject to the terms of this Indenture (excepting moneys and securities held in the Earnings Fund, including any Rebate Accounts therein and the Purchase Funds, if any) and any and all other real or personal property of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, conveyed, mortgaged, 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, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD such trust estate with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be (the ‘Trust Estate’), to the Trustee and its successors in said trust and assigns forever.

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security, and protection of all Owners of the Bonds issued under and secured by this Indenture without privilege, priority, or distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds and for the benefit, security and protection of any Credit Provider; provided, however, that the Owners of the Bonds of a Series will have no rights with respect to the Funds and Accounts established solely with respect to another Series of Bonds except that the Debt Service Reserve Fund shall constitute security for all Bonds issued pursuant to this Indenture on a pro-rata basis, in accordance with the Maximum Annual Debt Service requirements of each Series of Bonds issued hereunder and as may be otherwise specifically set forth herein and;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall pay, or cause to be paid, the Principal, Purchase Price and Redemption Price of the Bonds, and the interest due or to become due thereon within the meaning of Article VIII hereof, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and of any Credit Facility Agreement, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture shall be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds and any appurtenant coupons issued and secured hereunder are to be issued,
authenticated and delivered and all said rights hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant, with the Trustee for the equal and proportionate benefit of the respective Owners from time to time of the Bonds and the Credit Providers as hereinafter set forth.
ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. In this Indenture, the following words and terms shall, unless the context otherwise requires, have the following meanings

"Account" or "Fund" means one of the trust funds or accounts herein created and established pursuant to Section 7.01 of this Indenture.

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

"Accreted Value" means the amounts set forth in and the amounts computed pursuant to the formula set forth in the Related Supplemental Indenture authorizing the issuance of the Capital Appreciation Bonds the Accreted Value of which is being determined.

"Act" means Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended.

"Additional Bonds" means any Series or portion of a Series of Bonds delivered on original issuance in accordance with the conditions set forth in Section 2.05 hereof, to finance the Costs of Projects or for any other purpose permitted hereunder and by the Act, and may include Variable Rate Bonds and Capital Appreciation Bonds, provided that, if Variable Rate Bonds, such Additional Bonds shall provide a cap upon the interest rate for such Additional Bonds and upon the interest rate to be paid to the issuer of any Credit Facility issued in connection with such Additional Bonds.

"Administrative Expenses" means the reasonable costs and expenses of the Authority incurred in the conduct of its activities.

"Authority" or "Issuer" means the School Building Authority of West Virginia, a public body corporate and politic, validly formed and existing under the laws of the State of West Virginia.

"Authorized Denominations" means, with respect to the Series 2004 Bonds, $5,000 and integral multiples thereof, and, with respect to any Additional Bonds or Refunding Bonds issued hereunder, such denominations as may be set forth in the Related Supplemental Indenture.

"Authorized Newspaper" means a newspaper or financial journal, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, of general circulation in the Borough of Manhattan, State of New York.
“Authorized Officer” means the President, Vice-President or Executive Director of the Authority, and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Authority then authorized to perform such act or discharge such duty.

“Bond” means one of the bonds delivered pursuant to this Indenture, including the Series 2004 Bonds, any Additional Bonds and any Refunding Bonds issued pursuant to Article II.

“Bond Counsel” means an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Authority and satisfactory to the Trustee.

“Bond Counsel’s Opinion” means an opinion signed by Bond Counsel rendered pursuant to the provisions of this Indenture.

“Bond Fund” means a trust fund by that name established pursuant to Section 7.01 hereof with respect to a Series of Bonds.

“Bond Insurer,” “Insurer” or “MBIA” means, with respect to the Series 2004 Bonds, MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, and, with respect to any other Series of Bonds, the provider or providers of a bond insurance policy or surety bond relating to such Series, as set forth in the Related Supplemental Indenture.

“Bond Proceeds Fund” means a trust fund established pursuant to Section 7.01 hereof with respect to a Series of Bonds into which the proceeds of each Series of Bonds (excepting the refunding portion of any Refunding Bonds) shall be deposited.

“Bond Year” means, with respect to a Series of Bonds, the period established by the Related Supplemental Indenture.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, and (ii) a day on which banking institutions located in the City of New York or in any of the cities in which the respective Principal Offices of the Trustee or any Paying Agent or Tender Agent are located are required or authorized by law or executive order to close.

“Capital Appreciation Bonds” means Bonds that bear interest payable at maturity, upon redemption prior to maturity or prior to maturity at the date set forth in the Related Supplemental Indenture in the amounts determined by reference to the Accreted Value of such Capital Appreciation Bonds in accordance with the provisions of the Related Supplemental Indenture.
"Certificate" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Indenture or (ii) the report of an Accountant as to audit or other procedures called for by this Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder.

"Computation Date" means the last day of the fifth Bond Year and each succeeding fifth Bond Year applicable to a Series of Bonds, and the date on which the last Bond of such Series of Bonds is discharged.

"Costs of Issuance" means all items of fees and expenses, directly or indirectly payable or reimbursable by or to the Authority and related to the authorization, sale and issuance of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, any Paying Agent, Tender Agent, Remarketing Agent or Registrar, legal fees, expenses and charges, fees, expenses and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums, fees and expenses of any Credit Provider providing a Credit Facility with respect to any Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

"Costs of Projects" means the costs of acquisition, construction, renovation, repair and safety upgrading of facilities, buildings and structures for school purposes; the cost of land, equipment, machinery, furnishings, installation of utilities and other similar items convenient in connection with placing the foregoing into operation; and costs of financing, interest during construction, professional service fees and all other charges or expenses, necessary, appurtenant or incident to the foregoing, including costs of administration under the Act, and any other costs permitted to be financed under the Act.

"County" means the Board of Education of a county of the State.

"Credit Facility" means any letter of credit, policy of insurance, guaranty or similar instrument issued by a Credit Provider which secures the payment of the Principal, Purchase Price or Redemption Price of or interest on any Bonds, but shall not include any Reserve Fund Credit Facility.

"Credit Facility Agreement" means any agreement between the Authority and a Credit Provider pursuant to the terms of which the Credit Provider delivers a Credit Facility, as amended and supplemented.

"Credit Provider" means any bank, trust company, national banking association, insurance company or other entity which is the issuer of a Credit Facility or a Reserve Fund Credit Facility.
"Credit Provider Account" means the Account by such name or similar name which may be established by a Related Supplemental Indenture authorizing issuance of a Series of Bonds for which a Credit Facility or a Reserve Fund Credit Facility is to be provided.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installments of such Bonds during such Fiscal Year. For purposes of computing "Debt Service," the rate of interest used to determine (i) above shall be a rate per annum equal to (1) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (2) with respect to any Series of Variable Rate Bonds, the rate which is equal to the greater of (A) the average of all the interest rates in effect (or which would have been in effect had such Bonds been Outstanding) during the immediately preceding twelve month period or (B) the average of all the interest rates in effect (or which would have been in effect had such Bonds been Outstanding) during the immediately preceding one month period.

"Debt Service/Additional Bonds" means, with respect to any Fiscal Year, an amount equal to the aggregate of (i) all interest payable during such Fiscal Year on all Bonds to be Outstanding as of the date immediately after the delivery of the Additional Bonds to be issued, plus (ii) any Principal Installments payable during such Fiscal Year on all Bonds to be Outstanding as of the date immediately after the delivery of the Additional Bonds to be issued. For purposes of computing "Debt Service/Additional Bonds," the rate of interest used to determine (i) above shall be a rate per annum equal to (1) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (2) with respect to any Series of Variable Rate Bonds, the rate of interest which is equal to the maximum permitted rate on such Variable Rate Bonds.

"Debt Service Fund" means the special fund created in the State Treasury by Section 6 of the Act, designated the "school building debt service fund" into which there shall be deposited the amounts specified in the Lottery Act.

"Debt Service Reserve Fund" means a trust fund by that name established pursuant to Section 7.01 hereof with respect to the Bonds.

"Debt Service Reserve Requirement" means $14,155,000. The Debt Service Reserve Requirement may be satisfied by a deposit into the Debt Service Reserve Fund of Bond proceeds, other available moneys, or a Reserve Fund Credit Facility.

"Defeasance Obligations" means cash, Government Obligations or Government Agency Obligations.

"Depository" means The Depository Trust Company, New York, New York or any bank, trust company, national banking association or other financial institution selected by an Authorized Officer or the Trustee as a depository of securities held under the provisions of this Indenture and may include the Trustee.
"Earnings Fund" means the trust fund by that name established pursuant to Section 7.01 hereof.

"Event of Default" means any of the events specified in Section 9.01 hereof.

"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.

"Government Agency Obligations" means bonds, notes or other evidence of indebtedness issued by any of the following agencies of the United States of America, and provided that such obligations are backed by the full faith and credit of the United States of America:

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership
3. Federal Financing Bank
4. General Services Administration
   Participation certificates
5. U.S. Maritime Administration
   Guaranteed Title XI financing
6. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

"Government Obligations" means any of the following:

1. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGS");
2. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

3. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable; and

4. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

"Grant" means an amount granted by the Authority to a County pursuant to the Act without any requirement that the amount so granted be repaid to the Authority.

"Insured Bonds" means Bonds which are so designated in any Related Supplemental Indenture

"Interest Account" means the trust account by that name established pursuant to Section 7.01 hereof in a Bond Fund with respect to a Series of Bonds.

"Interest Payment Date" means any date upon which interest on any Bonds is due and payable in accordance with their terms and the Related Supplemental Indenture.

"Investment Securities" means the following:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself).

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA — guaranteed mortgage-backed bonds
   GNMA — guaranteed pass-through obligations

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or
   guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
   Senior debt obligations

2. Federal Home Loan Mortgage Corporation
   (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System

Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm; or AAm and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Bond Insurer.

H. Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Bond Insurer. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by the Bond Insurer.

1. Repos must be between the municipal entity and a dealer bank or securities firm

a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Ratings Group and Moody's Investor Services, or...

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or
(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfecting by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

4. Any state administered pool investment fund in which the Issuer is statutorily permitted or required to invest.

"Letter of Credit" means any letter of credit, line of credit, or other instrument which provides (i) security for payment of Bonds of a Series and (ii) for application of payments...
thereunder prior to use of amounts on deposit in the Funds or Accounts to the payment of the
Principal or Purchase Price of, or interest on the Bonds secured thereby.

"Lottery" means the public gaming systems or games established and operated by
the State Lottery office in accordance with the provisions of the Lottery Act.

"Lottery Act" means Chapter 29, Article 22 of the Code of West Virginia, 1931,
as amended.

"Maximum Annual Debt Service" means, with respect to any Series of Bonds, at
the time of computation, the greatest amount of Debt Service required to be paid on such Series
of Bonds for the then current or any succeeding Fiscal Year.

"Maximum Rate" means, with respect to any particular Variable Rate Bond, the
rate of interest set forth in the Related Supplemental Indenture as the maximum rate of interest
such Bond may at any time bear.

"Moody's" means Moody's Investors Service, a corporation organized and
existing under the laws of the State of Delaware, its successors and their assigns, and, if such
corporation for any reason no longer performs the functions of a securities rating agency,
"Moody's" shall be deemed to refer to any other nationally recognized rating agency designated
by an Authorized Officer by notice to the Trustee.

"OECD" means the Organization for Economic Cooperation and Development.

"Operating Budget" means the annual budget described in Section 7.08 hereof
adopted by the Authority for the succeeding Fiscal Year.

"Outstanding," when used with reference to Bonds, means, as of any date, all
Bonds theretofore or thereupon being delivered under this Indenture except:

1. Any Bond cancelled by the Trustee or delivered to the Trustee for
cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to be paid within the meaning of
Article VIII hereof; and

3. Any Bond in lieu of or in substitution for which other Bonds shall have
been delivered pursuant to Article III hereof.

"Owner," "Holder," "Bondholder" or similar term when used with reference to a
Bond, means any person in whose name a Bond is registered on the registration books of the
Authority maintained by the Registrar, or, in the case of Bonds issued in bearer form, the holder
of any such Bond.
"Paying Agent" means, with respect to any Series of Bonds, the bank, trust company or national banking association appointed to act as paying agent pursuant to Section 11.11 hereof.

"Principal" or "principal" means, with respect to Bonds, the principal amount of any current interest bearing bonds and the Accreted Value of any Capital Appreciation Bonds.

"Principal Account" means the trust account by that name established pursuant to Section 7.01 hereof in a Bond Fund with respect to a Series of Bonds.

"Principal Installment" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, plus (iii) with respect to any Capital Appreciation Bonds due on such certain future date, the Accreted Value of such Capital Appreciation Bonds.

"Principal Payment Date" means, with respect to any Series of Bonds, any date upon which a Principal Installment is due and payable, other than a date for optional or mandatory redemption of Bonds (other than redemption from Sinking Fund Payments).

"Principal Office" means the office of the Trustee, the Paying Agent, the Registrar or any Tender Agent or Remarketing Agent designated as such in a Supplemental Indenture or in a written notice to the Authority.

"Program Guidelines" means the Program Guidelines of the Authority dated as of January 1, 1990, as amended and supplemented on [November 9, 1994], and as may be further amended and supplemented from time to time.

"Project" means a "project" or "capital improvement project" within the meaning of the Act.

"Project Fund" means the fund by that name established by the Authority for a Series of Bonds by the Related Supplemental Indenture.

"Project Fund Depository" means the bank or other depository designated to hold a Project Fund for a Series of Bonds by a Related Supplemental Indenture.

"Purchase Fund" means with respect to any Variable Rate Bonds, the fund by that name or similar name created pursuant to the Related Supplemental Indenture for the Purchase Price of such Variable Rate Bonds.

"Purchase Price" means an amount equal to the principal amount of any Bond tendered or deemed tendered for purchase as may be provided in any Related Supplemental Indenture, together with accrued and unpaid interest thereon, if any, to the date of purchase.
“Qualified Bank” means a banking institution organized under the laws of the United States or any state thereof, or any foreign banking institution (or branch thereof) that is organized under the laws of a country that is a member of the OECD.

“Rating Category” means one of the generic rating categories of either Moody’s or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

“Rebate Account” means one of the Accounts by that name established within the Earnings Fund pursuant to Section 7.01 hereof with respect to a Series of Bonds.

“Record Date” means, with respect to a Series of Bonds, the date or dates set forth in the Related Supplemental Indenture.

“Redemption Account” means the trust account by that name, if any, established pursuant to Section 7.01 hereof in a Bond Fund with respect to a Series of Bonds.

“Redemption Date” means the date upon which Bonds are to be called for redemption pursuant to this Indenture.

“Redemption Price” means, with respect to any Bond, the principal amount thereof and accrued interest to the date fixed for redemption, plus the applicable premium, if any, payable upon redemption thereof.

“Refunding Bonds” means any Series or portion of a Series of Bonds delivered on original issuance in accordance with the conditions set forth in Section 2.04 hereof or thereafter delivered in lieu of or in substitution for any such Bond pursuant to this Indenture.

“Registrar” means the Trustee or the agent of the Authority or the Trustee at the office of which Bonds may be presented for registration, transfer or exchange as provided in Article III hereof.

“Related Supplemental Indenture” means with respect to a Series of Bonds, the Supplemental Indenture providing for the issuance of such Bonds.

“Remarketing Agent” means any remarketing agent appointed by the Authority to serve in such capacity.

“Reserve Fund Credit Facility” means any bond insurance policy, surety bond, letter of credit or similar instrument deposited in a Debt Service Reserve Fund for any Series of Bonds. If such instrument is a surety bond, it shall be issued by an insurance company rated in the highest rating category by S&P and Moody’s and, if rated by A. M. Best & Company, must also be rated in the highest rating category by A. M. Best & Company.

“Revenue Fund” means the trust fund by that name established pursuant to Section 7.01 hereof.
“Revenues” means (i) all moneys deposited in the Debt Service Fund, and transferred, at the request of the Authority or otherwise to the Trustee for deposit in the Revenue Fund in conformance with the Constitution and laws of the State, including all amounts deposited in the Debt Service Fund pursuant to Section 18(h) of the Lottery Act, or any successor provision; and (ii) any other moneys, income or property legally available therefore and pledged by the Authority to payment of the Bonds.

“Serial Bonds” means Bonds which are so designated in any Related Supplemental Indenture and which mature in annual or semiannual installments.

“Series” means all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“Series 2004 Bonds” means the $141,600,000 aggregate principal amount of the Authority’s Lottery Capital Improvement Revenue Bonds, Series 2004.

“Series Trustee” means the trustee with respect to any Series of Bonds appointed pursuant to the Related Supplemental Indenture and any successor as may be provided for therein.

“Sinking Fund Payment” means, as of any particular date of calculation and with respect to a Series of Bonds, the amount required to be paid by the Authority on a certain future date for the retirement of Outstanding Bonds of such Series which mature after said future date, but does not include any amount payable by the Authority by reason of the maturity of a Bond or by call for redemption at the option of the Authority.

“S&P” means Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by an Authorized Officer by notice to the Trustee.

“State” means the State of West Virginia.

“State Legislature” means the legislature of the State of West Virginia.

“State Lottery Fund” means the special fund in the State Treasury established by Section 18 of the Lottery Act, into which all revenues received from the sale of lottery tickets, materials and games are to be deposited by the Treasurer.

“State Treasury” means the treasury of the State of West Virginia established pursuant to the Constitution and Laws of the State.
"Supplemental Indenture" means any indenture supplementing or amending this Indenture, duly authorized by resolution of the Authority and effective in accordance with Article X hereof.

"Tax Agreement" means a tax regulatory agreement or similar agreement, by any name, which may be entered into by the Authority and the Trustee relating to a Series of Bonds.

"Tax-Exempt Bonds" means Bonds of any Series the interest on which, in Bond Counsel's Opinion, is excluded from the gross income of the recipients thereof for federal income tax purposes.

"Tender Agent" means any tender agent appointed by the Authority to serve in such capacity.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption as may be set forth and prescribed in any Supplemental Indenture.

"Treasurer" means the Treasurer of the State of West Virginia.

"Trustee" means with respect to this Indenture, United Bank, Inc., Charleston, West Virginia, and any successor as provided in Article XI hereof.

"Trust Estate" means the trust estate pledged pursuant to the Granting Clauses hereof.

"Variable Rate Bonds" means, for any period of time, any Bonds which during such period bear interest at a variable rate or rates, including rates which vary daily, weekly, monthly, quarterly, semiannually, annually or in the form of commercial paper; provided that Bonds the interest rate on which has been fixed for the remainder of the term thereof shall no longer be Variable Rate Bonds.

"West Virginia State Legislature" means the legislature of the State of West Virginia as it shall convene from time to time.

Section 1.02 Interpretation. a. In this Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms used in this Indenture refer to the Indenture, and the term "heretofore" means before, and the term "hereafter" means after, the date of adoption of the Indenture;

(ii) The words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;
(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(iv) Any headings preceding the texts of the several articles and sections of the Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of the Indenture, nor shall they affect its meaning, construction or effect;

(v) The Indenture shall be governed by and construed in accordance with the applicable laws of the State; and

b. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Authority, the Trustee, a Credit Provider and the Owners of the Bonds; any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof. All title covenants, stipulations, promises and agreements herein contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Credit Providers and the Owners of the Bonds.

c. If any one or more of the covenants or agreements provided herein on the part of the Authority or the Trustee to be performed should be contrary to law, then such covenant or agreement shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.
ARTICLE II

TERMS OF BONDS

Section 2.01 Authorization of Bonds. In order to provide sufficient funds to pay Costs of Projects, Costs of Issuance, costs associated with the refunding of Outstanding Bonds and for any other purpose permitted by the Act, Bonds of the Authority are hereby authorized to be issued hereunder, in one or more Series, pursuant to the constitution and laws of the State, including, particularly, the Act. The Series 2004 Bonds shall be the initial Series of Bonds issued hereunder. Additional Bonds and Refunding Bonds may be issued hereunder from time to time in accordance with the provisions hereof. All terms of the Series 2004 Bonds and any Additional Bonds or Refunding Bonds not provided herein shall be as set forth in the Related Supplemental Indenture. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the Principal, Purchase Price and Redemption Price of, and interest on, all such Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02 Bonds Limited Obligations. The Bonds issued under this Indenture are limited obligations of the Authority payable solely from the Trust Estate. No provisions of this Indenture shall be construed to authorize the Authority at any time or in any manner to pledge the credit or taxing power of the State, nor shall any of the obligations or debts created by the Authority or issued hereunder be deemed to be obligations of the State.

Section 2.03 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 Indenture and the Related Supplemental Indenture authorizing such Series, certified by the Secretary of the Authority or an Authorized Officer, 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 Issuer;

c. A Bond Counsel's Opinion to the effect that (i) such Supplemental Indenture has been duly and lawfully adopted and is in full force and effect; (ii) this 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 Indenture creates the valid pledge which it purports to create of the Trust Estate, including the Revenues and moneys and securities on deposit in any of the Funds established hereunder (other than the Earnings Fund or a Purchase Fund, if any) subject to the application thereof to the purposes and on the conditions permitted by this Indenture; and (iv) upon the execution and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with this Indenture; and
d. A written order as to the authentication, registration and delivery of such Bonds and the application of the proceeds thereof, signed by an Authorized Officer.

Section 2.04 Conditions Precedent to Delivery of Refunding Bonds. In addition to the requirements of Section 2.03, Refunding Bonds of any Series or a portion thereof shall be delivered only upon the receipt by the Trustee of instructions as to the payment or redemption of the Bonds or other obligations of the Authority to be refunded, together with instructions as to the giving of notice of redemption, if any, of the Bonds or other obligations to be refunded.

Section 2.05 Conditions Precedent to Delivery of Additional Bonds. In addition to the requirements of Section 2.03, Additional Bonds of any Series or a portion thereof shall be delivered only upon receipt by the Trustee of a Certificate of the Authority to the effect that (i) the maximum amount of Debt Service/Additional Bonds which may be payable in the then current or any subsequent Fiscal Year, and the maximum aggregate face value of such Additional Bonds, together with all Bonds theretofore issued, do not exceed the amounts then permitted under the Lottery Act, (ii) the net profit (as determined by the Lottery Act) derived from operation of the State lottery deposited in the State Lottery Fund from any Instant Game or On-Line Game, as such terms are defined in the Legislative Rule promulgated by the West Virginia State Lottery Commission entitled “State Lottery Rules,” 179 West Virginia Code of State Rules 1, during the twelve consecutive months prior to the issuance of such Additional Bonds is not less than 200% of the maximum amount of Debt Service/Additional Bonds which may be payable in the then current or any subsequent Fiscal Year; and (iii) the amount of net revenues derived during the twelve consecutive months prior to the issuance of such Additional Bonds from the operation of any lottery operated by the State, whether deposited in the State Lottery Fund, the Excess Lottery Revenue Fund described in Section 18a of the Lottery Act or otherwise, whether or not pledged to the payment of the then Outstanding Bonds or such Additional Bonds is not less than 300% of the maximum amount of Debt Service/Additional Bonds which may be payable in the then current or any subsequent Fiscal Year.

Section 2.06 Variable Rate Bonds. No Variable Rate Bonds shall be issued hereunder without the prior written consent of the Bond Insurer.
ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.01 Medium of Payment, Denominations, Maturities, Form and Date.

a. The Bonds shall be 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 may be provided with respect to a Series of Bonds in a Related Supplemental Indenture, interest on Bonds shall be paid by check or draft mailed by the Paying Agent to the Owners of such Bonds as of the applicable Record Date at their last addresses appearing on the registration books of the Authority maintained by the Registrar, or at the option of an Owner of not less than $1,000,000 in aggregate principal amount of Bonds; by wire transfer in immediately available funds to the bank account number on file with the Paying Agent on or prior to the applicable Record Date.

b. All Bonds shall be in Authorized Denominations.

c. The Principal Payment Dates and Interest Payment Dates on Bonds of any Series shall be established in the Related Supplemental Indenture.

d. Unless otherwise provided by Supplemental Indenture, Bonds shall be issued in fully registered form, without coupons.

e. To the extent permitted by law and notwithstanding any other provision of this Indenture, the Authority is hereby authorized to provide by Supplemental Indenture:

(i) For the issuance of one or more Series of Bonds either in the form of coupon Bonds or in fully registered form, without coupons; and/or

(ii) For the exchange of Bonds initially issued in fully registered form for an equal aggregate amount of coupon Bonds of the same Series and maturity with appropriate coupons attached, upon the conditions and with the restrictions provided therefor in such Supplemental Indenture. Such Supplemental Indenture shall include but shall not be limited to provisions concerning the medium of payment, denomination, form, date, redemption, purchase, transfer, cancellation and execution of such coupon Bonds and the coupons appertaining thereto.

f. The Authority is hereby authorized to provide by Related Supplemental Indenture for the issuance of one or more Series of Bonds solely in fully registered form registrable to a Depository, a nominee or the beneficial owner of the Bonds. The Authority is further authorized to provide by the Related Supplemental Indenture that such Series of Bonds shall be evidenced by one or more certificates or by a system of book entries in form satisfactory
to an Authorized Officer and to provide for payment, redemption, notices and like provisions in a manner consistent with such system of registration.

g. All Bonds shall bear interest at such rate or rates and shall be dated the date specified by the Related Supplemental Indenture. If, however, as shown by the records of the Registrar, interest on such Bonds shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer shall be dated the date to which interest has been paid in full on the Bonds surrendered or if no interest has been paid, from the date specified in the Related Supplemental Indenture.

Section 3.02 Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, or otherwise.

Section 3.03 Interchangeability of Bonds. Upon surrender thereof at the Principal Office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or his duly authorized attorney, Bonds may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations.

Section 3.04 Negotiability, Transfer and Registry. All Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Authority shall cause to be maintained and kept, at the Principal Office of the Registrar, books for the registration, transfer and exchange of Bonds. Upon presentation thereof for such purpose at said office, the Registrar shall register or cause to be registered in such books, and permit to be transferred thereon, any Bonds entitled to registration or transfer, under such reasonable regulations as the Registrar may prescribe.

Section 3.05 Transfer of Bonds.

a. Each Bond shall be transferable only upon the books of the Registrar, by the Owner thereof in person or by his duly authorized attorney, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner thereof or his duly authorized attorney.

b. The Authority, the Trustee and any Paying Agent or Tender Agent may deem and treat the person in whose name any Bond shall be registered upon the books of the Registrar as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such Owner shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority, the Trustee nor any Paying Agent or Tender Agent shall be affected by any notice to the contrary.
Section 3.06 Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and deliver or cause to be executed and delivered Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority, the Paying Agent or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds, or as otherwise provided herein or in a Supplemental Indenture, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Authority, the Trustee or the Registrar shall not be obliged to make any such exchange or transfer of Bonds of a Series during the period preceding an Interest Payment Date on such Bonds specified in the Related Supplemental Indenture.

Section 3.07 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute a new Bond of like interest rate or rates, if any, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Registrar evidence satisfactory to establish to the Authority and the Registrar that such Bond has been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing the Authority and the Registrar with indemnity satisfactory to them. The person requesting the delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as the Authority and the Registrar may prescribe and pay such expenses as the Authority and the Registrar may incur or reasonably and customarily charge in connection therewith. All Bonds so surrendered to the Registrar shall be delivered to the Trustee for cancellation. Evidence of such cancellation shall be given to the Authority upon request.

Section 3.08 Preparation of Definitive Bonds: Temporary Bonds.

a. Until definitive Bonds are prepared, the Authority may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, the Authority at its own expense shall prepare and execute and, without charge to the Owner thereof, deliver in exchange therefor, at the Principal Office of the Registrar, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Indenture.
b. All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith delivered to the Trustee for cancellation.

Section 3.09 Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity shall be delivered to the Trustee when such payment or redemption is made, and such Bonds shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with the Authority and the other executed Certificate shall be retained by the Trustee.

Section 3.10 Execution. After their authorization by a Related Supplemental Indenture, Bonds of a Series may be executed by or on behalf of the Authority and delivered to the purchasers thereof. The Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of the Governor of the State and the manual or facsimile signature of the President or Vice-President of the Authority or in such other manner as prescribed by applicable law. The great seal of the State (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of the Secretary of State of the State, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may nevertheless be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the actual time of execution of such Bond of a Series shall be duly authorized or hold the proper office in or employment by the State, although at the date of delivery of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.
ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.01 Application of Bond Proceeds, Accrued Interest and Premium.

A. Except as provided below or in a Related Supplemental Indenture, the proceeds of sale of any Series of Bonds shall initially be deposited in the State Treasury. Thereafter, upon transfer by the Treasurer to the Trustee, such proceeds or portions thereof shall be applied by the Trustee as follows:

1. The accrued interest on the Bonds, if any, shall be deposited in the Interest Account of the related Bond Fund;

2. Any capitalized interest authorized by the Supplemental Indenture providing for the Bonds shall be deposited in the Interest Account of the related Bond Fund;

3. The amount required to cause the amount on deposit in the Debt Service Reserve Fund (less any Reserve Fund Credit Facility) to equal the Debt Service Reserve Requirement shall be deposited in the Debt Service Reserve Fund;

4. The amount, if any, of the premium paid for the purchase of the Bonds shall be applied as required by the Related Supplemental Indenture;

5. The amount, if any, to be applied to the refunding of Bonds or other obligations of the Authority shall be applied as provided in the Related Supplemental Indenture establishing the issuance of the Refunding Bonds or the issuance of Bonds to refund other obligations of the Authority; and

6. The amount to be applied to Costs of Issuance shall be deposited in the related Costs of Issuance Fund.

B. The balance remaining after such deposits and payments have been made shall be retained in the Bond Proceeds Fund and thereafter shall be disbursed by the Authority (in accordance with applicable law) and deposited in the related Project Fund for payment of Project Costs, at the times and in the respective amounts as shall be determined by the Authority pursuant to the Program Guidelines.

Section 4.02 Application of Proceeds of Refunding Bonds. The proceeds of Refunding Bonds shall be deposited as provided in the Related Supplemental Indenture authorizing such Refunding Bonds.
ARTICLE V

REDEMPTION OF BONDS

Section 5.01 Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Indenture or in the Related Supplemental Indenture.

Section 5.02 Redemption at the Option of the Authority. In the case of any redemption of Bonds other than as provided in Section 5.03, an Authorized Officer shall give written notice to the Trustee of its election or direction to so redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in or permitted by this Indenture or the Related Supplemental Indenture) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least ten (10) days prior to the last permissible date for giving notice of redemption to Owners or such later date as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 5.05 hereof, the Authority shall, prior to the Redemption Date, pay or cause to be paid to the Trustee an amount which, in addition to other moneys, if any, available therefor, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed.

Section 5.03 Redemption Other Than at Authority’s Option. Whenever by the terms of this Indenture or a Related Supplemental Indenture the Trustee is required to redeem Bonds of a Series other than at the option of the Authority, and subject to and in accordance with the terms of this Article and the Related Supplemental Indenture, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the Owners of the Bonds. The Authority may receive a credit against any such obligation to redeem as provided in the Related Supplemental Indenture.

Section 5.04 Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the Trustee shall assign to each such Outstanding Bond a distinctive number for each Authorized Denomination of the principal amount thereof so as to distinguish each such Authorized Denomination from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at Authorized Denomination for each number, shall equal the principal amounts of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of an Authorized Denomination shall be redeemed as shall equal an Authorized Denomination for each number assigned to it and so selected; provided that Bonds of such Series owned by a Credit Provider or its designee or pledged to a Credit Provider shall be selected before any other
Bonds of the Series. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

Section 5.05 Notice of Redemption. When the Trustee receives notice from the Authority of its exercise of its option to redeem Bonds pursuant to Section 5.02 and when redemption of Bonds is required by this Indenture pursuant to Section 5.03, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds. Such notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable, and, if less than all the Bonds of any like maturity are to be redeemed, the numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing a copy of such notice postage prepaid, to the Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing on the registration books of the Authority maintained by the Registrar not more than 60 nor less than 30 days prior to the date fixed for redemption or at such other time or times, provided in the Related Supplemental Indenture. The Trustee, at its discretion, may also give such notice by publication once in an Authorized Newspaper at such time in the Trustee's discretion so as to give sufficient notice to Owners of Bonds to be redeemed, but such publication shall not be a condition precedent to such redemption and failure so to publish any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

Section 5.06 Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 5.05, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, if any. If there shall be selected for redemption less than the entire principal amount of a Bond, the Authority shall execute and deliver or cause to be executed and delivered, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any of the Authorized Denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date, interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.
ARTICLE VI

PARTICULAR COVENANTS

Section 6.01 Payment of Bonds. Subject to the provisions of Section 2.01 hereof; the Authority shall duly and punctually pay or cause to be paid, as herein provided, the Principal, Purchase Price or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 6.02 Offices for Servicing Bonds. The Authority shall at all times maintain an office or agency where notices, presentations and demands upon the Authority in respect of the Bonds or of this Indenture may be served.

Section 6.03 Power to Issue Bonds and Pledge. The Authority is duly authorized under the Constitution and laws of the State to authorize and issue the Bonds and to enter into, execute and deliver the Indenture and to pledge the Trust Estate in the manner and to the extent herein provided. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable obligations of the Authority in accordance with the terms of the Bonds and of this Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of such Trust Estate pledged under this Indenture and all the rights of the Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.04 Further Assurance. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular of the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 6.05 Accounts and Reports.

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 annually file with the Trustee and with the Bond Insurer, within one hundred twenty (120) days after the close of each Fiscal Year, a copy of an audited annual financial report as to its obligations and activities during such Fiscal Year, and financial statements for such Fiscal Year, setting forth in reasonable detail:

(i) A balance sheet at the end of such Fiscal Year;
(ii) A statement of revenues and expenses in accordance with the categories or classifications established by the Authority for its administrative and program purposes and showing the revenues and expenses during such Fiscal Year; and

(iii) A statement of cash flows of the Authority as of the end of such Fiscal Year.

The financial statements shall be accompanied by an Accountant’s Certificate stating whether the financial statements examined fairly present the financial position of the Authority at the end of the Fiscal Year, and whether the results of its operations and the changes in financial position for the period examined are in conformity with generally accepted accounting principles.

c. If at any time during any Fiscal Year there shall have occurred an Event of Default referred to in subsection (a) or (b) of Section 9.01, then the Authority shall file or cause to be filed with the Trustee within sixty (60) days after the close of such Fiscal Year, a special report, accompanied by an Accountant’s Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

Section 6.06 Budgeting and Certification to Lottery Director.

a. The Authority shall determine on or prior to the date of issuance and delivery of the Series 2004 Bonds, and on or prior to April 1 of each year, commencing April 1, 2005, the amounts necessary to pay the Principal, Redemption Price and Purchase Price of and interest on the Bonds and on the date of issuance and delivery of the Series 2004 Bonds, and on or before May 1 of each year, commencing May 1, 2005, certify to the State lottery director the principal and interest and coverage ratio requirements for the following Fiscal Year on the Bonds, all in accordance with Article 6 of the Act, until the defeasance of this Indenture pursuant to Section 8.1 hereof. The Authority shall take all other actions necessary or desirable to cause the State lottery director to include such amounts in its request for appropriations submitted to the State Department of Administration. If the West Virginia State Legislature has not specifically appropriated moneys in such amounts and for such purposes, the Authority will, within 30 days of passage of the State budget, notify the Trustee and any Credit Provider in writing of such fact.

b. The Authority shall adopt an Operating Budget covering the operations of the Authority for each Fiscal Year not later than the first day of such Fiscal Year, and shall file the same with the Trustee. The Operating Budget shall set forth for such Fiscal Year the estimated Revenues and the Principal Installments of and interest on the Bonds due and payable or estimated to become due and payable during such Fiscal Year and estimated Administrative Expenses. The Authority may at any time adopt and file with the Trustee an amended Operating Budget for the remainder of the then current Fiscal Year in the manner provided in this Indenture for the adoption of the Operating Budget. Copies of the Operating Budget as then amended and in effect shall be made available by the Trustee at normal business
hours in the Trustee’s Principal Office for inspection by any Owner. In the event the Authority
shall not adopt an Operating Budget for a Fiscal Year on or before the first day of such Fiscal
Year, the Operating Budget for the preceding Fiscal Year shall be deemed to have been adopted
and be in effect for such Fiscal Year until the Operating Budget for such Fiscal Year shall have
been adopted as above provided.

Section 6.07 Transfer of Moneys from Debt Service Fund to Revenue Fund. On
or before the 28th day of each month, so long as there are any Bonds Outstanding hereunder, the
Authority shall cause to be transferred from the amounts deposited into the Debt Service Fund
and legally available therefor, to the Trustee for deposit in the Revenue Fund, amounts at least
equal to one-tenth of the projected annual principal, interest and coverage ratio requirements of
the Bonds, as certified to the State Lottery director in accordance with the provisions of the
Lottery Act, provided however, that in no event shall such monthly deposit exceed $1,800,000,
or such other amount as may be prescribed by the Lottery Act, and provided further, that in no
event shall the total deposits in any Fiscal Year exceed the lesser of the principal and interest
requirements of the Bonds, as certified by the Authority to the State Lottery director or
$18,000,000, or such other amount as may be prescribed by the Lottery Act, and provided
further, that in the event there are insufficient funds available in any month to transfer the
amount required to be transferred pursuant to this Section 6.07 to the Debt Service Fund, such
deficiency shall be added to the amount transferred in the next succeeding month in which net
profits are available for such transfer, and provided further, that the amount so transferred on the
28th day of the month during which the Series 2004 Bonds are issued (July, 2004) shall be
increased as necessary to provide sufficient sums, taking into account the reduced number of
months from the date of issuance thereof to the first Interest Payment Date and first Principal
Payment Date, to pay all interest due and payable on the first Interest Payment Date for the
Series 2004 Bonds and to pay all principal due on the first Principal Payment Date for the Series
2004 Bonds.

Section 6.08 Issuance of Additional Obligations. The Authority will not issue
any obligations other than the Series 2004 Bonds, except upon the conditions and in the manner
provided in this Indenture, including Sections 2.04 (Refunding Bonds) and 2.05 (Additional
Bonds), payable from the Trust Estate and having priority to or being on a parity with the lieu of
the Bonds issued pursuant to this Indenture, nor voluntarily create or cause to be created any
debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a
parity with the lien of the Bonds issued pursuant to this Indenture.

Section 6.09 Tax Covenants.

a. The Authority shall at all times do and perform all acts and things
necessary or desirable in order to assure that interest paid on Tax-Exempt Bonds shall, for the
purposes of federal income taxation, be excludable from the gross income of the recipients
thereof and exempt from such taxation.

b. The Authority shall not permit at any time or times any of the
proceeds of the Bonds or any other funds of the Authority to be used, directly or indirectly, to
acquire any securities or Obligations the acquisition of which would cause any Tax-Exempt Bond to be an “arbitrage bond” as defined in Section 148 of the Code or any successor provision.

Section 6.10 Adverse Litigation; Competing Activities. In order to protect the security for the Bonds and to maximize the probability that the ratings for the Bonds will not be reduced and that the Bonds will be paid timely and in full, the Authority covenants with the Trustee, all Credit Providers and any other insurer of Bonds and the Owners thereof to take the following steps to avoid enactment of legislation which could reduce security for the Bonds. “Legislation which could reduce security for the Bonds” means any proposed legislation which would reduce the net profits of the State Lottery available for transfer to the Authority, any proposed legislation which would divert net profits of the State Lottery from the Authority, or any proposed legislation which would reduce allocations or transfers from the State Lottery to the Authority.

A. The Authority shall monitor all proposed legislation which affects the State Lottery. “Proposed legislation” means all bills filed with the West Virginia State Legislature.

B. If a bill is filed with the West Virginia State Legislature, which, if enacted into law, is reasonably likely to reduce the amount of net profits of the State Lottery below the level required to pay Debt Service on the then Outstanding Bonds, the Authority shall notify the Trustee, all Credit Providers, the Governor and the members of each legislative committee to which the bill is assigned, in writing, within five business days after the bill is assigned to each committee, that the bill is reasonably likely to or will (as the case may be), if enacted, cause the net profits of the State Lottery to be insufficient to pay Debt Service on the Bonds and adversely affect the reputation of the State in the credit markets.

C. If a bill is filed with the West Virginia State Legislature, and the bill would authorize any unit of government or private entity to operate games which would compete with the State Lottery, and the bill could reasonably be expected because of such competition, to reduce the net profits of the State Lottery, the Authority shall notify the Trustee, all Credit Providers and the Governor in writing, within ten business days after such bill is filed, that the proposed legislation may reduce the net profits of the State Lottery, and that the reduction will reduce amounts which are available to pay Debt Service on the Bonds.

Section 6.11 General. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Indenture in accordance with the terms of such provisions.
ARTICLE VII
FUNDS AND ACCOUNTS

Section 7.01 Creation of Funds and Accounts. There are hereby created by the Authority and ordered established the following trust funds and accounts to be held by the Trustee in trust:

a. A Revenue Fund;

b. A Bond Proceeds Fund with respect to each Series of Bonds (excepting the refunding portion of any Refunding Bonds);

c. A Bond Fund with respect to each Series of Bonds and therein a Principal Account, an Interest Account, a Redemption Account and a Credit Provider Account with respect to any Series of Bonds secured by a Letter of Credit;

d. A Debt Service Reserve Fund;

e. A Costs of Issuance Fund with respect to each Series of Bonds;

f. For any Series of Bonds issued in whole or in part as Variable Rate Bonds, a Purchase Fund if so specified by a Related Supplemental Indenture; and

g. An Earnings Fund and therein a Rebate Account with respect to each Series of Tax-Exempt Bonds.

Section 7.02 Bond Proceeds Fund. The portion of the proceeds of each Series of Bonds received by the Trustee and required to be deposited in the Bond Proceeds Fund pursuant to Section 4.01(B) hereof, shall, upon receipt, be deposited by the Trustee in the Bond Proceeds Fund and disbursed by the Trustee in accordance with Section 4.01(B) hereof.

Section 7.03 Revenue Fund.

a. All Revenues received by the Trustee shall be deposited in the Revenue Fund. Amounts on deposit in the Revenue Fund shall be applied in the following order of priority, and except with respect to the deposits provided in (iii) and (iv) below, such deposits shall be made on the first Business Day of each month:

(i) To the Interest Account of each Bond Fund, an amount equal to the interest which will be due and payable on the next Interest Payment Date for the applicable Series of Bonds and not previously deposited therein;

(ii) To the Principal Account of each Bond Fund, an amount equal to the principal which will be due on the next Principal Payment
Date for the applicable Series of Bonds and not previously deposited therein;

(iii) To the Trustee, Registrars, Paying Agents, Remarketing Agents, Credit Providers, Tender Agents and other agents or fiduciaries for any Series of Bonds, the fees and expenses thereof, payable on or prior to such date;

(iv) On each Interest Payment Date for a Series of Bonds to the Interest Account of the applicable Bond Fund, any deficiency in the amount necessary to pay the interest due on such Interest Payment Date;

(v) On each Principal Payment Date for a Series of Bonds to the Principal Account of the applicable Bond Fund, any deficiency in the amount necessary to pay the Principal due on such Principal Payment Date;

(vi) To the Debt Service Reserve Fund, the amount required to be deposited therein pursuant to Section 7.05(a) or the Related Supplemental Indenture authorizing such Series of Bonds, to restore any deficiency in the Debt Service Reserve Requirement;

(vii) To the applicable Redemption Account of each Bond Fund, the amount designated by the Authority for the optional or mandatory redemption of the related Series of Bonds (other than Sinking Fund Payments); and

(viii) To each Rebate Account, the amount, if any, determined by the Authority to be deposited therein to comply with the Tax Agreement relating to such Series of Bonds.

b. In the event the Revenues are insufficient during any month to make all of the deposits required by Section 7.03(a) above, the Trustee shall make payments pro-rata, in accordance with the respective Debt Service Requirements for each Series of Bonds.

c. After making all of the required and provided transfers and payments from the Revenue Fund into the several Funds and Accounts, as hereinbefore provided, if there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such Funds and Accounts during the following month, such excess shall be considered surplus revenues, and may be used for any lawful purpose of the Authority.

Section 7.04 Bond Funds.

a. There shall be deposited into the Principal Account or the Interest Account, as appropriate, of the Bond Fund related to a Series of Bonds:
(i) Accrued interest, if any, paid on such Series of Bonds to the date of delivery thereof paid by the original purchaser thereof;

(ii) Amounts transferred to such Bond Fund from the Revenue Fund as prescribed in Section 7.03 hereof;

(iii) Amounts transferred to such Bond Fund from the Debt Service Reserve Fund as prescribed in Section 7.05 hereof;

(iv) Any other amounts deposited with the Trustee for deposit into such Bond Fund.

b. Except as otherwise provided herein or in a Related Supplemental Indenture with respect to a Series of Bonds, moneys on deposit in the Principal Account of a Bond Fund shall be used on each Principal Payment Date first, if such Series of Bonds is secured by a Letter of Credit, to reimburse the Credit Provider for draws made under the Letter of Credit to pay the principal of such Series of Bonds, second, to pay the Principal of the related Series of Bonds due on such Principal Payment Date and third, to make deposits to the Rebate Account required by a Related Supplemental Indenture or Tax Agreement to the extent such moneys are not needed to pay Principal of such Series of Bonds. Moneys on deposit in an Interest Account shall be used on each Interest Payment Date first, if the related Series of Bonds is secured by a Letter of Credit, to reimburse the Credit Provider for draws made under the Letter of Credit to pay interest on such Series of Bonds, second, to pay the interest due on such Bonds on each Interest Payment Date and third, to make deposits to the Rebate Account required by a Related Supplemental Indenture or Tax Agreement to the extent such moneys are not needed to pay interest on such Series of Bonds.

c. Funds paid to the Trustee to be used to redeem all or a portion of a Series of Bonds pursuant to optional or mandatory redemption provisions contained in a Related Supplemental Indenture (other than redemption from Sinking Fund Payments) shall be deposited in the Redemption Account of the related Bond Fund. Moneys in a Redemption Account shall be used to pay the Redemption Price of Bonds called for optional or mandatory redemption (other than redemption from Sinking Fund Payments).

d. Amounts received as a result of a draw under a Letter of Credit securing a Series of Bonds will be deposited in the Credit Provider Account of the related Bond Fund. Amounts on deposit in a Credit Provider Account will be used solely to pay the principal of, premium, if secured by the Letter of Credit, and interest on the related Series of Bonds due on any Interest Payment Date, Principal Payment Date or date for optional or mandatory redemption of all or a portion of such Series of Bonds to the extent such redemptions are secured by such Letter of Credit.

e. If any Series of Bonds is secured by a Letter of Credit, the Trustee will first apply amounts on deposit in the Credit Provider Account of the applicable Bond Fund to the payment of the principal of, premium, if any (to the extent premium may be secured by the
Letter of Credit) and interest due on such Bonds and, second, will apply other amounts available for such payment under this Indenture.

Section 7.05 Debt Service Reserve Fund.

a. There shall be deposited into the Debt Service Reserve Fund cash or a Reserve Fund Credit Policy in the amount, if any, provided in the Related Supplemental Indenture authorizing the applicable Series of Bonds.

b. Moneys on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund relating to a Series of Bonds on any Interest Payment Date or Principal Payment Date for such Series of Bonds to the extent amounts on deposit in such Bond Fund are insufficient to pay the principal of and/or interest due on such Series of Bonds on such date and if the related Series of Bonds is secured by a Reserve Fund Credit Facility, to reimburse the Credit Provider for amounts paid under the Credit Facility for payment of the principal of and/or interest due on such Series of Bonds. Moneys on deposit in the Debt Service Reserve Fund shall be transferred, pro-rata, in accordance with the Maximum Annual Debt Service requirement to the Principal Account of the Bond Fund relating to each Outstanding Series of Bonds at the direction of the Authority for the purpose of paying the last maturing principal of the Bonds on a Principal Payment Date or if all of the Bonds are being redeemed pursuant to provisions of the Related Supplemental Indenture regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments), pro-rata, in accordance with the Maximum Annual Debt Service requirement to the Redemption Account of such Bond Fund for redemption of such Bonds. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Debt Service Reserve Fund and it is necessary to use money in the Debt Service Reserve Fund to satisfy a deficiency in a Bond Fund, the Trustee shall first use any moneys or securities on deposit in the Debt Service Reserve Fund to satisfy such deficiency in the priority described above and second, draw on such Reserve Fund Credit Facility in a timely manner and pursuant to the terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility shall be deposited in the appropriate Account of the applicable Bond Fund.

c. Moneys in the Debt Service Reserve Fund shall at all times be maintained in an aggregate amount not less than the Debt Service Reserve Requirement. During any period the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, all income from the investment of moneys in the Debt Service Reserve Fund shall be retained therein and the Authority shall restore any remaining deficiency from the first available Revenues transferred in the order of priority described in Section 7.03(a) hereof.

d. If at any time the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee shall, at the direction of the Authority, either transfer the amount by which the amount of money on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement to the Bond Fund (to be applied pro-rata) or transfer such amount to the Earnings Fund, if the Authority's direction is accompanied by a Bond Counsel's Opinion to the effect that such transfer will not adversely affect the excludability from gross income of the interest on Tax-Exempt Bonds.
e. In lieu of making a deposit to the Debt Service Reserve Fund in compliance with Section 7.05.(a) hereof, or in replacement of moneys then on deposit in the Debt Service Reserve Fund, the Authority, with the consent of the Credit Providers for all Series of Bonds, may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Investment Securities or other Reserve Fund Credit Facilities on deposit in the Debt Service Reserve Fund, equals or exceeds the Debt Service Reserve Requirement. Except as may otherwise be provided in a Related Supplemental Indenture, such Reserve Fund Credit Facility shall name the Trustee as beneficiary or insured, shall have a term of no less than one (1) year and shall provide by its terms that it may be drawn upon as provided in this subparagraph (e). At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority shall either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (e), or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee shall deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee shall immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in Section 7.03(a) hereof, so that an amount equal to the Debt Service Reserve Requirement is on deposit in the Debt Service Reserve Fund no later than the fifteenth (15th) day immediately preceding the stated expiration date of the Reserve Fund Credit Facility. If the amount on deposit in the Debt Service Reserve Fund on the fifteenth (15th) day immediately preceding the stated expiration date of such Reserve Fund Credit Facility is less than the Debt Service Reserve Requirement, the Trustee shall draw on the Reserve Fund Credit Facility in the amount of such shortfall at least three days prior to the date on which funds are required, and shall deposit the proceeds of such drawing in the Debt Service Reserve Fund.

f. In the event the Trustee draws upon a Reserve Fund Credit Facility, the Authority shall pay to the Credit Provider thereof, from the Trust Estate, all principal and interest payable thereon under the terms of the applicable financial guaranty agreement, reimbursement agreement or similar instrument. This Indenture shall not be terminated until all such amounts are paid in full.

g. The Trustee shall maintain adequate records, verified with the applicable Credit Provider, of the amount available to be drawn at any time under any Reserve Fund Credit Facility and as to units paid and payable to such Credit Provider.

h. Except as may otherwise be provided in a Related Supplemental Indenture; for the purposes of determining the amount from time to time on deposit in the Debt Service Reserve Fund, Investment Securities shall not have maturities in excess of five years, and shall be valued annually, commencing July 1, 2005 at the lower of cost or market value thereof. To the extent such Investment Securities are United States Treasury Certificates and Notes - State and Local Government Series, such investments shall be valued as if such United States Treasury Certificates and Notes - State and Local Government Series were Open Market United States Treasury Bonds having the same maturities and interest rates.
Section 7.06  Costs of Issuance Funds. The Trustee shall deposit into the Costs of Issuance Fund relating to a Series of Bonds the amount required to be deposited therein in the Related Supplemental Indenture. The Trustee is hereby authorized and directed to make disbursements from a Costs of Issuance Fund upon receipt of a Requisition signed by the Authority. The Trustee shall keep and maintain adequate records pertaining to each Costs of Issuance Fund and all disbursements therefrom, and after a certificate of payment of all costs is or has been filed by the Authority, the Trustee will file an accounting thereof with the Authority. Any amounts remaining in a Costs of Issuance Fund after payment of all Costs of Issuance shall be transferred to the Earnings Fund.

Section 7.07  Earnings Fund. The Earnings Fund shall not be considered part of the Trust Estate created by this Indenture. The Trustee shall, on July 1 of each year transfer all investment earnings on moneys on deposit in the Funds and Accounts (including any Project Fund) to the Earnings Fund, to the extent not needed to pay Debt Service on Bonds. The Trustee shall, on each Computation Date, transfer from the Earnings Fund to the Rebate Accounts established therein for each Series of Bonds, the amounts as shall be stated in a written notice of the Authority to be delivered to the Trustee on or before each Computation Date. The Authority may use such amounts constituting the balance of the Earnings Fund for any purpose permitted by law.

Section 7.08  Nonpresentment of Bonds; Disposition of Unclaimed Money. In the event any Bond shall not be presented for payment when the principal thereof becomes due on a Principal Payment Date, if funds sufficient to pay any such Bond have been made available to the Trustee for the benefit of the Owner thereof, all liability of the Authority to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within five (5) years after the Principal Payment Date on which the same shall have become due shall be repaid by the Trustee to the Authority upon direction of an Authorized Officer, and thereafter the Owners of Bonds shall be entitled to look only to the Authority for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Authority shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 7.09  Moneys to be Held in Trust. With the exception of moneys in the Earnings Fund or a Purchase Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account shall be held by the Trustee in trust, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and security interest created hereby.

Section 7.10  Repayment to Authority from Funds. Any amounts remaining in a Bond Fund, a Costs of Issuance Fund or representing the share of the Debt Service Reserve Fund
Section 7.11 Creation of Additional Funds, Accounts and Subaccounts. The Trustee shall, at the written request of the Authority, establish such additional Funds, Accounts and subaccounts within any of the Funds established under this Indenture as shall be specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from such Funds, Accounts and subaccounts; but the establishment of any such additional Funds, Accounts or subaccounts shall not alter or modify any of the requirements of this Indenture with respect to the deposit or use of moneys in any Fund, Account or subaccount established hereunder.

Section 7.12 Investment of Certain Funds.

a. Except as provided in paragraph d. of this Section 7.12, any Fund or Account held by the Authority may be invested and reinvested or deposited in Investment Securities having yields and maturities as determined by an Authorized Officer.

b. Subject to the right of an Authorized Officer to direct the investment or deposit of funds hereunder and subject to the provisions of paragraph d. below, moneys in any Fund or Account held by the Trustee shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. An Authorized Officer shall consult with the Trustee from time to time as to the investment of amounts in the Funds and Accounts held by the Trustee. An Authorized Officer may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in all Funds and Accounts in Investment Securities so that the maturity date or date of redemption at the option of the owner thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended. The Investment Securities purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Authority advised as to the details of all such investments.

c. Investment Securities purchased as an investment of moneys in any Fund or Account under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account, but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof shall be deposited in the Earnings Fund as provided in Section 7.07 hereof.

d. Notwithstanding the foregoing, amounts on deposit in the Revenue Fund, a Credit Provider Account, a Redemption Account or a Purchase Fund shall be invested only in (i) Government Obligations maturing on the earlier of (A) the thirtieth day following the
date of investment of such amounts or (B) the date needed for payment or (ii) any other Investment Securities approved by Moody’s, if the Bonds of the applicable Series are rated by Moody’s, and S&P, if the Bonds of the applicable Series are rated by S&P. Amounts on deposit in a Bond Fund will be invested only in Governmental Obligations maturing or callable without premium at the option of the holder thereof not later than the date needed for payment.

Section 7.13 Valuation and Sale of Investments.

a. Except as may be provided in a Related Supplemental Indenture with respect to Funds and Accounts relating to the applicable Series of Bonds, in computing the amount in any Fund or Account, Investment Securities shall be valued at the lower of the cost or market price, exclusive of accrued interest. With respect to all funds and accounts except a Debt Service Reserve Fund, valuation shall occur annually. All Debt Service Reserve Funds shall be valued semiannually, except in the event of a withdrawal from such Debt Service Reserve Fund, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in any Debt Service Reserve Fund shall at any time be less than the applicable Debt Service Reserve Requirement, such deficiency shall be made up from first available moneys after required deposits to the Related Bond Fund.

b. Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be required in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it, and the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by the Authority. An Investment Security may be credited on a pro-rata basis to more than one Fund or Account and need not be sold in order to provide for the transfer of amounts from one Fund or Account to another.
ARTICLE VIII

DEFEASANCE

Section 8.01 Defeasance.

a. If the Authority shall pay or cause to be paid to the Owners of the Bonds the Principal, Purchase Price or Redemption Price, if applicable, and interest and all other amounts due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate, the Revenues, payments made by the Authority in satisfaction of covenants contained herein and other moneys, securities and funds hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all instruments as may be desirable to evidence such discharge and satisfaction and shall pay over or deliver to the Authority all moneys or securities held by the Trustee pursuant to the Indenture which are not required for the payment of Bonds. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series the Principal, Purchase Price or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Payments of Principal and interest on Bonds made by a Credit Provider pursuant to a Credit Facility shall not be deemed to have been paid within the meaning of this Section and such payments shall continue to be due and owing hereunder until paid by the Authority within the meaning of this Section and any agreement pursuant to the terms of which such Credit Facility is delivered.

b. Bonds or interest installments for the payment of which moneys shall have been set aside and held in trust by the Trustee (through deposit by the Authority of funds for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give notice of redemption of such Bonds (other than Bonds which have been delivered to the Trustee by the Authority and cancelled by the Trustee as provided in paragraph (c) of this Section prior to the mailing of such notice of redemption) on said date as provided in Article V, (ii) there shall have been deposited with the Trustee Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the Principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60)...
days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable
instructions to mail, by first class mail, postage prepaid, as soon as practicable, a notice to the
Owners of such Bonds as of the date of such deposit that the deposit required by (ii) above has
been made with the Trustee and that said Bonds are deemed to have been paid in accordance
with this Section and stating such maturity or Redemption Date upon which moneys are to be
available for the payment of the Principal or Redemption Price of and interest on said Bonds
(other than Bonds which have been delivered to the Trustee by the Authority and cancelled by
the Trustee as provided in paragraph (c) of this Section prior to the mailing of the notice of
redemption referred to in (i) above).

c. If at any time (i) prior to the maturity date of Bonds deemed to
have been paid in accordance with paragraph (b) of this Section which are not to be redeemed
prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in
paragraph b(i) of this Section with respect to Bonds deemed to have been paid in accordance
with paragraph (b) of this Section which are to be redeemed on any date prior to their maturity,
the Authority purchases or otherwise acquires any such Bonds and deliver such Bonds to the
Trustee prior to their maturity date or the date of mailing notice of redemption, as the case may
be, the Trustee shall immediately cancel all such Bonds so delivered. Such delivery of Bonds to
the Trustee shall be accompanied by directions from an Authorized Officer to the Trustee
specifying the portion, if any, of such Bonds to be applied against the obligation of the Trustee
to pay Bonds deemed paid in accordance with paragraph (b) of this Section upon their maturity date
and the portion, if any, of such Bonds to be applied against the obligation of the Trustee to
redeem Bonds deemed paid in accordance with paragraph (b) of this Section on any date prior to
their maturity. In the event that on any date as a result of any delivery and cancellation of Bonds
as provided in this paragraph the total amount of moneys and Defeasance Obligations held in
trust under this Section is in excess of the total amount which would have been required to be set
aside in trust on such date in respect of the remaining Bonds in order to satisfy paragraph (b) of
this Section, the Trustee shall, if requested by an Authorized Officer, pay the amount of such
excess to the Authority free and clear of any trust, lien, pledge or assignment securing said
Bonds or otherwise existing under this Indenture provided that the Authority also delivers with
such request (i) a Bond Counsel's Opinion to the effect that such transfer will not adversely
affect the excludability of interest on Tax-Exempt Bonds from the Owners thereof and (ii) an
Accountant's Certificate to the effect that the moneys and Defeasance Obligations remaining on
deposit are sufficient to pay the principal of or Redemption Price of the remaining Bonds
deemed to have been paid. The Trustee shall be entitled to rely upon such opinion and certificate
and the same shall be conclusive as to the Trustee.

d. For purposes of determining whether Variable Rate Bonds shall be
deemed to have been paid prior to the maturity or redemption date thereof, as the case may be,
by the deposit of Defeasance Obligations in accordance with paragraph (b) of this Section, the
interest to come due on such Variable Rate Bonds on or prior to their maturity date or
redemption date, as the case may be, shall be calculated at the Maximum Rate; provided,
however, that if on such date of calculation the interest rate on such Bonds shall then be fixed for
a specified period, the interest rate used for such specified period for purposes of the foregoing
calculation shall be such actual interest rate; provided further that if on any date, as a result of
such Variable Rate Bonds having borne interest at less than such Maximum Rate for any period, the total amount of Defeasance Obligations set aside in trust for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be set aside in trust on such date in respect of such Variable Rate Bonds in order to satisfy paragraph (b) of this Section, the Trustee shall, if requested by an Authorized Officer, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

c. If, through the deposit of moneys by the Authority or otherwise, the Trustee shall hold, pursuant to the Indenture, moneys sufficient to pay the principal of and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the Authority shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Authority all moneys held by the Trustee, shall be held by the Trustee for the payment of Outstanding Bonds.

d. Any cash received from principal of or interest payments on Defeasance Obligations deposited with the Trustee pursuant to this Section, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amount sufficient to pay when due the principal or Redemption Price of and interest to become due on said Bonds on and prior to such maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.
ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.01 Events of Default. Each of the following events is hereby declared to be an "Event of Default" hereunder:

a. Failure by the Authority to make payment of the Principal or Redemption Price, if any, of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

b. Failure by the Authority to make payment of interest on any of the Bonds when and as the same shall become due;

c. Failure or refusal by the Authority to comply with the provisions of the Indenture or any Supplemental Indenture, or default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained herein, in any Supplemental Indenture or in the Bonds and the continuance of such failure, refusal or default for a period of sixty (60) days after written notice thereof by the Trustee, a Credit Provider or the Owners of not less than fifty percent (50%) in Principal amount of the Outstanding Bonds; or

d. A decree or order by a court of competent jurisdiction shall have been entered adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Authority under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have continued undischarged and unstayed for a period of ninety (90) days; or a decree or order of a court of competent jurisdiction for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Authority or of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days; or

e. The Authority shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

f. Any event of default under any Supplemental Indenture.
Section 9.02 Remedies.

a. Upon the happening and continuance of any Event of Default, the Trustee may, with the consent of all Credit Providers but shall not be required to, and, upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or at the direction of all Credit Providers, shall, by written notice to the Authority and each Credit Provider, declare the entire Principal of the Bonds to be due and payable, and upon such declaration, the same shall become due and payable, anything in this Indenture or the Bonds to the contrary notwithstanding. This provision, 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, (i) the Authority pays or deposits with the Trustee a sum sufficient to pay all interest due upon all such Bonds and the Principal and premium, if any, of all such Bonds that shall have become due otherwise than by acceleration (with interest on overdue interest and on such Principal and premium, if any, at the rate specified in the Related Supplemental Indenture) and the expenses of the Trustee, (ii) any and all Events of Default under this Indenture, other than the nonpayment of Principal of and accrued interest on such Bonds that shall have become due by acceleration, shall have been remedied, and (iii) each Credit Facility is fully reinstated to the coverage amount provided in the Related Supplemental Indenture, the Trustee may, with the consent of each Credit Provider, and shall, upon the written request of the Owners of not less than fifty percent (50%) in aggregate Principal amount of all Bonds that shall have become due by acceleration, shall have been remedied, and (iii) each Credit Facility is in effect with respect to any Series of Bonds, without the written consent of the Credit Provider to such waiver.

b. Upon the happening and continuance of any Event of Default, and in addition to the remedy provided in (a) above, the Trustee may, and, upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds Outstanding, shall proceed to protect and enforce the rights of the Owners by such of the following remedies, which are then permitted by law, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners, including the right to require the Authority to receive and collect Revenues Adequate to enable the Authority to carry out any of the covenants or agreements with Owners and to perform its duties as prescribed by law;

(ii) By bringing suit upon the Bonds;

(iii) By action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; or
(iv) By action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

c. In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then, or during any Event of Default becoming, and at any time remaining, due and unpaid from the Authority for Principal, interest or otherwise, under any provisions of the Indenture or a Related Supplemental Indenture or of the Bonds, with interest on overdue payments at the rate of interest specified in the Related Supplemental Indenture, together with any and all costs and expenses of collection and of all proceedings under such Indenture, Supplemental Indenture or Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

d. Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.03 Priority of Payments After Event of Default.

a. In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of the Principal or Redemption Price of and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity and amounts representing proceeds of a draw or payment under a Credit Facility) and any other amounts received or collected by the Trustee acting pursuant to this Article (other than proceeds of a draw or payment under a Credit Facility), after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, shall be applied subject to Section 9.11, as follows:

(i) Unless the Principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amounts available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according
to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due, 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; and

THIRD: To be held for the payment to the persons entitled thereto, as the same shall become due, of the Principal or Redemption Price of and interest on the Bonds which may thereafter become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, payment shall be made ratably according to the amount of Principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) 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 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, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

b. Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine having due regard to the amount of such moneys available for such application and the likelihood of additional money becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Owner or to any other person for any delay in applying such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made. The Trustee shall not be required to make payment to the Owner
of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 9.04 Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee, the Credit Providers and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers, and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 9.05 Owners’ Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of the majority in principal amount of the Bonds Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture or a Supplemental Indenture, and that the Trustee shall have the right to decline to follow a direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction.

Section 9.06 Limitation on Rights of Owners. No Owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, for the protection or enforcement of any right under the Indenture unless such Owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than twenty-five percent (25%) in Principal amount of the Bonds Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity to either proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name. Unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy hereunder or by law. It is understood and intended that no one or more Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right hereunder or under law with respect to the Bonds or the Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Owner to enforce the payment of the Principal of and interest on his Bonds, or the obligation of the Authority to pay the Principal of and interest on each Bond issued hereunder to the Owner thereof at the time and place expressed in said Bond.
Section 9.07 Possession of Bonds by Trustee Not Required. All rights of action under the Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of the Indenture.

Section 9.08 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 9.09 No Waiver of Event of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power shall be construed to be a waiver of any such Event of Default or any acquiescence therein and every power and remedy given by the Indenture to the Trustee and the Owner of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.10 Notice of Event of Default. The Trustee shall give to the Owners and each Credit Provider notice of each Event of Default hereunder known to the Trustee within ninety (90) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before, the giving of such notice; provided that, except in the case of default in the payment of the Principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into a Bond Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice from the Owners is in the interest of the Owners. Each such notice to Owners of an Event of Default shall be given by the Trustee by mailing written notice thereof to all Owners appearing on the registration books of the Authority maintained by the Registrar.

Section 9.11 Subordination of Claims for Interest. No claim for interest appertaining to any of the Bonds which in any way at or after maturity shall have been transferred or pledged (other than a Credit Provider upon the payment of such interest and the transfer to such Credit Provider of the right to payment of interest) separate and apart from the Bond to which it appertains shall, unless accompanied by such Bond, be entitled, in case of an Event of Default hereunder, to any benefit by or from the Indenture, except after the prior payment in full of the Principal of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

Section 9.12 Rights of Credit Providers. In the event that the Authority provides for the securing of payment of the Principal, Redemption Price of or interest on the Bonds of one or more Series by obtaining a Credit Facility with respect to Debt Service, the Authority by Supplemental Indenture or an Authorized Officer by contract with the Credit Provider is authorized to provide appropriate remedies for the Credit Provider upon payment of
Debt Service, including, but not limited to, the right to be deemed and treated as the Owner of any Bonds secured by such Credit Facility for all purposes of this Article IX and Article X and for purposes of being given notices or giving directions or consents.
ARTICLE X
SUPPLEMENTAL INDENTURES

Section 10.01 Supplemental Indenture Without Owner Consent. For any one or more of the following purposes and at any time or from time to time, the Authority and the Trustee may execute and deliver a Supplemental Indenture, without notice to or the consent of the Owners of Bonds, but with notice to any Credit Provider and Bond Insurer:

a. To close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on the delivery of Bonds or the issuance of other evidences of indebtedness;

b. To add to the covenants and agreements of the Authority in this Indenture other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with this Indenture as theretofore in effect;

c. To add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Indenture as theretofore in effect;

d. To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in this Indenture;

e. To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture of the Revenues or of any other revenues or assets;

f. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

g. To insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect;

h. To modify any of the provisions of this Indenture in any respect whatsoever, if such modification shall be, and be expressed to be, effective only after all Bonds Outstanding and affected thereby at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding;

i. To authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions upon which such Bonds may be issued;
j. To provide for the issuance of Bonds in such form as permitted by Section 3.01 and to make such other provisions as are necessary to provide for Bonds issued in such form;

k. To modify, alter, amend or supplement this Indenture in such manner as may be necessary or appropriate to qualify this Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute hereafter enacted;

l. To modify, alter, amend or supplement this Indenture in connection with the issuance of a Series of Bonds which by its terms affects only the proposed Series of Bonds and/or Bonds issued after the date of such Supplemental Indenture, which modification, alteration, amendment or supplement does not change the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon, or reduce the percentages or otherwise affect the classes of Outstanding Bonds, the consent of the Owners of which is required to effect modifications, alterations, amendments, or supplements to this Indenture;

m. To impose a book-entry system for one or more Series of Bonds;

n. To modify, alter, amend or supplement this Indenture in any manner which is deemed necessary in Bond Counsel's Opinion to maintain the excludability from gross income of interest on any Tax-Exempt Bonds for federal income tax purposes;

o. To modify, alter, amend or supplement this Indenture in any manner which, in the judgment of the Trustee does not materially adversely affect the interests of the Owners of the Bonds; or

p. To modify, alter, amend or supplement this Indenture or any Related Supplemental Indenture in any manner which affects only a Series of Bonds which are subject to optional or mandatory tender for purchase, after giving the notice for the period set forth in the Related Supplemental Indenture, if after receipt of such notice, the Owners have the opportunity to tender their Bonds for mandatory or optional tender at the time specified in the Related Supplemental Indenture.

Section 10.02 Supplemental Indentures With Owner Consent.

a. Any modification of or amendment to the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds hereunder other than as permitted under Section 10.01, in any particular, may be made by a Supplemental Indenture, with the written consent of any Credit Provider and Bond Insurer and the written consent given as provided in Section 10.03 (i) of the Owners of at least fifty percent (50%) in Principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds Outstanding are affected by the modification or amendment, of the Owners of at least fifty percent (50%) in Principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case less than all the maturities of a Series of Bonds are affected by the modification or amendment, of the Owners of at least fifty
percent (50%) in Principal amount of the Bonds of each maturity so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect until certain Bonds shall no longer remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

b. No such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written consent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may, in its sole discretion, determine whether or not Bonds of any particular Series or maturity would be affected by any modification or amendment made in accordance with the foregoing powers of amendment. Any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

Section 10.03 Consent of Owners.

a. A copy of any Supplemental Indenture making a modification or amendment which is not permitted by the provisions of Section 10.01 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners for their consent thereto, shall be mailed by the Trustee to any Owner of Bonds required to consent thereto by first class mail, postage prepaid. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 10.02 and (b) a Bond Counsel’s Opinion provided in Section 10.06.

b. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the effective date of such Supplemental Indenture.

c. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee and the Owners of all Bonds. The Trustee shall make and file with the Authority a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. Not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed, notice, stating in substance that the Supplemental Indenture
(which may be referred to as a Supplemental Indenture executed by the Authority and the Trustee on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and has become effective as provided in this Section, shall be given to the Owners by the Trustee by mailing such notice to the Owners first class mail, postage prepaid and may be given, at the discretion of the Trustee, by contemporaneous publication of the same in an Authorized Newspaper (but failure to publish or give such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this Section). A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated.

Section 10.04 Modifications by Unanimous Consent. The terms and provisions of the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Indenture and the written consent of any Credit Provider, Bond Insurer and the Owners of all the Bonds Outstanding, such consent to be given as provided in Section 10.03, but no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto. No notice of any such modification or amendment to Owners either by mailing or publication shall be required.

Section 10.05 Exclusion of Bonds. Unless the Authority is the Owner of all Bonds required to give consent to a Supplemental Indenture, Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Authority shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish to the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds to be so excluded.

Section 10.06 Bond Counsel Opinion. No Supplemental Indenture shall be effective until there is filed with the Trustee a Bond Counsel Opinion to the effect that the execution and delivery of such Supplemental Indenture is authorized or permitted under this Indenture and the Act and will not adversely affect the excludability from gross income of the recipients thereof of interest on the Tax-Exempt Bonds for federal income tax purposes.

Section 10.07 Notation on Bonds. Bonds delivered after the effective date of any action taken as provided in this Article may, and if the Trustee so determines shall, bear a notation, by endorsement or otherwise in a form approved by the Authority and the Trustee, as to such action. Upon any transfer or exchange of any Bond Outstanding at such effective date or upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Bond, the Trustee shall make suitable notation as to such action on such Bond or upon any Bond issued upon any such transfer or exchange. If the Authority or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and the Authority shall be prepared, executed and delivered, and upon demand of the Owner of any Bond Outstanding shall be exchanged, without cost to such Owner, upon surrender of such Outstanding Bond.
Section 10.08 Amendments to be Delivered to S&P. All Supplemental Indentures or other amendments to this Indenture and all amendments to any other documents executed by the Authority in connection with the issuance of the Bonds consented to by any Credit Provider or Bond Insurer shall be sent by registered or certified mail to S&P within 60 days of the execution and delivery thereof.
ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.01 The Trust. By its certificate of acceptance delivered to the Authority on the date of first delivery of the Bonds issued under the Indenture, the Trustee agrees to hold in trust, for the benefit of the Owners from time to time of the Bonds, all property conveyed or delivered to it under this Indenture and all Funds and Accounts and the moneys or Investment Securities held therein, and to act as Paying Agent and Registrar for the Bonds.

Section 11.02 Responsibility of the Trustee. The statements of fact herein and in the Bonds contained shall be taken as the statements of the Authority and the Trustee does not assume any responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds or coupons issued hereunder or in respect of the security afforded by the Indenture, and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. The Trustee shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or default.

Section 11.03 Evidence on Which Trustee May Act. The Trustee 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 may consult with counsel, who may be counsel to the Authority, 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 the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith thereon, but in its sole discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to the Authority, the Owners of any of the Bonds or any other person for any act or omission done or omitted to be done by the Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to the Indenture or for any act or omission done or omitted in good faith and without negligence or willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Trustee shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.
Section 11.04 Compensation. The Authority shall pay to the Trustee from time to time reasonable compensation as shall be agreed to by the Authority and the Trustee for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture.

Section 11.05 Permitted Acts and Functions. The Trustee may become the Owner of any Bonds, with the same rights it would have if it were not the Trustee. The Trustee may act as Depository for, and permit any of its 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 Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Owners of a majority in Principal amount of the Bonds Outstanding.

Section 11.06 Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than forty-five (45) days' written notice to the Authority and publishing notice thereof specifying the date when such resignation shall take effect once in an Authorized Newspaper, but such resignation shall not take effect until the appointment of a successor Trustee pursuant to Section 11.08 hereof and the acceptance of the trust by such successor Trustee.

Section 11.07 Removal of Trustee. The Trustee shall be removed by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority and signed by the Owners of a majority in principal amount of the Bonds Outstanding or their duly authorized attorney, excluding any Bonds held by or for the account of the Authority whether or not an Event of Default shall be existing. In addition, the Authority may remove the Trustee at any time, except during the existence of an Event of Default, at the discretion of the Authority by filing with the Trustee an instrument signed by an Authorized Officer and appointing a successor Trustee.

Section 11.08 Appointment of Successor Trustee.

a. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the Authority covenants and agrees that it will thereupon appoint a successor Trustee.

b. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within thirty (30) days after the Trustee shall have given to the Authority written notice, as provided in Section 11.06, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.
c. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, bank or national banking association having the powers of a trust company within or outside the State, having capital, surplus and undivided profits aggregating at least $25,000,000 or trust assets of not less than $500,000,000 if there be such a trust company, bank or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Section 11.09 Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee. The Trustee ceasing to act shall nevertheless, on the request of the Authority or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and 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 the predecessor Trustee in and to any property held by it under the Indenture, and shall pay over, assign and deliver to its successor Trustee pursuant to the terms and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to the Indenture shall terminate and such Trustee shall have no further responsibility whatsoever for performance of the Indenture as Trustee.

Section 11.10 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 a trust company or bank which is qualified to be a successor to the Trustee under Section 11.08 and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.11 Appointment of Paying Agent. The Trustee may, with the consent of the Authority, appoint one or more Paying Agents to perform any of the obligations and duties of the Trustee hereunder by a written instrument executed by the Paying Agent and the Trustee under which such Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Indenture and any additional duties or obligations imposed upon it by agreement and shall agree, particularly:

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Trust Indenture

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a. To hold all sums held by it for the payment of the Principal of or interest on Bonds in trust for the benefit of the Owners of such Bonds until such sums shall be paid to such Owners of such Bonds or otherwise disposed of as herein provided;

b. 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, and the Registrar at all reasonable times; and

c. Upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

Section 11.12 Qualifications of Paying Agent. The Paying Agent shall be a corporation or banking association duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $25,000,000 or trust assets of not less than $500,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture.

Section 11.13 Evidence of Signatures of Owners and Ownership of Bonds.

a. Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their duly authorized attorneys. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise herein expressly provided) if made in the manner set forth in paragraph (b) of this Section, but the Trustee may nevertheless in its sole discretion require further or other proof in any case where it deems the same desirable.

b. The fact and date of the execution by any Owner or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such request 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 authority of the person or persons executing any such instrument on behalf of a corporate Owner may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

c. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registration books of the Authority maintained by the Registrar.
d. Any request, consent or vote of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Authority and any Owner and their agents and their representatives, any of whom may make copies thereof.

Section 11.14 Appointment of Registrar. The Trustee may, with the consent of the Authority, appoint one or more Registrars to perform any of the obligations and duties of the Trustee hereunder by a written instrument executed by the Registrar and the Trustee under which such Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Indenture and any additional duties or obligations imposed upon it by agreement.

Section 11.15 Books and Records of Trustee. The Trustee will make available for inspection by any Authorized Officer at all reasonable times, upon reasonable notice, reports, statements and other information relating to all moneys received and disbursed, all investments of such moneys and all Funds and Accounts established hereunder or by any Supplemental Indenture, including, but not limited to, all requisitions submitted by Counties for disbursements from any Project Fund.

Section 11.16 Appointment of Series Trustee, Registrar and Paying Agent. The Authority shall appoint a trustee, registrar and paying agent for each Series of Bonds issued from time to time, which trustee, registrar and paying agent may, but need not be, the Trustee, Registrar and Paying Agent appointed pursuant to this Indenture.
ARTICLE XII

MISCELLANEOUS

Section 12.01 Evidence of Acts of Owners. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Owners of any Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Trustee and the Authority, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

A. The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

B. The ownership of all Bonds shall be proved by the register of such Bonds.

Nothing in this Section shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Owner of any Bond or Bonds shall be conclusive and binding upon all future Owners of the same Bond or Bonds.

Section 12.02 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided.

Section 12.03 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 Bonds issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 12.04 Holidays. When the date on which Principal of Redemption Price, or interest on any Bond is due and payable is a day other than a Business Day, payment may be made on Bonds on the next ensuing Business day with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.
When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 12.05 Governing Law. This Indenture and the 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 12.06 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, West Virginia 25311-2306
Attention: Executive Director

(ii) If to the Trustee, Registrar or Paying Agent addressed to:

United Bank, Inc.
500 Virginia Street East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

(iii) If to the Owner of a Bond, addressed to such Owner at the address shown on the books of the Trustee kept pursuant hereto.

(iv) If to the Bond Insurer for the Series 2004 Bonds, addressed to:

MBIA Insurance Corporation
113 King Street
Armonk, New York 15404
Attention: Surveillance

B. The Authority and the Trustee may from time to time by notice in writing to the others designate a different address or addresses for notice hereunder.

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C. In connection with any consent required to be obtained from any Owner of Bonds, the Trustee shall establish a record date to determine the ownership of any Bonds for purposes of obtaining such consent, and shall give the Depository at least 15 calendar days advance notice of the record date so established.

D. Any notice that is required to be given to any party pursuant to this Indenture or any Supplemental Indenture shall also be provided to any Credit Provider and any Bond Insurer.

Section 12.07 Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 12.08 Immunity of Individuals. No recourse shall be had for the payment of the Principal of, Redemption Price or interest on any of the 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 Bonds.

Section 12.09 Binding Effect. This instrument 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.

[Rest of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the Authority has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers, and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officers, all as of the day and year first above written.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

[SEAL]

By:

Its President

ATTEST:

By:

Its Secretary

[SEAL]

UNITED BANK, INC., as Trustee

By:

Its Vice President

ATTEST:

By:

Its Trust Secretary

1179996

Trust Indenture

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FIFTH SUPPLEMENTAL TRUST INDENTURE

Dated as of February 9, 2016

By and Between

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

and

UNITED BANK, INC.,
as Trustee

Supplemental to:
Trust Indenture
Dated as of July 1, 2004

and
in connection with the issuance of:
Lottery Capital Improvement Revenue Bonds
Series 2016 A
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FIFTH SUPPLEMENTAL TRUST INDENTURE

THIS FIFTH SUPPLEMENTAL TRUST INDENTURE, is dated as of February 9, 2016 (this “Fifth 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 UNITED BANK, INC., a banking corporation organized and existing under the laws of the State of West Virginia and having a corporate trust office in Charleston, West Virginia (the “Trustee”).

WHEREAS, the Authority has heretofore entered into a Trust Indenture dated as of July 1, 2004, by and between the Authority and the Trustee, as amended and supplemented from time to time (the “Master Indenture”), including as supplemented and amended by a First Supplemental Trust Indenture dated as of July 1, 2004 (the “First Supplemental Indenture”), an Amended and Second Supplemental Trust Indenture dated as of May 30, 2012 (the “Second Supplemental Indenture”), a Third Supplemental Trust Indenture dated April 18, 2013 (the “Third Supplemental Indenture”), and an Amended and Fourth Supplemental Trust Indenture dated June 1, 2014 (the “Fourth Supplemental Indenture” and collectively with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the “Indenture”), pursuant to which it is authorized to issue one or more series of its Lottery Capital Improvement 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;

WHEREAS, this Fifth Supplemental Indenture supplements the Indenture as set forth herein and as permitted under Section 10.01 of the Master Indenture;

WHEREAS, pursuant to Article 9D of Chapter 18 of the Code of West Virginia, 1931, as amended (the “Act”) and Chapter 29, Article 22 of the Code of West Virginia, 1931, as amended (the “Lottery Act”), and the Indenture, the Authority is authorized to issue revenue bonds from time to time, either to finance the costs of capital improvement projects for public schools in the State of West Virginia (the “State”) or to refund, at the discretion of the Authority, bonds issued and outstanding under and pursuant to the provisions of the Act and the Indenture, and to pay debt service on such bonds with funds distributed from the State Lottery Fund and deposited in the School Building Debt Service Fund, a special revenue fund created and existing in the State Treasury pursuant to Section 6(b) of the Act to carry out its purposes under the Act;

WHEREAS, the Authority deems it desirable and in keeping with its purposes under the Act to issue its Lottery Capital Improvement Revenue Bonds, Series 2016 A (the “Series 2016 A Bonds”), for the purposes of permanently financing certain school building capital improvement projects for county school districts within the State and paying costs of issuance of the Series 2016 A Bonds;
WHEREAS, the Authority has previously issued its (i) Lottery Capital Improvement Revenue Bonds, Series 2004 on July 1, 2004, in the aggregate principal amount of $141,600,000 (the “Series 2004 Bonds”) pursuant to the First Supplemental Indenture (which have been repaid and are no longer outstanding), (ii) Lottery Capital Improvement Revenue Bonds, Series 2012 A on May 30, 2012, in the aggregate principal amount of $25,575,000 (the “Series 2012 Bonds”) pursuant to the Second Supplemental Indenture, (iii) Lottery Capital Improvement Revenue Bonds, Series 2013 A on April 18, 2013, in the aggregate principal amount of $24,425,000 (the “Series 2013 Bonds”) pursuant to the Third Supplemental Indenture and (iv) Lottery Capital Improvement Revenue Bonds, Series 2014 A on June 5, 2014, in the aggregate principal amount of $26,055,000 (the “Series 2014 Bonds” and collectively with the Series 2012 Bonds and the Series 2013 Bonds, the “Prior Bonds”) pursuant to the Fourth Supplemental Indenture;

WHEREAS, pursuant to the Act, in connection with the issuance of the Series 2016 A Bonds, the Authority has approved a list of specific school building capital improvement projects for public schools in the State (the “Initial Projects”), more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Project List”), to be financed in part with the proceeds of the Series 2016 A Bonds to the extent proceeds of the Series 2016 A Bonds are available therefor;

WHEREAS, the Authority expects and intends to approve additional capital improvement projects for public schools in the State (the “Additional Projects,” and together with the Initial Projects, the “Projects”) and may declare by resolution that any of such Additional Projects shall be included as Projects and shall be financed in whole or in part from the proceeds of the Series 2016 A Bonds to the extent proceeds of the Series 2016 A Bonds are available therefor;

WHEREAS, the Authority and the Trustee desire that the Indenture be supplemented by this Fifth Supplemental Indenture as permitted under Section 10.01 of the Indenture to provide, among other things, for the issuance of the Series 2016 A Bonds;

WHEREAS, all of the requirements and conditions set forth in the Indenture for issuance of the Series 2016 A Bonds thereunder have been satisfied, or will be satisfied prior to delivery of the Series 2016 A Bonds;

WHEREAS, the Authority therefore wishes to take all necessary actions to issue the Series 2016 A Bonds for the purposes set forth herein;

WHEREAS, there will be presented to an Authorized Officer of the Authority, the following documents (the “Bond Documents”), to be executed in connection with the issuance and sale of the Series 2016 A Bonds:

(1) This Fifth Supplemental Indenture; and

(2) Any other documents deemed necessary or desirable to aid or effectuate the issuance and sale of the Series 2016 A Bonds, including documents relating to the investment of the proceeds of the Series 2016 A Bonds;
WHEREAS, the Authority desires to take all steps necessary for the issuance of the Series 2016 A Bonds at the earliest practicable date;

WHEREAS, subject to Section 8 of the Act, the Authority may issue its revenue bonds upon such terms as may be provided in the resolution authorizing the issuance of such bonds;

WHEREAS, the execution and delivery of this Fifth Supplemental Indenture and the issuance of the Series 2016 A Bonds under the Act as herein and in the 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 December 14, 2015 (the “Resolution”); and

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the 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, as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. All capitalized terms and definitions contained in the Indenture shall, unless defined differently herein, have the same meanings herein, and in addition to the words and terms defined elsewhere in this Fifth Supplemental Indenture, the following words, terms or phrases, when used in this Fifth Supplemental Indenture, shall have the following respective meanings with respect to the Series 2016 A Bonds, unless the context clearly indicates a different meaning:

“Act” has the meaning given such term in the recitals hereto.

“Additional Projects” has the meaning given such term in the recitals hereto.

“Authorized Denominations” means, with respect to the Series 2016 A Bonds, $5,000 or any integral multiple thereof.

“Authorized Officer” means the persons designated pursuant to Section 1.03 hereof.

“Bonds” has the meaning given such term in the recitals hereto.

“Bond Documents” means the documents described in the recitals hereto.
“Bond Payment Date” means January 1 and July 1 of each year, commencing July 1, 2016.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated January 14, 2016, between the Authority and the Original Purchaser relating to the sale of the Series 2016 A Bonds.

“Bond Year” means, with respect to the Series 2016 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 2016 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 2016 A Bonds are delivered to the Original Purchaser upon payment of the purchase price of the Series 2016 A Bonds.

“Costs of Issuance Fund Requisition” means the Authority’s requisition for a disbursement from the 2016 A Costs of Issuance Fund substantially in the form of Exhibit C hereto and delivered to the Trustee in accordance with Section 4.04 hereof.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as Securities Depository for the Series 2016 A Bonds, including any such successor appointed pursuant to Section 2.03 hereof.

“Event of Default” means any one or more of those events set forth in Section 9.01 of the Indenture.

“First Supplemental Indenture” has the meaning given such term in the recitals hereto.

“Fourth Supplemental Indenture” has the meaning given such term in the recitals hereto.

“Indenture” has the meaning given such term in the recitals hereto.

“Initial Projects” has the meaning given such term in the recitals hereto.

“Interest Payment Date” means July 1 and January 1 of each year, beginning July 1, 2016.

“Lottery Act” has the meaning given such term in the recitals hereto.

“Master Indenture” has the meaning given such term in the recitals hereto.

“Original Purchaser” means the person or persons designated in the Bond Purchase Agreement as the first purchaser or purchasers of the Series 2016 A Bonds from the
Authority or, if so designated in such Bond Purchase Agreement, the representatives or lead or managing underwriters of such initial purchasers.

“Paying Agent” means United Bank, Inc. or its successors, designated as a paying agency or place of payment for the Series 2016 A Bonds.

“Prior Bonds” means, collectively, the Series 2012 Bonds, the Series 2013 Bonds and the Series 2014 Bonds.

“Project Fund Requisition” means the Authority’s requisition for a disbursement from the 2016 A Project Fund substantially in the form of Exhibit D hereto and delivered to the Trustee in accordance with Section 4.05 hereof.

“Project List” means the list of Projects identified on Exhibit A attached hereto and incorporated herein by reference, as the same may be supplemented from time to time.

“Projects” has the meaning given such term in the recitals hereto.

“Record Date” means each June 15 and December 15.

“Registrar” means United Bank, Inc. or its successors, designated as the registrar for the Series 2016 A Bonds.

“Representation Letter” means the Authority’s DTC Blanket Letter of Representations previously delivered to DTC.

“Resolution” means the Resolution of the Authority authorizing the issuance of the Series 2016 A Bonds, adopted by the Authority on December 14, 2015.

“Second Supplemental Indenture” has the meaning given such term in the recitals hereto.

“Series 2016 A Bonds” means the Authority’s Lottery Capital Improvement Revenue Bonds, Series 2016 A, in the aggregate principal amount of $21,340,000, issued pursuant to this Fifth Supplemental Indenture.

“State” has the meaning given such term in the recitals hereto.

“Tax Certificate” means the Tax Compliance Certificate relating to the Series 2016 A Bonds, by and between the Authority and the Trustee, dated as of February 9, 2016, as it may be amended or supplemented.

“Third Supplemental Indenture” has the meaning given such term in the recitals hereto.

“Series 2004 Bonds” has the meaning given such term in the recitals hereto.
“Series 2012 Bonds” has the meaning given such term in the recitals hereto.

“Series 2013 Bonds” has the meaning given such term in the recitals hereto.

“Series 2014 Bonds” has the meaning given such term in the recitals hereto.

“2016 A Bond Fund” means the fund by the name established pursuant to Section 4.01 hereof.

“2016 A Costs of Issuance Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“2016 A Interest Account” means the account by that name established pursuant to Section 4.01 hereof.

“2016 A Principal Account” means the account by that name established pursuant to Section 4.01 hereof.

“2016 A Project Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“2016 A Rebate Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“2016 A Redemption Fund” means the fund by that name established pursuant to Section 4.01 hereof.

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 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 2016 A Bond or the calling of a Series 2016 A Bond for redemption do not mean or include the payment of a Series 2016 A Bond at its stated maturity or the purchase of a Series 2016 A Bond.

Section 1.03. Designation of Authorized Officers. The Authority hereby designates the President, the Vice-Chair, the Chairman and the Secretary as Authorized Officers of the Authority with respect to the Series 2016 A Bonds. Each of such Authorized Officers shall file a specimen of his or her signature with the Trustee, Registrar and Paying Agent.

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES 2016 A BONDS

Section 2.01. Authorization of Series 2016 A Bonds. The Authority hereby authorizes the issuance of the Series 2016 A Bonds in the aggregate principal amount of $21,340,000 pursuant to the Act to finance a portion of the costs of the Projects and pay the costs of issuance of the Series 2016 A Bonds. The Series 2016 A Bonds so authorized shall be designated “School Building Authority of West Virginia Lottery Capital Improvement Revenue Bonds, Series 2016 A,” shall constitute a “Series” of Bonds as such term is defined in the Indenture, and shall be issued and sold as directed by the Authority in accordance herewith. All conditions precedent to the issuance of the Series 2016 A Bonds as required by the Indenture have been satisfied.

Section 2.02. Terms. The Series 2016 A Bonds shall be issued in fully-registered form as herein provided in Authorized Denominations and shall be payable as to interest on each Interest Payment Date during the life of the Series 2016 A Bonds, commencing July 1, 2016. The Series 2016 A Bonds shall be dated February 9, 2016. The Series 2016 A Bonds shall be numbered from AR-1 upward in order of maturity. The Series 2016 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</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,025,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2018</td>
<td>1,075,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2019</td>
<td>1,130,000</td>
<td>1.50%</td>
</tr>
<tr>
<td>2020</td>
<td>1,145,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2021</td>
<td>1,205,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2022</td>
<td>1,265,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2023</td>
<td>1,325,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2024</td>
<td>1,395,000</td>
<td>3.75%</td>
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<tr>
<td>2025</td>
<td>1,445,000</td>
<td>5.00%</td>
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<tr>
<td>2026</td>
<td>1,520,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2027</td>
<td>1,595,000</td>
<td>5.00%</td>
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<td>2028</td>
<td>1,675,000</td>
<td>5.00%</td>
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<td>2029</td>
<td>1,755,000</td>
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<tr>
<td>2030</td>
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<td>5.00%</td>
</tr>
<tr>
<td>2031</td>
<td>1,940,000</td>
<td>5.00%</td>
</tr>
</tbody>
</table>
Section 2.03. Book Entry System for Series 2016 A Bonds.

(a) The Series 2016 A Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2016 A Bonds of each maturity, which Series 2016 A Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Except as provided in paragraph (f) below, all of the Series 2016 A Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the Series 2016 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2016 A Bonds for an equal aggregate principal amount of Series 2016 A Bonds registered in the name of such nominee or nominees of DTC. No person other than DTC or its nominee shall be entitled to receive from the Authority or the Registrar either a Series 2016 A Bond or any other evidence of ownership of the Series 2016 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2016 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph (f) below or otherwise.

(b) So long as the Series 2016 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2016 A Bonds shall be made to DTC or its nominee in New York Clearing House or equivalent next day funds on the dates provided for such payments under this Fifth Supplemental Indenture or as set forth in the Series 2016 A Bonds. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Registrar with respect to the principal or Redemption Price of or interest on the Series 2016 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2016 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC or its nominee of the Series 2016 A Bonds so redeemed, but DTC (or its nominee) may retain such Series 2016 A Bonds and make an appropriate notation on the Series 2016 A Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Registrar shall be conclusive as to the amount of the Series 2016 A Bonds of such maturity which have been redeemed.

(c) The Authority, the Trustee, the Paying Agent and the Registrar may treat DTC or its nominee as the sole and exclusive Owner of the Series 2016 A Bonds registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Series 2016 A Bonds, selecting the Series 2016 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Fifth Supplemental Indenture, registering the transfer of Series 2016 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Authority nor the Registrar shall be affected by any notice to the contrary. Neither the Authority nor the Registrar shall have any responsibility or obligation to any participant in DTC, any person claiming a beneficial ownership interest in the Series 2016 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder, with respect to either: (1) the Series 2016 A Bonds; (2) the accuracy of any records maintained by DTC or any such participant; (3) the payment by DTC or
any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2016 A Bonds; (4) any notice which is permitted or required to be given to Bondholders under this Fifth Supplemental Indenture; (5) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2016 A Bonds; or (6) any consent given or other action taken by DTC as Bondholder.

(d) So long as the Series 2016 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Bondholders under this Fifth Supplemental Indenture shall be given to DTC as provided in the Authority’s Representation Letter.

(e) The Registrar and any successors or assigns thereof shall, in its written acceptance of its duties under the Fifth Supplemental Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

(f) The book-entry system for registration of the ownership of the Series 2016 A Bonds may be discontinued at any time if either: (1) DTC determines to resign as securities depository for the Series 2016 A Bonds; or (2) the Authority determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the beneficial owners of the Series 2016 A Bonds. In either of such events (unless in the case described in clause (2) above, the Authority appoints a successor securities depository) the Series 2016 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Registrar for the accuracy of such designation. Whenever DTC requests the Authority and the Registrar to do so, the Authority and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2016 A Bonds.

Section 2.04. Form of Series 2016 A Bonds. The definitive Series 2016 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 for each Series and as are approved by those Authorized Officers executing such Series 2016 A Bonds on behalf of the Authority. Execution thereof by such Authorized Officers shall constitute conclusive evidence of such approval.

Section 2.05. Lien Position with Respect to Prior Bonds; Pledge and Assignment. The Series 2016 A Bonds constitute Additional Bonds issued on a parity with the Prior Bonds, pursuant to Section 2.05 of the Indenture. The Series 2016 A Bonds are secured by a first lien on the Revenues on a parity with the lien on the Revenues of the Prior Bonds. The pledge of the Revenues and any other amounts held in any fund or account established pursuant to the Indenture (other than the Purchase Fund (if any), the Rebate Fund and the Debt Service Reserve Fund) which was granted to the Trustee pursuant to Section 7.01 of the Indenture to secure the payment of the principal of and premium, if any, and interest, if any, on the Bonds (as defined in the Indenture), including the Series 2016 A Bonds, is hereby ratified and confirmed and shall apply to the Series 2016 A Bonds as if they were originally issued under the Indenture.
ARTICLE III

REDEMPTION OF SERIES 2016 A BONDS

Section 3.01. Optional Redemption. The Series 2016 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. In the event of such optional redemption, the Authority may direct the maturity or maturities of the Series 2016 A Bonds and the amounts thereof to be redeemed, provided the Series 2016 A Bonds will be redeemed in whole multiples of $5,000 in principal amount.

Section 3.02. Notice of Redemption. Notice of redemption of the Series 2016 A Bonds shall be given as provided in Section 5.05 of the Indenture.

Section 3.03. Payment of Redeemed Bonds. The Series 2016 A Bonds or portions thereof so called for redemption shall become due and payable as provided in Section 5.06 of the Indenture.

Section 3.04. Selection of Bonds for Redemption. In the event of redemption not less than all of the Outstanding Series 2016 A Bonds, the Series 2016 A Bonds to be redeemed shall be selected as provided in Section 5.04 of the Indenture.

Section 3.05. 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 Series 2016 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 2016 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 2016 A Bonds so called for redemption shall cease to accrue, said Series 2016 A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2016 A Bonds shall have no rights in respect thereof, except to receive payment of said Redemption Price.

ARTICLE IV

FUNDS AND ACCOUNTS;
APPLICATION OF BOND PROCEEDS;
APPLICATION OF MONEYS IN 2016 A PROJECT FUND

Section 4.01. Funds and Accounts. All Funds and Accounts heretofore created by the 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 2016 A Bonds:
Section 4.02. Application of Bond Proceeds. Proceeds of the sale of the Series 2016 A Bonds in the amount of $25,198,296.14, representing the par amount of $21,340,000, plus original issue premium of $3,961,698.50, minus underwriters’ discount of $103,402.36, shall initially be transferred to the Trustee. Thereafter, upon transfer to the Trustee, such proceeds or portions thereof shall be applied by the Trustee as follows:

(i) The Trustee shall transfer to the 2016 A Project Fund the sum of $25,000,000; and
(ii) The Trustee shall deposit the sum of $198,296.14 into the 2016 A Costs of Issuance Fund, which shall thereafter be disbursed by the Trustee (in accordance with applicable law) for payment of Costs of Issuance of the Series 2016 A Bonds.

Section 4.03. Flow of Funds. So long as any Series 2016 A Bonds are Outstanding, amounts deposited in the Funds and Accounts established by Section 4.01 hereof shall be applied by the Trustee in the manner and order of priority set forth in the Indenture and invested as set forth in Section 7.12 of the Indenture including, but not limited to, investments in Investment Securities.


(a) The moneys in the 2016 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 2016 A Costs of Issuance Fund as of August 31, 2016 shall be transferred to the 2016 A Project Fund.

Section 4.05. Application of 2016 A Project Fund.

(a) The moneys in the 2016 A Project Fund shall be used and withdrawn by the Trustee to pay the costs of acquisition, construction, improvement and equipping of Projects
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 Requisition consecutively numbered.

(b) All moneys on deposit in the 2016 A Project Fund shall be disbursed to pay the costs of acquisition, construction, improvement and equipping of the Projects.

Section 4.06. Arbitrage Covenant. Neither the Trustee nor the Authority shall use or direct or permit the use of any moneys of the Authority in its possession or control in any manner which would cause any Series 2016 A Bonds to be an “arbitrage bond” within the meaning of such term in Sections 103 and 148 of the Code.

Section 4.07. Tax Certificate. Notwithstanding any provision of the Indenture, the Authority shall observe its covenants, representations and agreements contained in the Tax Certificate. In the event any provision of the Indenture conflicts with any provision of the Tax Certificate, the provisions of the Tax Certificate shall govern.

Section 4.08. Liability of Trustee for Investments. The Trustee shall not be liable for the making of any investment authorized by the provisions of the Indenture in the manner provided therein or for any loss resulting from any such investment so made, except for its own gross negligence, willful misconduct or default under the Indenture.

Section 4.09. 2016 A Rebate Fund.

(a) The 2016 A Rebate Fund and the amounts deposited therein shall not be subject to a transfer, grant, conveyance, security interest, pledge, assignment, lien or charge in favor of the Trustee or any owner of Series 2016 A Bonds. Amounts in the 2016 A Rebate Fund shall only be used to satisfy the requirements of Section 148(f) of the Code in accordance with the Tax Certificate to the extent not otherwise provided herein.

(b) The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer, shall deposit in the 2016 A Rebate Fund, an amount such that the amount held in the 2016 A Rebate Fund after such deposit is equal to the Rebate Amount, calculated as of the date required under the Tax Certificate.

(c) In the event that on the close of the Computation Date, as provided in the Tax Certificate, the amount on deposit in the 2016 A Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer, specifying the amount of the excess, shall withdraw such excess amount and deposit it in the 2016 A Principal Account.

(d) Upon the receipt of written instructions from an Authorized Officer with respect to each payment to be made to the United States pursuant thereto setting forth the amount of such payment, the Trustee shall pay to the United States, or upon the failure of the Authority to make calculations in the manner provided in the Tax Certificate and to provide such written instructions, the Trustee shall cause such calculations to be made in the manner provided in the Tax Certificate at the expense of the Authority and shall pay to the United States, out of amounts
in the 2016 A Rebate Fund, (i) not less frequently than once each 5 years after the date of original issuance of the Series 2016 A Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to the Series 2016 A Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Indenture, not later than 30 days after the date on which all Series 2016 A Bonds have been paid in full, all of the Rebate Amount as of the date of payment.

ARTICLE V
THE FIDUCIARIES

Section 5.01. Appointment of Fiduciaries. United Bank, Inc. is hereby appointed and shall act as Trustee, Registrar and Paying Agent for the Series 2016 A Bonds.

ARTICLE VI
MISCELLANEOUS

Section 6.01. Indenture Applies and is Incorporated Herein. This Fifth Supplemental Indenture is supplemental to the Indenture, and all provisions of said Indenture, unless clearly inapplicable or amended or altered hereby, shall apply to the Series 2016 A Bonds, this Fifth Supplemental Indenture and matters relating thereto as if set forth verbatim herein. In the event of any conflict between the Indenture and this Fifth Supplemental Indenture, this Fifth Supplemental Indenture shall control. This Fifth Supplemental Indenture and the 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 Prior Bonds shall not be impaired hereby.

Section 6.02. Consent to Supplementation of Indenture and Fifth Supplemental Indenture and Other Documents. By joining in the execution hereof, the Authority and the Trustee hereby consent to the supplementation of the Indenture, the Fifth Supplemental Indenture and all documents, instruments and agreements in connection herewith.

Section 6.03. Incidental Action. The execution and delivery of the Series 2016 A Bonds and the execution, delivery and due performance of the Bond Documents is hereby in all respects approved, authorized, ratified and confirmed including all acts heretofore taken in connection with the issuance of the Series 2016 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 Fifth Supplemental Indenture, the Series 2016 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

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remaining provisions hereof, or the Series 2016 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 Fifth Supplemental Indenture and the Series
2016 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:

United Bank, Inc.
500 Virginia Street, East
Charleston, WV 25301
Attention: Corporate Trust Department

(iii) IF TO THE OWNER OF A 2016 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 Holder of
Series 2016 A Bonds, the Authority shall establish a record date to determine the ownership of
any Series 2016 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, premium, if any, or interest on any of the Series 2016 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 2016 A Bonds.

Section 6.08. **Counterparts.** This Fifth 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 Fifth 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.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the parties hereto have caused this Fifth 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: ___________________________________
Name: 
Title: 

[Seal]

Attest: ___________________________________
Name: 
Title: Secretary

UNITED BANK, INC.,
as Trustee

By: ___________________________________
Name: 
Title:
### EXHIBIT A

#### PROJECT LIST

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbour</td>
<td>Energy Management &amp; Digital Controls at Seven (7) Schools</td>
<td>4,593,322</td>
</tr>
<tr>
<td>Brooke*</td>
<td>Construction of new Middle School</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Calhoun</td>
<td>HVAC Renovations at two (2) Schools</td>
<td>1,096,238</td>
</tr>
<tr>
<td>Doddridge</td>
<td>Additions at Dodridge Co High School</td>
<td>800,000</td>
</tr>
<tr>
<td>Harrison</td>
<td>New Johnson Elementary School</td>
<td>10,678,000</td>
</tr>
<tr>
<td>Jackson</td>
<td>Additions &amp; Renovations to Ravenswood High School</td>
<td>10,212,177</td>
</tr>
<tr>
<td>Kanawha</td>
<td>Additions &amp; Renovations to Andrews Heights Elementary School</td>
<td>1,755,612</td>
</tr>
<tr>
<td>Logan</td>
<td>New (2-4) Elementary School</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Monongalia</td>
<td>Additions &amp; Renovations to Brookhaven Elementary School</td>
<td>4,360,000</td>
</tr>
<tr>
<td>Pleasants</td>
<td>Entrance &amp; ADA Renovations at Pleasants Co Middle School</td>
<td>316,596</td>
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<tr>
<td>Pocahontas</td>
<td>Renovations to two (2) School</td>
<td>100,000</td>
</tr>
<tr>
<td>Raleigh</td>
<td>Renovations To Shady Spring High School / New School</td>
<td>10,000,000</td>
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<tr>
<td>Roane</td>
<td>Physical Education Addition at Spencer Elementary School</td>
<td>970,110</td>
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<tr>
<td>Tucker</td>
<td>HVAC Renovations at two (2) Schools</td>
<td>2,306,839</td>
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<tr>
<td>Webster</td>
<td>Roof Replacement at Webster Springs Elementary School</td>
<td>716,078</td>
</tr>
<tr>
<td>Wirt</td>
<td>Roof Replacement &amp; Exterior Waterproofing at two (2) Schools</td>
<td>2,159,651</td>
</tr>
</tbody>
</table>

**TOTAL:** 58,064,623

*Proceeds of the Authority’s Series 2014 Bonds and Excess Lottery Revenue Refunding Bonds, Series 2015 A were used to pay for portions of this project as well.*
EXHIBIT B

FORM OF BOND

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

UNITED STATES OF AMERICA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS
SERIES 2016 A

No. AR-__

INTEREST RATE MATURITY DATE BOND DATE CUSIP NO.
_____% _______________ February 9, 2016

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ________________________________ ($_______)

KNOW ALL MEN BY THESE PRESENTS that the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA (the “Authority”), a public body corporate and a governmental instrumentality of the State of West Virginia (the “State”), for value received, hereby promises to pay, but solely from the Revenues as defined in the Trust Indenture dated as of July 1, 2004, between the Authority and United Bank, Inc., as trustee (the “Trustee”), as amended and supplemented from time to time (the “Indenture”), including as supplemented by the Fifth Supplemental Trust Indenture dated as of February 9, 2016, between the Authority and the Trustee, to the Registered Owner specified above, or registered assigns (the “Registered Owner”), on the Maturity Date specified above, the Principal Amount specified above and to pay interest from those sources on said 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, 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 an “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 United Bank, Inc., as Trustee (the “Trustee”). Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Indenture.

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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.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by United Bank, Inc., as paying agent (the “Paying Agent”), to the Registered Owner hereof as of the applicable Record Date (each June 15 and December 15) at the address of such Registered Owner as it appears on the registration books of the Authority maintained by United Bank, Inc., as registrar (the “Registrar”), or, at the option of the Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the bank account number on file with the Paying Agent on or prior to the applicable Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment to the Paying Agent, in Charleston, West Virginia.
This Bond is one of a series of bonds authorized to be issued in the aggregate principal amount of $21,340,000 and designated the “School Building Authority of West Virginia Lottery Capital Improvement Revenue Bonds, Series 2016 A” (the “Bonds”) for the purpose of (i) providing funds to be expended for permanently financing a portion of the costs certain public school facilities capital improvement projects within the State of West Virginia (the “Projects”) and (ii) paying costs of issuance of the Bonds, all pursuant to a resolution adopted by the Authority on December 14, 2015 (the “Resolution”) and the Indenture. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (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, the “Acts”). Reference is hereby made to the Indenture, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Authority, the Trustee, the Registered Owners of the Series 2016 A Bonds and the Owners of any Additional Bonds. Executed counterparts or certified copies of the Indenture are on file at the principal corporate trust office of the Trustee in Charleston, West Virginia.

The Series 2016 A Bonds are subject to optional redemption prior to their stated maturity dates.

The Registered Owners of the Series 2016 A 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.

Additional Bonds may be issued under the Indenture, and reference is made to the Indenture with respect to the requirements for the issuance of Additional Bonds, which shall be equally and ratably secured under the Indenture with the Series 2016 A Bonds.

This Bond must be registered in accordance with the provisions hereof, and may, singly or with the other Bonds of this issue, be surrendered to the Registrar and for other fully registered bonds, upon the terms set forth in the Indenture. Neither the Authority nor the Registrar shall be required to register or transfer this Bond or exchange other Bonds for this Bond during the period beginning on a Record Date and ending on an Interest Payment Date.

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 performed 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.

All provisions of the Indenture and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA has caused this Bond to be executed in its name by the manual or facsimile signatures of the Governor of the State of West Virginia and the Chairman of the Authority and its seal to be hereunto impressed or imprinted hereon and attested by the manual signature of the Secretary of State, all as of the date set forth above.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: _____________________________________
Name: Earl Ray Tomblin
Title: Governor of the State of West Virginia

By: _____________________________________
Name: Peter Markham, Governor’s Designee
Title: Chairman

[Great Seal of the State of West Virginia]

Attest:

By: _____________________________________
Name: Natalie Tennant
Title: Secretary of State of the State of West Virginia
CERTIFICATE OF AUTHENTICATION:

This Bond is one of the Bonds described in the within-named Indenture and has been duly registered in the name of the Registered Owner set forth above, as of the Date of Authentication set forth below.

Date of Authentication: February 9, 2016

United Bank, Inc.,
as Trustee

By: __________________________
Name: __________________________
Title: Authorized Officer
FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfer unto ____________________________ ____________________________  
________________________(Please print or typewrite name, address and Social Security Number of Transferee)_______________________________________the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints ________________________, as Attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: __________________________

In the presence of:

__________________________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.
You are hereby directed by the undersigned Authorized Officer of the School Building Authority of West Virginia (the “Authority”), in accordance with Section 4.04 of the Fifth Supplemental Trust Indenture dated as of February 9, 2016 (the “Fifth Supplemental Indenture”), between the Authority and United Bank, Inc. (the “Trustee”), to pay the following persons the following amounts from proceeds of the above-captioned Bonds (the “Series 2016 A Bonds”) deposited in the 2016 A Costs of Issuance Fund created under Section 4.01 of the Fifth 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:

1. 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 2016 A Costs of Issuance Fund.

2. 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 obligations.
obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

3. No event has occurred and is continuing which constitutes an Event of Default under the Indenture.

Attached hereto are invoices or other appropriate evidence of each payment request described in this Requisition.

Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Fifth Supplemental Indenture.

Dated: ________________

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: _______________________________

Name:

Title:

Approved: __________________________

UNITED BANK, INC.

By: _______________________________

Name:

Title:
EXHIBIT D
FORM OF PROJECT FUND REQUISITION
$21,340,000
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS
SERIES 2016 A

United Bank, Inc.
500 Virginia Street, East
Charleston, WV 25301
Attention: Corporate Trust Department

Requisition Number: ____________

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 4.05 of the Fifth Supplemental Trust Indenture dated as of February 9, 2016 (the “Fifth Supplemental Indenture”), between the Authority and United Bank, Inc. (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 “Series 2016 A Bonds”) deposited in the 2016 A Project Fund created under Section 4.01 of the Fifth 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 persons, 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 no 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 2016 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.

5. no event has occurred and is continuing which constitutes an Event of Default under the 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 Series 2016 A 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 herein but not otherwise defined herein shall have the meanings assigned to such terms in the Fifth Supplemental Indenture.
Dated: ____________________.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: ________________________________
Name: 
Title: 

Approved: 

UNITED BANK, INC.

By: ________________________________
Name: 
Title: 

C-100
APPENDIX D

FORM OF OPINION OF BOND COUNSEL
School Building Authority of West Virginia  
2300 Kanawha Boulevard, East  
Charleston, WV 25311  

United Bank, Inc.  
500 Virginia Street, East  
Charleston, WV 25301  

Re: $21,340,000 School Building Authority of West Virginia  
Lottery Capital Improvement Revenue Bonds, Series 2016 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 Lottery Capital Improvement Revenue Bonds, Series 2016 A, dated February 9, 2016 (the “Bonds”), in the aggregate principal amount of $21,340,000. 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 December 14, 2015 (the “Resolution”) and a Trust Indenture dated as of July 1, 2004, between the Authority and United Bank, Inc., as Trustee (the “Trustee”), as supplemented and amended from time to time (collectively, the “Indenture”), including as supplemented and amended by Fifth Supplemental Trust Indenture dated as of February 9, 2016, between the Authority and the Trustee (the “Fifth Supplemental Indenture”). Proceeds of the Bonds will be used for the purpose of (i) providing funds to permanently finance a portion of certain public schools facilities capital improvement projects in the State of West Virginia approved by the Authority and (ii) paying costs of issuance of the Bonds. The Bonds and the Fifth 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.
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 Fifth 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 that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors).

4. The Indenture creates the valid pledge which it purports to create of the Trust Estate, including the Revenues (as defined therein) and moneys and securities of the other funds and accounts pledged under the Indenture (except moneys and securities held in the
Purchase Fund, if any, the Rebate Fund and the Debt Service Reserve Fund), subject to the application thereof to the purposes and on the conditions permitted by the 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 in the Indenture and are duly and validly 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 future 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.

8. The execution and delivery of the Fifth Supplemental Indenture is authorized or permitted under the Indenture and the Act and will not adversely affect the excludability from gross income of the recipients thereof of interest on the Bonds for federal income tax purposes.

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 the benefit of the Bondholders of the Series 2016 A Bonds 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.

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
This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated February 9, 2016, 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 designee, or his successor, 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, depositaries 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 ending 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 and II under the heading entitled “Historical, Estimated and Projected West Virginia Lottery Revenues” in the Official Statement dated January 14, 2016, 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: Diana O’Brien
Title: 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

By: _______________________________________
Name: Peter G. Markham
Title: Chairman

WEST VIRGINIA LOTTERY

By: _______________________________________
Name: John Myers
Title: Acting Director
# 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**: Lottery Capital Improvement Revenue Bonds, Series 2016 A  
**Date of Issuance**: February 9, 2016  
**Date of Official Statement**: January 14, 2016

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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):   Lottery Capital Improvement Revenue Bonds, Series 2016 A

Date(s) of Issuance:  February 9, 2016

Date(s) of Disclosure Agreement:  February 9, 2016

CUSIP Numbers:  95667N

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:
95667N
or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95667N____
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: _____________________________________________

Date: ________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

E-17
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 February 9, 2016, 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:
95667N
or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95667N____
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: ____________________________
EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated February 9, 2016, 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:
95667N
or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:
95667N___
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: ___________________
The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2016 A Bonds. The Series 2016 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 2016 A Bond certificate will be issued for each maturity of the Series 2016 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 2016 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 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 2016 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 2016 A Bonds, except in the event that use of the book-entry system for the 2016 A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 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 2016 A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series
2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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, disposition 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 2016 A Bonds or (b) the Authority elects to discontinue its use of DTC as a clearing agency for the Series 2016 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 2016 A Bonds, as are necessary or appropriate to discontinue use of
DTC as a clearing agency for the Series 2016 A Bonds and to transfer the ownership of each of the Series 2016 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 2016 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.