

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2018

NEW ISSUE - Book Entry Only

(See "RATINGS" herein)

In the opinion of White Law Offices, PLLC ("Bond Counsel"), under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018 A Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2018 A Bonds is taken into account in determining the adjusted current earnings of certain corporations for purposes of calculating corporate alternative minimum taxable income for taxable years beginning on or before December 31, 2017. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. In addition, in the opinion of Bond Counsel, under the Act, the Series 2018 A Bonds, together with the interest on the bonds, shall be exempt from all taxation imposed by the State of West Virginia or by any county, school district, municipality or political subdivision thereof. See "TAX MATTERS" herein.

\$ _____*
STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2018 A

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The Series 2018 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 2018 A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Series 2018 A Bonds, payments of the principal of and interest on the Series 2018 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 2018 A BONDS -- Book-Entry Only System" herein). United Bank, a Virginia banking corporation authorized to transact business in West Virginia (formerly, United Bank, Inc.) (the "Trustee"), is Trustee, Registrar and Paying Agent for the Series 2018 A Bonds. Interest on the Series 2018 A Bonds will be payable on January 1 and July 1, commencing July 1, 2018.

The Series 2018 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 (the "State"), and (ii) pay costs of issuing the Series 2018 A Bonds.

The Series 2018 A Bonds are special obligations of the School Building Authority (the "Authority"), payable, together with the Parity Bonds (as defined herein) and any Additional Bonds (as defined herein), solely from the Trust Estate pledged under the Indenture, as such terms are defined herein. The Series 2018 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State, any county, school district, municipality or political subdivision of said State. The owners of the Series 2018 A Bonds shall have no right to have taxes levied by the Legislature of the State 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 2018 A Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2016 A and the Series 2016 B Bonds (as such terms are defined herein), together with any Additional Bonds 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 2018 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 2018 A Bonds shall be primarily secured by and payable from Net Profits (as defined herein), as set forth in the Lottery Act and Certain Racetrack Video Lottery Income (as 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 (as defined herein) and transferred to the Trustee for deposit in the Revenue Fund (as defined herein) established under the Indenture (as defined herein). In addition, any and all remaining funds in the State Excess Lottery Revenue Fund (as defined herein) after payment of debt service on Excess Lottery Bonds (as 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, the Series 2016 B Bonds, the Series 2018 A Bonds and any Additional Bonds issued under the Indenture, to the extent the funds available in the State Lottery Fund are insufficient to pay debt service on bonds issued pursuant to Section 18 of Lottery Act. See "SECURITY FOR THE SERIES 2018 A BONDS" 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 2018 A Bonds. Only amounts on deposit in the School Building Debt Service Fund constitute Revenues (as defined herein) under the Indenture.

The Series 2018 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, \$20,890,000 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, \$20,320,000 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 \$26,055,000, \$22,150,000 of which is currently outstanding; (iv) the Authority's Lottery Capital Improvement Revenue Bonds, Series 2016 A (the "Series 2016 A Bonds") issued on February 9, 2016, in the original principal amount of \$21,340,000, \$20,315,000 of which is currently outstanding; (v) the Authority's Lottery Capital Improvement Revenue Bonds, Series 2016 B (the "Series 2016 B Bonds") issued on November 16, 2016, in the original principal amount of \$21,255,000, \$21,255,000 of which is currently outstanding; and (vi) any Additional Bonds subsequently issued under the Indenture. See "SECURITY FOR THE SERIES 2018 A BONDS" herein.

The Series 2018 A Bonds are subject to optional redemption prior to maturity. See "THE SERIES 2018 A BONDS -- Redemption" herein. This cover page contains certain summary information regarding the Series 2018 A Bonds and is not a complete summary of the Series 2018 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 2018 A Bonds are being offered in accordance with the Notice of Sale dated April __, 2018. See "APPENDIX G - Notice of Sale." Electronic bids for the purchase of all, but not less than all, of the Series 2018 A Bonds will be received by and on behalf of the Authority via the Bidcomp™/PARITY® Competitive Bidding System until __ a.m. Eastern Standard Time, on __, April __, 2018. No in person or fax bids will be accepted.

The Series 2018 A Bonds are offered when, as and if issued by the Authority, and subject 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, Frost Brown Todd LLC, Charleston, West Virginia and Spilman Thomas & Battle, PLLC, Charleston, West Virginia, as Disclosure Counsel to the State. It is expected that the Series 2018 A Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about April __, 2018.

April __, 2018

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy. Nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of such jurisdiction.

* Preliminary, subject to change.

\$ _____ *

STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2018 A

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

<u>Year (July 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					

* Preliminary, subject to change.

**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 2018 A Bonds only at the time of issuance of the Series 2018 A Bonds. The Authority makes no 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 2018 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 ORIGINAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 A BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2018 A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2018 A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2018 A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2018 A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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 2018 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, NOR SHALL THERE BE ANY SALE OF THE SERIES 2018 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 2018 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," "THE PROGRAM," AND "THE PROJECTS" 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, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY AND SHOULD NOT BE CONSTRUED AS A REPRESENTATION BY ANY OF THE FOREGOING. THE PRESENTATION OF SUCH INFORMATION, INCLUDING BUT NOT LIMITED TO PLEDGED REVENUES AND OTHER FINANCIAL DATA, IS INTENDED TO SHOW RECENT HISTORIC INFORMATION AND IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS. NO REPRESENTATION IS MADE THAT PAST EXPERIENCE, AS SHOWN BY SUCH FINANCIAL AND OTHER INFORMATION, WILL NECESSARILY BE REPEATED IN THE FUTURE. THIS OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY STATED TO BE SUCH, WHICH ARE NOT INTENDED AS STATEMENTS OR REPRESENTATIONS OF FACT OR CERTAINTY, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS, OR THAT THEY WILL BE REALIZED. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE WEST VIRGINIA LOTTERY SINCE THE DATE HEREOF.

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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OFFICIAL STATEMENT

\$ _____ *

STATE OF WEST VIRGINIA SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA LOTTERY CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2018 A

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 \$ _____ * Lottery Capital Improvement Revenue Bonds, Series 2018 A (the “Series 2018 A Bonds”). The Series 2018 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 on March 19, 2018, authorizing the issuance of the Series 2018 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, as supplemented by a Fifth Supplemental Trust Indenture dated as of February 9, 2016, as supplemented by a Sixth Supplemental Trust Indenture dated as of November 16, 2016, and as supplemented by a Seventh Supplemental Trust Indenture dated as of April __, 2018 (collectively, the “Indenture”), each between the Authority and United Bank, a Virginia banking corporation authorized to transact business in West Virginia (formerly, United Bank, Inc.), as trustee (the “Trustee”). The Trustee is also the Paying Agent and Registrar for the Series 2018 A Bonds. The Series 2018 A Bonds are initially issued in “book-entry” form only. See “THE SERIES 2018 A BONDS -- Book-Entry Only System” herein.

Security for the Series 2018 A Bonds

All Bonds issued by the Authority under the Indenture (the “Bonds”), including the Series 2018 A Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2016 A Bonds, the Series 2016 B and any Additional Bonds (as defined herein), 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 created under the School Building Authority Act (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 (as defined herein) 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 defined herein) (collectively, the “Revenues”). See “SECURITY FOR THE SERIES 2018 A BONDS -- “Revenues” and “Available Excess Lottery Revenues” herein.

The School Building Authority Act, the Lottery Act and the Racetrack Video Lottery Act (as defined herein) collectively 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

*Preliminary, subject to change.

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 less: (i) a minimum annual average of 45% of the gross amount received from each lottery allocated and disbursed as prizes, and (ii) not more than 15% 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 (the "Net Profits"). The State Lottery Fund also receives each fiscal year, revenues equal to 30% 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 herein 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 made to the School Building Debt Service Fund on a first priority basis 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 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; 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 and Certain Racetrack Video Lottery Income for the preceding 12 months are not at least equal to 150% 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 revenue bonds are outstanding, the Director of the West Virginia Lottery shall allocate to the School Building Debt Service Fund, as a first priority from the State Lottery Fund for the preceding month, an amount equal to 1/10th of the projected annual principal, interest and coverage ratio requirements on any and all bonds and refunding revenue 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.

Since July 1, 2014, any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of debt service on bonds issued 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 2018 A Bonds. See “SECURITY FOR THE SERIES 2018 A BONDS – Available Excess Lottery Revenues” herein.

Bondholders’ Risks

The purchase of the Series 2018 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 2018 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 2018 A Bonds and to pledge the Revenues as security therefor pursuant to the School Building Authority Act. The Authority is issuing the Series 2018 A Bonds pursuant to the Resolution, the Indenture and the School Building Authority Act.

An 11-member board governs the Authority. The Governor, or his designee, serves as the Chair of the Authority. The Governor has designated Brian R. Abraham as the Chair of the Authority. The remaining ten (10) members consist of the State Superintendent of Schools, three (3) members of the

State Board of Education selected by the State Board of Education and six (6) citizens of the State appointed by the Governor. The members of the Authority and their terms are as follows:

Name	Title	Term
Governor James Justice	Governor	Ex-Officio
Brian R. Abraham	Governor’s Designated Chair	Ex-Officio
Steven L. Burton	Vice Chair	July 31, 2018
Dr. Steven Paine	State Superintendent of Schools	Ex-Officio
Victor L. Gabriel	Secretary	July 31, 2018
David G. Perry	Member	November 4, 2020
Miller Hall	Member	November 4, 2018
Robert E. Holroyd, Esquire	Member	July 31, 2018
Tom Lange	Member, Chair of Finance Committee	July 31, 2019
Dr. James S. Wilson	Member	November 4, 2019
Chris Morris	Member	July 31, 2018
T. Bartlett Willis	Member	July 31, 2019

Biographical Information of Certain Officers of the Authority

The principal officers of the Authority are Frank “Bucky” Blackwell, 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:

Frank “Bucky” Blackwell, Executive Director –

Frank “Bucky” Blackwell was appointed the Executive Director of the Authority on January 24, 2017. Mr. Blackwell, from Mullens, West Virginia, grew up in the nearby small coal community of Corinne, graduated from Mullens High School and earned his Bachelors and Master’s Degrees from Marshall University. Mr. Blackwell has been an educator all of his 47-year professional career. He has held the position of teacher, principal, (President of the Elementary Principals’ Association for 7-years), Assistant Superintendent and Superintendent of Wyoming County Schools. Mr. Blackwell took the office of Superintendent of Wyoming County on July 1, 1982, and retired June 30, 2016, after 34 years of service. He has also been honored by his peers awarding him West Virginia Superintendent of the Year. During this time, as Superintendent, he worked with the Authority many times to acquire funding for renovations in existing schools and the construction of a new elementary school; a PreK-8 School and two High Schools, in Wyoming County. He also has served seven-years in the West Virginia House of Delegates and was Chairman of Roads and Transportation for two-years. He has been a member of the West Virginia Master Plan for Public Education and Senior Manager’s Symposium and served on the Governor’s Education Transition Team. He also is a former member of Concord University’s Board of Governors and served as Chairman of the Board. Mr. Blackwell is a Distinguished West Virginian.

Scott Raines, Director of Architectural Services –

The Director of Architectural Services for the Authority is Scott Raines. Mr. Raines began working for the Authority in April 2005. Mr. Raines began working as Director of Architectural Services in June 2012. He is a native West Virginian who completed his undergraduate studies at West Virginia State University, earning an Associate of Science degree in Architectural Technology. Before joining the Authority, Mr. Raines was employed as an educational planner and designer for various architectural

firms in the Charleston, West Virginia area. Mr. Raines has over 20 years' experience in public and private business in the field of school planning, design and construction. He is a nationally recognized educational facilities planner and a member of the CEFPI and is a REFP.

Garry Stewart, Director of Finance –

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

History and Experience of Authority in the Issuance of Bonds

Since its inception in 1989, the Authority has issued 23 series of bonds representing an aggregate principal amount of \$1,545,065,000. Twelve of these series of bonds, namely the Authority's Excess Lottery Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 A (Tax Credit Bonds) (the "Series 2009 A Tax Credit Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 B (Tax Credit Bonds) (the "Series 2009 B Tax Credit Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010 A (Tax Credit Bonds) (the "Series 2010 A Tax Credit Bonds"), Excess Lottery Revenue Bonds, Series 2010 B (Tax-Exempt) (the "Series 2010 B Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2012 A (the "Series 2012 Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2013 A (the "Series 2013 Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2014 A (the "Series 2014 Bonds"), Excess Lottery Revenue Refunding Bonds, Series 2015 A (the "Series 2015 A Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2016 A (the "Series 2016 A Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2016 B (the "Series 2016 B Bonds") and Lottery Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Series 2017 Bonds") remain outstanding. See the following table for a summary of the Authority's outstanding bonds and the source of the revenue from which debt service is paid. See also "SECURITY FOR THE SERIES 2018 A BONDS."

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Series Name	Original Principal	Amount of Bonds Outstanding as of March 31, 2018¹	Revenues From Which Debt Service Is Paid
Series 2008 Bonds	102,145,000	4,775,000	Excess Lottery School Building Debt Service Fund
Series 2009 A Tax Credit Bonds	30,000,000	14,000,000	Excess Lottery School Building Debt Service Fund
Series 2009 B Tax Credit Bonds	48,200,000	26,344,280	Excess Lottery School Building Debt Service Fund
Series 2010 A Tax Credit Bonds	72,280,000	42,678,038	Excess Lottery School Building Debt Service Fund
Series 2010 B Bonds	25,000,000	20,660,000	Excess Lottery School Building Debt Service Fund
Series 2012 Bonds	25,575,000	20,890,000	School Building Debt Service Fund
Series 2013 Bonds	24,425,000	20,320,000	School Building Debt Service Fund
Series 2014 Bonds	26,055,000	22,150,000	School Building Debt Service Fund
Series 2015 A Bonds	63,640,000	63,555,000	Excess Lottery School Building Debt Service Fund
Series 2016 A Bonds	21,340,000	20,315,000	School Building Debt Service Fund
Series 2016 B Bonds	21,255,000	21,255,000	School Building Debt Service Fund
Series 2017 Bonds	38,415,000	38,415,000	State Appropriations
Totals	\$498,330,000	\$315,357,318	

⁽¹⁾ Net of sinking fund balances with respect to the Series 2009 A Tax Credit Bonds, Series 2009 B Tax Credit Bonds and the Series 2010 A Tax Credit Bonds.

The Trust Estate, which includes Revenues deposited into the School Building Debt Service Fund, does not secure 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, the Series 2015 A Bonds or the Series 2017 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 2017 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 the Lottery Bonds. The Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2016 A Bonds and the Series 2016 B Bonds (collectively, the "Parity Bonds"), are secured ratably by a first lien on the Trust Estate and will secure ratably the Series 2018 A Bonds.

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 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, the Series 2015 A Bonds, the Series 2016 A Bonds and the Series 2016 B Bonds, all payable from certain revenues of the West Virginia Lottery as set forth in the chart on the previous page. The Series 2018 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 2018 A Bonds, the amount of bonds outstanding, as reflected in the chart on the previous page, together with the Series 2018 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 levels, 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 the State, 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 (3) primary areas in public education: modernizing facilities, the teaching force and improved curriculum. The issue of modernizing facilities was addressed by creating the Authority and providing funding for the Program (as defined herein). See “THE PROGRAM.”

In 2013, the State 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 (5) days per week four (4) 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.

In recent years, the State Legislature has passed other legislation to improve the State's public school system. During the 2016 legislative session, the Legislature passed House Bill 4295 to create Innovation in Education-designated schools. The bill, which Governor Tomblin supported, gives grants to public schools in the State to implement key innovational education priorities and improve overall student outcomes. Through an application process, public schools can redesign delivery of instruction and operate under greater flexibility to enhance student engagement to increase educational achievement. Those schools must demonstrate innovation in education in any of the following priority areas: 1) science, technology, engineering and math (STEM); 2) community-school partnership; 3) entrepreneurship; 4) career pathways; or 5) the arts. Since passage of House Bill 4295, the West Virginia Board of Education has approved Innovation in Education designations for nine schools throughout the State, being John Marshall High School (Marshall County), Dunbar Intermediate School (Kanawha County), Greenbrier West High School, (Greenbrier County), Mary Ingles Elementary (Kanawha County), Philip Barbour High School (Barbour County), Tucker County High School (Tucker County), Spring Mills High School (Berkeley County), George Washington High School (Kanawha County) and Oak Glen Middle School (Hancock County). In total, these schools with the Innovation in Education designation will receive more than \$2.4 million in special funding.

The Legislature also passed House Bill 4730 during the 2016 regular session, which requires the State Board of Education to submit a plan to the Legislative Oversight Commission on Education Accountability for the implementation of computer science instruction and learning standards in public schools to ensure that computer science concepts and courses in the State's K through 12 curriculum can adequately prepare students for future job opportunities.

In 2017, the State Legislature passed Senate Bill 630, which establishes the Accessibility and Equity in Public Education Enhancement Act that allows a county board of education or a multicounty consortium to create virtual instruction programs for students from grades K through 12 to enhance educational opportunities for students by using technology to deliver instruction as an alternative to the traditional classroom delivery of education. Senate Bill 630 also allows participating students to participate in sports and other public-school related activities. Under the legislation, the State still receives the full per-pupil state school aid formula funding for each student who participates in the virtual education program.

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 2018 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 State 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"). During the fiscal year ended June 30, 2017, the Authority received \$93,620,956 in allocations from the State to fund the Program.

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: (i) the School Building Capital Improvements Fund, (ii) the School Construction Fund, (iii) the School Major Improvement Fund, (iv) the School Building Debt

Service Fund, (v) Excess Lottery School Building Debt Service Fund and (vi) 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 2017 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 2018 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. See "SECURITY FOR THE SERIES 2018 A BONDS – Available Excess Lottery Revenues" for information regarding use of any funds in the State Excess Lottery Revenue Fund for payment of Lottery Bonds Debt Service. 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.

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 2016 and 2017, the Authority expended \$51,747,833 and \$54,874,333, 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 has received applications from county boards of education in the State for construction projects that may be financed from proceeds of the Series 2018 A Bonds, and such construction projects to be considered by the Authority are more particularly described in **APPENDIX A** (the “2018 Projects”). The Authority shall fund certain of the 2018 Projects (the “Initial Projects”) to the extent proceeds of the 2018 A Bonds are available therefor. The Authority expects and intends to approve additional capital improvement projects for public schools in the State 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 2018 A Bonds and, potentially, in part, by local and other funds available to the county boards of education. See **APPENDIX A – PROJECTS**.

THE SERIES 2018 A BONDS

General

The Series 2018 A Bonds are issued in fully-registered form in Authorized Denominations of \$5,000 or any integral multiple thereof. The Series 2018 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 2018 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 2018 A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2018. The Series 2018 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 12 30-day months. The Series 2018 A Bonds are subject to redemption prior to maturity as described below under “THE SERIES 2018 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 2018 A BONDS - Book-Entry Only System,” the Series 2018 A Bonds will initially be issued exclusively in “book-entry” form.

Redemption

Optional Redemption. The Series 2018 A Bonds maturing on or after July 1, ____, are subject to redemption prior to their maturity on and after July 1, ____, 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 2018 A Bonds and the amounts thereof to be redeemed, provided the Series 2018 A Bonds will be redeemed in whole multiples of \$5,000 in principal amount.

Notice of Redemption. Notice of redemption of the Series 2018 A Bonds will be mailed by the Trustee postage prepaid not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners of Series 2018 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 2018 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 2018 A Bonds to be redeemed and, in the case of Series 2018 A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2018 A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2018 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 2018 A Bond shall cease to accrue and be payable.

Notice of redemption of Series 2018 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 2018 A Bonds, unless moneys sufficient to pay the redemption price of the Series 2018 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 2018 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 2018 A Bonds are to be redeemed, the Trustee shall select the Series 2018 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 2018 A Bonds or portions thereof so selected for redemption. The selection of Series 2018 A Bonds shall be at such time as determined by the Trustee. The foregoing notwithstanding, the Authority may select the Series 2018 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 2018 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 2018 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 2018 A Bonds so called for redemption shall cease to accrue, said Series 2018 A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2018 A Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price.

Book-Entry Only System

The Series 2018 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 2018 A Bonds. One fully-registered Series 2018 A Bond will be issued for each maturity, and will be deposited with the DTC.

Purchases of the Series 2018 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 2018 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 2018 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 2018 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 2018 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, and (ii) pay costs of issuing the Series 2018 A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

SOURCES OF FUNDS

Principal Amount of the Series 2018 A Bonds	\$ _____ *
Plus: [Net Original Issue Premium/Discount]	
 Total Sources of Funds	

USES OF FUNDS

Deposit to Series 2018 A Project Fund
Costs of Issuance**
 Total Uses of Funds

* Preliminary, subject to change.

** Includes Original Purchaser's Discount and fees and expenses of Bond Counsel, counsel to the Authority, Disclosure Counsel, the Trustee, rating agencies, Financial Advisor, printing costs and other miscellaneous fees and expenses relating to the issuance of the Series 2018 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 2018 A Bonds and the Parity Bonds.

Year Ending <u>July 1</u>	Series 2018 A Bonds <u>Principal</u>	Series 2018 A Bonds <u>Interest</u>	Aggregate Debt Service on the <u>Parity Bonds</u>	Total Debt <u>Service</u>
2018			\$11,585,563	
2019			11,587,513	
2020			11,585,813	
2021			11,591,163	
2022			11,586,363	
2023			11,575,863	
2024			11,591,113	
2025			11,582,300	
2026			11,587,550	
2027			11,575,425	
2028			9,010,500	
2029			6,572,500	
2030			4,071,750	
2031			4,076,500	
2032			2,037,000	
2033				
Total	<u>\$</u>	<u>\$</u>	<u>\$141,616,916</u>	<u>\$</u>

SECURITY FOR THE SERIES 2018 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 2018 A Bonds, the Parity Bonds and any Additional Bonds issued under the Indenture. The Trust Estate is comprised of (i) 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 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, if any) 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 “Available Excess Lottery Revenues” below.

Limited Obligations

The Series 2018 A Bonds are special obligations of the Authority, payable, together with the Parity Bonds and any Additional Bonds, solely from the Trust Estate pledged under the Indenture. The Series 2018 A Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State, any county, school district, municipality or political subdivision of said State. The owners of the Series 2018 A Bonds shall have no right to have taxes levied by the Legislature of the State 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 2018 A Bonds will be issued on parity with the Parity Bonds. The Parity Bonds were issued pursuant to the Indenture.

Additional Bonds

The Authority may issue Additional Bonds on a parity with the lien of the Series 2018 A Bonds and all other outstanding Parity Bonds secured by 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 12 consecutive months of the prior 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 12 consecutive months of the prior 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 2018 A Bonds authorized the issuance of not to exceed \$48,000,000 aggregate principal amount of the Authority's Lottery Capital Improvement Revenue Bonds.

Revenues

All Bonds issued under the Indenture, including the Series 2018 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 less: (i) a minimum annual average of 45% of the gross amount received from each lottery allocated and disbursed as prizes, and (ii) not more than 15% 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 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 made to the School Building Debt Service Fund on a first priority basis 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 other Excess Lottery Bonds, if necessary, the remaining Net Profits and Certain Racetrack Video Lottery Income are 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, 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 Lottery Bonds Debt Service, or (ii) when Net Profits for the preceding 12 months are not at least equal to 150% 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 of the Authority 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 1/10th 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.

Available Excess Lottery Revenues

Since July 1, 2014, 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. Specifically, with respect to additional deposits to the State Excess Lottery Revenue Fund, Sections 10d and 10e of Chapter 29, Article 22A of the Code of West Virginia, 1931, as amended (the “Racetrack Video Lottery Act”), Section 27a of Chapter 29, Article 22C of the Code of West Virginia, 1931, as amended (the “Racetrack Table Games Act”), and Section 22b of Chapter 29, Article 25 of the Code of West Virginia, 1931, as amended (the “Authorized Gaming Facility Act”), provide for deposits to the State Excess Lottery Revenue Fund of the following: (i) certain video lottery net terminal income and

table games adjusted gross receipts from the State's four racetrack casinos (the "Racetrack Casinos"); and (ii) certain gross terminal income and certain net income from the Greenbrier Resort. These additional deposits into the State Excess Lottery Revenue Fund are available for payment of debt service for bonds issued pursuant to Section 18a of the Lottery Act by the Authority, the West Virginia Economic Development Authority and the Higher Education Policy Commission, for bonds issued by the West Virginia Water Development Authority issued pursuant to Section 18d of the Lottery Act and for any bonds issued pursuant to Section 18e of the Lottery Act by the West Virginia Economic Development Authority, and then are available for payment of Lottery Bonds Debt Service, as defined in "THE STATE LOTTERY FUND – Transfers from the State Lottery Fund required by the Lottery Act" herein (to the extent there are insufficient funds on deposit in the State Lottery Fund to make payments of Lottery Bonds Debt Service), and then become available for appropriation by the State Legislature. Such appropriations shall be paid on a pro rata basis from moneys that remain in any given month after the payment of debt service. See "THE STATE EXCESS LOTTERY REVENUE FUND" herein. The additional deposits to the State Excess Lottery Revenue Fund pursuant to Sections 10d and 10e of the Racetrack Video Lottery Act, Section 27a of the Racetrack Table Games Act, and Section 22b of the Authorized Gaming Facility Act increased the percentage of certain gaming dollars deposited into the State Excess Lottery Revenue Fund. See "HISTORICAL, ESTIMATED AND PROJECTED WEST VIRGINIA LOTTERY REVENUES - Table I – Historical, Estimated and Projected Revenues" herein.

Since July 1, 2014, any and all remaining funds in the State Excess Lottery Revenue Fund, after payment of Excess Lottery Bonds Debt Service, are available 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 1/10th 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 1/10th transfers to the funds used to pay Excess Lottery Bonds Debt Service.

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.

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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 State Department of Revenue, presided over by a Cabinet Secretary.

The Lottery Commission

The Lottery Commission consists of seven (7) commissioners appointed to staggered terms by the Governor. The Lottery Act provides that one (1) commissioner shall be a lawyer, one (1) shall be a certified public accountant (“CPA”), one (1) shall be a computer expert, one (1) shall have not less than five (5) years’ experience in law enforcement and one (1) shall be qualified by experience and training in the field of marketing. The two (2) 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:

<u>Name</u>	<u>Qualifying Position</u>	<u>End of Term</u>
Douglas Bicksler	CPA	June 30, 2019
Kenneth L. Greear, Chairman	Computer Expert	June 30, 2018
Dan A. Marshall	Attorney	June 30, 2022
Roy E. Shrewsbury, II	Public Member At-Large	June 30, 2019
William I. Clayton, Vice Chairman	Public Member At-Large	June 30, 2020
Andrew B. Kniceley	Marketing Expert	June 30, 2022
William Laird	Law Enforcement	June 30, 2021

The Lottery Act creates the position of Director of the Lottery Office (the “Lottery Director”) and three (3) 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 (4) 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.

Director: Alan Larrick was appointed by Governor Jim Justice as the Director of the West Virginia Lottery in January 2017. Mr. Larrick is a graduate of West Virginia University. He practiced law in Beckley, West Virginia, for 38 years. He is a former partner of Ragland and Larrick, where he remained until 1996, when he formed Larrick Law Offices. Mr. Larrick has served on the Board of Directors of First State Bank and the Beckley YMCA. He has also served as a member of the regional Board of Directors of City National Bank, the President and Treasurer of the Raleigh County Bar Association, and President of the Raleigh County Chapter of the West Virginia Alumni Association.

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: Tommy Young, Deputy Director of Marketing, joined the West Virginia Lottery in January 2016. Prior to joining the West Virginia Lottery, Mr. Young was employed by ZMM Architects & Engineers. He is a former U.S. Marine serving from 1984 – 1991 and the West Virginia National Air Guard from 1991 – 2007.

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: Robert D. Humphrey, Deputy Director for Video Lottery joined the West Virginia Lottery in September 2002. Prior to joining the West Virginia Lottery, Mr. Humphrey was employed as Operations Manager for Thomas Memorial Hospital. Mr. Humphrey is a graduate of West Virginia State University and Marshall 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 25 years' service. He holds a master's degree from West Virginia University.

Overview of Lottery Operations

The headquarters of the West Virginia Lottery is in Charleston, West Virginia in a 13-story, 142,000 square-foot building containing approximately 51,300 total square feet of space for operations. The West Virginia Lottery has approximately 200 employees. Currently, the West Virginia Lottery is under contract 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 1,500 retailers selling traditional games are connected to this system.

In August 2017, the West Virginia Lottery and IGT Global Solutions Corporation ("IGT") entered into a seven-year contract which will provide the West Virginia Lottery with a new traditional-lottery central system, new lottery retail and self-service customer terminals, a redundant, multi-technology communications network, a Lottery mobile convenience app, and ongoing services. The contract, which is scheduled to begin on June 28, 2018, allows for three one-year renewal options and is the result of a recent procurement process. The convenience app for mobile phone and tablet users will provide a variety of services to West Virginia Lottery players, and will be both developed and maintained by IGT. The mobile app will be launched in conjunction with the Lottery gaming system conversion later this year. This new mobile solution will provide West Virginia Lottery players with an easy and convenient platform to obtain game information, check tickets for prize redemption at retail, create digital play slips that generate QR codes to help speed transactions and ease of play, as well as provide the Lottery with seamless integration into IGT's new Aurora gaming system platform. As part of the contract, the West Virginia Lottery will receive several components of IGT's Aurora™ platform including Aurora Navigator back-office applications, IGT's Aurora Performance Intel solution, comprehensive business intelligence and analytics tool that provides detailed insights, and IGT's Aurora Retailer Wizard solution that will help West Virginia Lottery retailers more effectively manage their businesses, interact with the West Virginia Lottery, and drive results. The West Virginia Lottery will also have Aurora OnePlace that will provide field sales personnel with updated tools for sales and inventory management at retail locations across the State. The West Virginia Lottery will also receive new equipment at retail, including IGT's full function Altura™ Flex draw-based lottery terminal offering a smaller footprint to optimize retail space and functionality for retailers, and IGT's Aurora™ MultiMedia in-store signage. The West Virginia Lottery will also benefit from an enhanced communications solution for more than half of its

retailer network with IGT's patented Dual Comm Inside, an innovative pairing of next-generation VSAT technology with 4G cellular, to offer the highest network availability in the lottery industry. IGT will maintain its primary and backup data centers in West Virginia, providing services to the West Virginia Lottery including installation and maintenance of the new system platform, terminals, and communications network; retailer training; field services; telemarketing sales and services; and instant ticket warehousing and distribution.

IGT also recently signed a four-year contract with the West Virginia Lottery to provide all of the West Virginia Lottery's instant ticket printing business, following a separate competitive bid process.

The West Virginia Lottery owns and operates a Scientific Games Connexus central computer system that controls all racetrack and limited video lottery machines in the State. The Connexus system replaced the West Virginia Lottery's Aegis Video system that had been in operation since 2006. The new Connexus system uses up-to-date IP cellular connections, which are faster and more reliable than the Aegis Video system's dial-up phone connections, to relay data from approximately 14,000 video lottery machines in over 1,400 bars, clubs and fraternal organizations around the State. The Connexus system also controls and monitors over 7,000 video lottery machines in the Racetrack Casinos and the casino at the Greenbrier Resort.

The West Virginia Lottery's computer operations, instant and online game systems, Connexus video lottery 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 Bridgeport, West Virginia facility. The Bridgeport, West Virginia facility contains approximately 8,260 square feet and functions 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 weekly via electronic funds transfer (sweep) 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 daily each banking day from each of the Racetrack Casinos. The racetracks and others' shares are remitted to each entity weekly.

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 monthly. 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 operated at all Racetrack Casinos. The State's share of adjusted gross receipts is swept weekly.

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

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 operates all of its games out of its Charleston, West Virginia office. Six (6) different 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 8.7% of lottery sales for the fiscal year ended June 30, 2017. Sales of online numbers games began later in 1986 and accounted for 6.7% of lottery sales in fiscal year 2017.

Racetrack Video Lottery was first introduced in 1990 and later expanded to all four (4) racetracks in the State after the passage of the Racetrack Video Lottery Act in March 1994. For the fiscal year ended June 30, 2017, Racetrack Video Lottery accounted for 48.4% of total lottery sales. Mountaineer Casino Racetrack & Resort accounted for 9.5% of total lottery sales, Wheeling Island Hotel-Casino-Racetrack accounted for 8.2% of total lottery sales, Mardi Gras Casino & Resort accounted for 4.3% of total lottery sales, and Hollywood Casino at Charles Town Races accounted for 26.4% 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 2017, Limited Video Lottery accounted for 32.2% 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 2017, table games accounted for approximately 3.6% 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 Racetrack Casinos. During fiscal year 2017, the Greenbrier Resort accounted for 0.4% 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 1,500. Instant games are introduced monthly, with approximately 42 games being introduced in a single year. Twenty to 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 60% and 72%. The West Virginia Lottery's instant ticket vendor, GTECH Corporation, manufactures instant tickets that are scratch-off tickets. The State Legislature during its 2013 Session updated the West Virginia Lottery Legislative Rule so 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 3-digit and 4-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 \$40 million and LOTTO AMERICA®, also a multi-state game, with a guaranteed starting jackpot of \$2 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 (5) minutes. TRAVEL/KENO has an average payout of approximately 60%. 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 10-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 of the State's Racetrack Casinos. These locations include Mountaineer Casino Racetrack & Resort (thoroughbred horseracing), Wheeling Island Hotel-Casino-Racetrack (greyhound dog racing), Hollywood Casino at Charles Town Races (thoroughbred horseracing) and Mardi Gras Casino & Resort (greyhound dog racing) 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 (3) 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 adding 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. 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 Racetrack Casinos were ticket in ticket out (slot machines). The number of terminals approved for the Racetrack Casinos is a maximum aggregate amount of 13,900. As of June 30, 2017, 6,221 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 Racetrack Table Games Act, which became effective as of June 6, 2007. The Racetrack Table Games Act authorizes the Lottery Commission to issue up to four (4) racetrack table games licenses to racetracks 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 Racetrack 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. Hollywood Casino at Charles Town Races began operating table games on July 1, 2010. Under the Racetrack Table Games Act, subject to certain conditions, voters in a county previously approving Racetrack Table Games may petition for a new local option election to reconsider whether table games are permitted. The tax rate for each racetrack participating in this form of legal gaming is 35% of adjusted gross receipts. A portion of these funds are 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. See “THE STATE EXCESS LOTTERY REVENUE FUND -- Transfer of Moneys in Racetrack Table Games Fund to the State Excess Lottery Revenue Fund” herein.

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 transfer equal to 2.5% of the State’s share of gross terminal income and a deduction for Lottery administrative costs, 14% of the remaining funds are distributed to counties and municipalities and the remaining 86% of the funds are deposited in the State Excess Lottery Revenue Fund pursuant to Section 22b of the Authorized Gaming Facility Act, and are available for payment of debt service and then appropriation to the extent funds are available. See “THE STATE EXCESS LOTTERY REVENUE FUND -- Transfer of Moneys in Historic Resort Hotel Fund to the State Excess Lottery Revenue Fund” herein. Approximately 2,450 employees at the Greenbrier Resort are subject to a collective bargaining agreement, which will expire on **February 1, 2018 [TO BE UPDATED]**.

West Virginia Racetracks

Mountaineer Casino Racetrack & Resort (sometimes hereinafter referred to as “Mountaineer”) in the Northern Panhandle Region of West Virginia in 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 357 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 1,484 video lottery gaming machines (currently approved for 3,500) and 46 table games. The facility includes six (6) gaming areas, eight (8) restaurants, and five (5) lounge areas. A conference center and an entertainment center that seats an audience of 1,300 can accommodate large gatherings. 1,000 horses can be stabled on the property and race on a 1-mile thoroughbred racetrack. 5,412 parking spaces are available for patrons. Mountaineer Casino Racetrack & Resort 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, 2020, but is subject to automatic renewal each year unless either party terminates by giving sixty (60) days advance notice to the other party. 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 Racetrack Employees Union Local 101, and are currently subject to a labor agreement that will expire on April 14, 2018. Two (2) plumbers at Mountaineer are members of the United Association of Journeymen

and Apprentices of the Plumbing and Pipe Fitting Industry Local 396, with a collective bargaining agreement that will expire on May 31, 2020, but is subject to automatic renewal year unless written notice to terminate the contract is given by either party to the other party by April 1, 2020, or each April 1 of any year thereafter.

Hollywood Casino at Charles Town Races (sometimes hereinafter referred to as “Hollywood Casino”) entertainment complex is a thoroughbred racetrack and gaming facility in Charles Town, West Virginia. The facility is in the State’s Eastern Panhandle and is in the Washington D.C. metropolitan area, which is also inclusive of the Northern Virginia suburbs and near 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 2,418 video lottery gaming machines (currently approved for 6,000) and 93 table games and 150,000 square feet of racing and support facilities for a total of 359,508 square feet. Included in the facility are seven (7) gaming areas, 11 restaurants, four (4) themed bars and one (1) 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 owns a 300-acre parcel of which 155 acres are developed. In 2013, Penn National Gaming, Inc. separated its real estate holdings and gaming operations into two (2) separate companies. Gaming and Leisure Properties now owns all real estate upon which the gaming operations of Hollywood Casino take place. The two (2) 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 in the State’s northern panhandle in Wheeling. 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 151 room high-rise hotel is centrally located to the three (3) gaming areas, eight (8) restaurants, gift shop and show room with a capacity for an audience of over 1,000. There is a total gaming area of 61,412 square feet with 1,242 video lottery gaming machines (currently approved for 2,400) and 32 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 owns an 87 acre tract of which 74 acres is 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). 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 subject to a collective bargaining agreement that expired on February 25, 2018, which has been extended to April 15, 2018, and negotiations are currently taking place on a new long term agreement. 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 September 31, 2019, hotel security employees are subject to a collective bargaining

agreement that will expire on September 31, 2019, and food and beverage employees are subject to a collective bargaining agreement that will expire on September 30, 2020.

Mardi Gras Casino & Resort (sometimes hereinafter referred to as “Mardi Gras”) is a greyhound racing and gaming facility located approximately ten (10) miles from the State Capitol in Charleston, West Virginia. Prior to March 1, 2018, the track’s owner was Hartman and Tyner, Inc. Pursuant to an asset purchase transaction, on March 1, 2018, the track was acquired by 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, and also the owner of Wheeling Island Casino. The facility includes a total gaming area of 90,000 square feet with 861 video lottery gaming machines (currently approved for 2,000) and 56 table games and 132,000 square feet of racing and support areas. There are three (3) gaming areas, three (3) restaurants, eight (8) 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 owns 132 acres of which 57 acres are developed. In connection with its deployment of Table Games, Mardi Gras remodeled its facility to include two (2) gaming areas for Table Games and has constructed and opened a 150-room hotel.

Currently, 200 workers at Mardi Gras are represented by the United Steelworkers Union, Local 14614-F8. The union members entered into a 3-year contract with Mardi Gras that will expire on June 30, 2019. The entity that acquired Mardi Gras will absorb and honor such agreement the previous owners had agreed to which expires on June 30, 2019. The workers at Mardi Gras subject to this contract 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, 2017**

Mountaineer Park		Wheeling Island		Mardi Gras		Hollywood Casino	
Ohio	65%	Ohio	49%	West Virginia	37%	Virginia	49%
Pennsylvania	27%	Pennsylvania	31%	Ohio	20%	Maryland	28%
West Virginia	3%	West Virginia	8%	Kentucky	9%	West Virginia	12%
Other	5%	Other	12%	Virginia	8%	Pennsylvania	5%
				North Carolina	6%	Washington, DC	1%
				Other	20%	Other	5%

Source: West Virginia Lottery

Limited Video Lottery Games

Chapter 29, Article 22B of the Code of West Virginia, 1931, as amended (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, 2017, there were 6,734 machines operating in 1,325 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, 2017 were Kanawha – 511, Wood – 531, Cabell – 394, Ohio – 439 and Berkeley – 423. These five (5) counties represent 34.1% of the total machines in the Limited Video Lottery market; the remaining 48 counties represent 65.9%, ranging from 3 to 354 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 30% of the net terminal income from the Racetrack Video Lottery.

Lottery Traditional Games

A minimum annual average of 45% of the gross amount received from Traditional Games is allocated and disbursed as prizes, and not more than 15% 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 2017, \$39.6 million in net profits from Traditional Games was deposited into the State Lottery Fund.

Racetrack Video Lottery

The Racetrack Video Lottery Act establishes two (2) permanent benchmarks for each racetrack based on fiscal year ended June 30, 2001 results. The first of these two (2) 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.

Gross Benchmark

Net Benchmark

Track	(\$ Millions)	(\$ Millions)
Mountaineer	\$ 161.9	\$ 160.3
Wheeling	97.9	96.9
Mardi Gras	44.8	44.4
Hollywood Casino	<u>133.5</u>	<u>132.2</u>
	<u>\$ 438.1</u>	<u>\$ 433.8</u>

Source: West Virginia Lottery

For Racetrack Video Lottery, the State Lottery Fund receives fiscal year revenues equal to 30% 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 2017, \$2.4 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 fiscal years 2013 through 2017.

	Net Benchmark (\$ in Millions)¹	2013	2014	2015	2016	2017
Mountaineer	\$160.3	\$154.3	\$143.7	\$127.3	\$ 102.8	\$ 98.4
Wheeling	96.9	95	83.2	82.2	85.6	84.8
Mardi Gras	44.4	47.7	43.4	41.5	41.2	44.0
Hollywood Casino	132.2	332.5	297	284.5	286.6	273.3
Total	\$433.8	\$629.5	\$567.3	\$535.5	\$516.2	\$500.5
30% of Net Terminal Income up to Net Benchmark		\$127.8	\$120.8	\$115.0	\$108.6	\$107.8
Administrative Surplus ²		2.83	1.55	1.94	5.60 ²	5.5 ²
Transfer from the Racetrack Modernization Fund		0	3.8	3.2	0.1	2.4
Total deposit to the Lottery Fund		\$130.6	\$126.1	\$120.1	\$114.3	\$115.7

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.

² Net of the amount transferred to the Racetrack Modernization Fund. The increase in Administrative Surplus is attributable to a reduction in the amount transferred to the Racetrack Modernization Fund from \$9.0 million in prior fiscal years to \$4.5 million beginning with fiscal year 2016. \$4.5 million of the Administrative Surplus in fiscal year 2016 was directed towards flood relief in the State, while \$4.5 million of the Administrative Surplus in fiscal year 2017 was directed towards Medicaid.

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 Parity Bonds, which are the Authority's only Bonds currently payable from revenues of the State Lottery Fund, is approximately \$_____. Upon issuance of the Series 2018 A Bonds, the maximum annual debt service on the Authority's Bonds payable from revenues of the State Lottery Fund will be \$_____.

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. On December 28, 2017, the West Virginia Economic Development Authority issued its \$142,655,000 Lottery Refunding Revenue Bonds, Series 2017, payable from funds on deposit in the EAST Fund, to advance refund its Lottery Revenue Bonds, Series 2010. The maximum monthly amount deposited into the EAST Fund cannot exceed \$1,000,000 and the total allocation cannot exceed the lesser of the principal and interest required to be annually paid or \$10,000,000. The EAST Lottery Bonds fully leverage the \$10,000,000 annual allocation of revenues deposited into the EAST Fund from the State Lottery Fund. The EAST Lottery Bonds mature by their terms on June 15, 2040.

Third Priority Transfers: Third, a portion of the remaining Net Profits from Traditional Games and a portion of Racetrack Video Lottery Income is then transferred to the Community and Technical College Capital Improvement Fund to pay the annual principal, interest and coverage ratio requirements on revenue bonds issued by the West Virginia Higher Education Policy Commission (the "CTC Lottery Bonds" and together with the SBA Lottery Bonds, the EAST Lottery Bonds and any future bonds issued pursuant to Section 18 of the Lottery Act, the "Lottery Bonds" and the payment of debt service from the School Building Debt Service Fund, the EAST Fund and the Community and Technical College Capital Improvement Fund is referred to as the "Lottery Bonds Debt Service"). On November 21, 2017, the West Virginia Higher Education Policy Commission issued its \$64,075,000 Community and Technical Colleges Capital Improvement Refunding Revenue Bonds, Series 2017, payable from funds on deposit in the Community and Technical College Capital Improvement Fund, to advance refund its Community and Technical Colleges Capital Improvement Revenue Bonds, 2009 Series A. The maximum monthly amount deposited into the Community and Technical College Capital Improvement Fund 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 CTC Lottery Bonds fully leverage the \$5,000,000 annual allocation of revenues deposited into the Community and Technical College Capital Improvement Fund from the State Lottery Fund. The CTC Lottery Bonds mature by their terms on July 1, 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.

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 12 months is equal to at least 150% of the Lottery Bonds Debt Service.

For fiscal year 2017, \$155.3 million was received in the State Lottery Fund, a decrease of approximately \$2.9 million from fiscal year 2016 figures. Of the \$155.3 million received by the State Lottery Fund, \$18 million was transferred to the School Building Debt Service Fund, \$10 million was transferred to the EAST Fund, and \$5 million was transferred to the Community and Technical College Capital Improvement Fund, leaving \$122.3 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 - Revenues of State Lottery Fund Available for Debt Service Transfers” 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 2018 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.

Commencing with the fiscal year beginning July 1, 2014, the amount of funds transferred to the State Excess Lottery Revenue Fund increased because of transfers of additional revenue from Racetrack Video Lottery, the Racetrack Table Games Fund, and the Historic Resort Hotel Fund. See “SECURITY FOR THE SERIES 2018 A BONDS -- Available Excess Lottery Revenues” herein. For fiscal year 2017, \$321.1 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 2014, 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 (4) 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 years 2015 and 2016, only Hollywood Casino reached its benchmark. During fiscal year 2017, only Hollywood Casino reached both of its benchmarks, and Mardi Gras missed its net benchmark, but reached its gross benchmark just prior to fiscal year end. Neither Wheeling nor Mountaineer hit the gross nor net benchmark for fiscal year 2017. 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.

Track	Gross Benchmark (\$ Millions)	Net Benchmark (\$ Millions)
Mountaineer	161.9	160.3
Wheeling	97.9	96.9
Mardi Gras	44.8	44.4
Hollywood Casino	<u>133.5</u>	<u>132.2</u>
	<u>438.1</u>	<u>433.8</u>

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 \$152.2 million for the fiscal year ended June 30, 2017.

Second, a 10% surcharge is applied to the net terminal income in excess of the Net Benchmark. Prior to 2014, 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 \$141.1 million for the fiscal year ended June 30, 2017.

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.

Amendments to Sections 10d and 10e of the Racetrack Video Lottery Act 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 of the State (the "Department of Administration"), and the Capitol Dome and Capital Improvements Fund were to be paid into the State Excess Lottery Revenue Fund. Since July 1, 2014, such distributions which were previously made pursuant to state code and did not flow through the State Excess Lottery Revenue Fund, after satisfying any shortfalls in the payment of debt service on bonds issued under the Lottery Act, if any, have been 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 2014, the State Legislature reduced the amount of funds distributed to pay regular purses at licensed racetracks by more than 10% and reduced the amount distributed to the West Virginia Thoroughbred Development Fund and the West Virginia Greyhound Breeding Development Fund by 10%. These reductions are paid into the State Excess Lottery Revenue Fund and are available for payment of debt service.

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. In fiscal year 2017, the West Virginia Lottery transferred \$131,764 from the capital reinvestment fund to the State Excess Lottery Revenue Fund. Beginning with the 2014 fiscal year, the capital reinvestment portion of the surcharge was reduced by 10% and such reduction was redirected to the State Excess Lottery Revenue Fund and is available for payment of debt service.

For the fiscal year ended June 30, 2017, \$125.6 million was transferred from the Racetrack Video Lottery into the State Excess Lottery Revenue Fund.

The components of the fiscal year 2017 transfers from the Racetrack Video Lottery to the State Excess Lottery Revenue Fund are provided below.

	<u>\$ in millions</u>
4% Receipt	\$ 6.1
62.2% of Surcharge	8.8
41% State share	52.1
Transfers pursuant to Sections 10d and 10e of Racetrack Video Lottery Act	58.3
Interest/Other	<u>0</u>
Total Deposit to the State Excess Lottery Revenue Fund	\$ 125.6

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 35% of adjusted gross receipts. For fiscal year 2017, adjusted gross receipts totaled \$111.3 million and the table games tax was \$39 million. 16.72% of a total rate of 35% is earmarked by statute for the reduction of state debt and unfunded liabilities. Deposits to the State Excess Lottery Revenue Fund from Racetrack Table Games are derived

from two (2) sources: First is a 10% reduction to amounts statutorily directed to support live racing (thoroughbred and greyhound purse funds and development funds); and, second, 16.72% of a total rate of the 35% 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.

The components of the fiscal year 2017 transfers from the Racetrack Table Games to the State Excess Lottery Revenue Fund are provided below.

	<u>\$ in millions</u>
10% Reduction to Live Racing Transfers	\$ 0.5
16 72/100% of the 35%	<u>18.6</u>
Total Deposit to the State Excess Lottery Revenue Fund	\$ 19.1

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 2017, gross terminal income and adjusted gross receipts at the Greenbrier Resort were \$3.7 million and \$4.2 million respectively. The State's share of gross terminal income and adjusted gross receipts for fiscal year 2017 was \$1.3 million and \$1.5 million, respectively. Deposits to the State Excess Lottery Revenue Fund from the Greenbrier Resort are derived from two (2) sources: (i) first, a transfer of 2.5% of the State's share of gross terminal income; 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. 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.

The components of the fiscal year 2017 transfers from the Historic Resort Hotel Fund to the State Excess Lottery Revenue Fund are provided below.

	<u>\$ in millions</u>
2.5% of gross terminal income	\$ 0.03
86% of remaining funds	<u>1.88</u>
Total Deposit to the State Excess Lottery Revenue Fund	\$ 1.91

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 (3) ways.

The first is through the imposition of an administrative fee of 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 3-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

<u>Aggregate Average Daily Income</u>	<u>State's Share of Gross Profits</u>
\$60 or below	30%
above \$60 to \$80	34%
above \$80 to \$100	38%
above \$100 to \$120	42%
above \$120 to \$140	46%
Greater than \$140	50%

Two percent (2%) 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 \$154.6 million with a high of \$167.5 million and a low of \$140.1 million.

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, 2017, \$174.5 million was transferred from the Limited Video Lottery to the State Excess Lottery Revenue Fund. The components of the fiscal year 2017 transfers from the Limited Video Lottery to the State Excess Lottery Revenue Fund are provided below:

	<u>\$ Millions</u>
2% Administrative Fee	\$ 1.6 ¹
State Share	163.5
Limited Video Lottery Fees	8.8
Interest Earned	<u>0.6</u>
Total Deposit to the State Excess Lottery Revenue Fund	\$ 174.5

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 the State 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

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, \$179.3 million 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.

2011 through 2017. The State Department of Revenue projects that the annual Refundable Credit will be \$10,000,000 during the next three (3) fiscal years.

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Second Priority Transfers: Second, a portion of the State Excess Lottery Revenue Fund is then transferred to the following eleven (11) funds:²

Economic Development Project Fund	\$19.0 million
Higher Education Improvement Fund	\$15.0 million
Excess Lottery School Building Debt Service Fund	\$19.0 million
West Virginia Infrastructure Lottery Revenue Debt Service Fund	\$6.0 million
Cacapon and Beech Fork State Parks Lottery Revenue Debt Service Fund	\$3.0 million ³
West Virginia Infrastructure Fund	\$40.0 million ⁴
Education Improvement Fund (Promise Scholarship Fund)	\$29.0 million
General Purpose Account	\$65.0 million
Racing Commission Transfers	\$2.0 million
State Park Improvement Fund	\$5.0 million
Lottery Statutory Transfers Fund ⁵	\$63.1 million

If, after funding the Refundable Credit, the remaining funds in the State Excess Lottery Revenue Fund are insufficient to fund all of the foregoing eleven (11) transfers, the remaining funds on deposit in the State Excess Lottery Revenue Fund, will be transferred in the following priority:

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 eleven (11) 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, the Cacapon and Beech Fork State Parks Lottery Revenue 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 Lottery Commission is required to deposit in the Cacapon and Beech Fork State Parks Lottery Revenue Debt Service Fund an amount equal to the certified debt service requirements for the following year, not to exceed \$3 million dollars in any one fiscal year. Accordingly, the actual amount deposited into such fund may be less than but no more than \$3 million. On August 29, 2017, the West Virginia Economic Development Authority issued its \$22,965,000 Excess Lottery Revenue Bonds, Series 2017 A (Tax-Exempt) and its \$2,035,000 Excess Lottery Revenue Bonds, Series 2017 B (Taxable), payable from funds on deposit in the Cacapon and Beech Fork State Parks Lottery Revenue Debt Service Fund, with maximum annual debt service of approximately \$2,031,270.

⁴ Since 2014, the State Legislature has enacted legislation during each regular legislative session to reduce the amount of money deposited into the West Virginia Infrastructure Fund from \$40 million to \$20 million for the fiscal year beginning July 1, 2014, \$30 million for the fiscal year beginning July 1, 2015, and \$20 million for the fiscal year beginning July 1, 2016. Under current law, the amount of the deposit for the fiscal year beginning July 1, 2017 is \$40 million.

⁵ Pursuant to Section 18f of the Lottery Act, 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. \$63.16 million was transferred from the State Excess Lottery Revenue Fund pursuant to appropriation in fiscal year 2017. For fiscal year 2018, \$63.1 million is to be transferred from the State Excess Lottery Revenue Fund pursuant to appropriation. The appropriated amount to be deposited into the State Excess Lottery Revenue will change from year to year.

(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 1/10th increments on a monthly basis.

(2) Second, transfers to the other 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 1/10th 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. The second-priority, parity transfers include (i) 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, (ii) a transfer to the Excess Lottery School Building Debt Service Fund of approximately \$19,000,000 to pay debt service on bonds issued by the School Building Authority, (iii) 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, and (iv) a transfer to the Cacapon and Beech Fork State Parks Lottery Revenue Debt Service Fund in the amount necessary to pay debt service on bonds issued by the West Virginia Economic Development Authority, not to exceed \$3,000,000 in any fiscal year.

(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.

THE STATE EXCESS LOTTERY REVENUE FUND IS NOT THE PRIMARY SOURCE OF REPAYMENT FOR THE SERIES 2018 A BONDS AND SERVES, IN CERTAIN CIRCUMSTANCES, AS A BACKUP SOURCE OF REPAYMENT FOR THE SERIES 2018 A BONDS, THE PARITY BONDS AND OTHER LOTTERY BONDS.

HISTORICAL, ESTIMATED AND PROJECTED WEST VIRGINIA LOTTERY REVENUES

THE PROJECTIONS INCLUDED IN TABLES I, II, AND III HAVE BEEN PREPARED BY THE WEST VIRGINIA LOTTERY AND SHOULD NOT BE RELIED UPON OR CONSTRUED AS STATEMENTS OF FACT. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR; THEREFORE, THE ACTUAL RESULTS ACHIEVED DURING THE PERIODS FOR WHICH THE PROJECTIONS HAVE BEEN PROVIDED WILL VARY FROM THE PROJECTIONS, AND SUCH VARIATIONS MAY OR MAY NOT BE MATERIAL.

Neither the Lottery Commission’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The Lottery Commission does not as a matter of course make public projections as to future revenues, increases in net assets, or other results. However, the Lottery Commission prepared the prospective financial information included in Tables I, II, and III below at the request of the Authority to present projected annual debt service coverage information related to the Series 2018 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.

Table I below displays historical lottery revenues for fiscal years 2013 through 2017, as well as projected lottery revenues for the 3-year period beginning in fiscal year 2018 through 2020. 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 2017, gross lottery revenues decreased by 4.14% from the prior fiscal year. However, due to conservative forecasting, gross lottery revenues were 7.5% ahead of fiscal year 2017 forecast. Conservative forecasting combined with certain amendments to the Lottery Act in 2014 produced results that were 13.4% 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 the casino opened on December 8, 2016. On October 30, 2017, Governor Tom Wolf approved legislation that the Pennsylvania Legislature recently passed, which expands casino-style gambling to truck stops, airports, online portals and 10 new “mini-casinos” to be developed around Pennsylvania. The near term impact is that aggregate West Virginia gaming revenues are forecasted to decline by 6.8% in fiscal year 2018 over fiscal year 2017, led by a 11.8% decline in anticipated racetrack video lottery revenues based on expanding competition from Ohio, Pennsylvania and Maryland, including from the opening of National Harbor in Maryland on December 8, 2016. The West Virginia Lottery projects that the impact of cross-border competition will level off in 2018 and 2019, resulting in more stable revenues from table gaming and video lottery. See “Table I – Historical, Estimated and Projected Revenues” herein. Limited Video Lottery sales are anticipated to remain level with fiscal year 2017 levels, while Traditional Games lottery sales are anticipated to decline by approximately 5.7% in fiscal year 2018 from fiscal year 2017 primarily due to general economic conditions, employment conditions within larger industries operating within the State and a phenomenon referred to in the industry as “jackpot fatigue” meaning that players are not buying as many tickets because large jackpots have become more common in recent years and garner less interest and attention from players than they did in the past. See “INVESTMENT CONSIDERATIONS – Competition from Surrounding States” herein.

For purposes of calculating sales of racetrack video games and limited video lottery games, as represented on Table I, sales are reported net of prizes. This method of reporting video lottery was chosen due to the unusual volume of play and replay of winnings in these types of games.

Table I
Historical, Estimated and Projected Revenues*
(In Millions)

	2013	2014	Actual** 2015	2016	2017	Projected ⁵		
						2018	2019	2020
Lottery Revenues ¹								
Instant games	\$ 108.6	105.6	103.3	102.5	94.4	92.0	90.0	90.0
On-line games	87.0	83.1	76.7	85.7	72.1	65.0	60.4	60.4
Racetrack video lottery	655.7	590.9	557.8	537.7	521.3	460.0	444.0	444.0
Limited video lottery	399.2	377.2	373.2	360.8	347.6	349.6	349.6	349.6
Racetrack table games (tax)	70.3	50.5	46.9	43.5	39.0	34.5	29.3	29.3
Historic resort lottery	7.6	7.0	6.1	6.3	5.2	5.5	4.4	4.4
Total Gross Revenues	1,328.4	1,214.3	1,164.0	1,136.5	1,079.6	1,006.6	977.7	977.7
Net Revenues ²								
Instant games	18.1	13.6	17.1	16.7	16.3	10.7	10.4	10.4
On-line games	28.7	23.9	23.6	27.2	23.3	18.7	17.3	17.3
Sub-Total (Traditional)	46.8	37.5	40.7	43.9	39.6	29.4	27.7	27.7
Racetrack Video Lottery - State Lottery Fund	130.6	126.1	120.1	114.3	115.7	101.6	95.5	95.5
Racetrack Video Lottery - State Excess Lottery Revenue Fund ³	95.8	77.5	134.6	133.0	125.6	101.2	101.3	101.3
Limited Video Lottery - State Excess Lottery Revenue Fund	190.4	179.9	177.5	172.1	165.7	164.5	164.5	164.5
Limited Video Lottery Fees - State Excess Lottery Revenue Fund	9.4	9.4	9.6	9.0	8.8	12.9	8.5	8.5
Racetrack Table Games - State Excess Lottery Revenue Fund ⁴	0.0	0.0	23.0	21.4	19.1	16.9	14.4	14.4
Historic Resort Lottery - State Excess Lottery Revenue Fund ⁴	0.0	0.0	2.3	2.4	1.9	2.1	1.6	1.6
Total Racetrack and Limited Video Lottery Net Revenues	426.2	392.9	467.1	452.2	436.8	399.2	385.8	385.8
Total Net Revenues Available for Appropriation	473.0	430.4	507.8	496.1	476.4	428.6	413.5	413.5
<i>Available for Appropriation</i>								
<i>State Excess Lottery Revenue Fund</i>	295.6	266.8	347.0	337.9	321.1	297.6	290.3	290.3
<i>State Lottery Fund</i>	177.4	163.6	160.8	158.2	155.3	131.0	123.2	123.2
<i>Total</i>	473.0	430.4	507.8	496.1	476.4	428.6	413.5	413.5

* 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 2018 and beyond were made in September 2017.

Source: West Virginia Lottery

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Historic and Projected Debt Service Coverage

Table II below shows historical revenues of the State Lottery Fund for fiscal years 2013 through 2017, as well as projected revenues of the State Lottery Fund for the 3 year period beginning in fiscal year 2018 through 2020 available for making the debt service transfers therefrom, as well as historic and projected debt service coverage for the Lottery Bonds, including the Series 2018 A Bonds. See “PLEDGED REVENUES, DEBT SERVICE COVERAGE AND SELECT FINANCIAL INFORMATION - State Lottery Fund” herein.

Table II
Revenues of State Lottery Fund Available For Debt Service Transfers*
(In Millions)

	<u>Actual</u>					<u>Projected</u>		
	2013	2014	2015	2016	2017	2018	2019	2020
Deposit to State Lottery Fund ("SLF")	177.4	163.6	160.8	158.2	155.3	131.0	123.2	123.2
Less: First-Priority Debt Service Transfer From SLF - SBA Lottery Bonds **	18.0	18.0	7.5	7.9	10.2	18.0	18.0	18.0
Revenues of SLF Available For Second-Priority and Third-Priority Debt Service Transfers* From SLF	159.4	145.6	153.3	150.3	145.1	113.0	105.2	105.2
Second-Priority Debt Service Transfers* From SLF								
EAST Lottery Bonds	8.2	8.0	10.0	10.0	10.0	10.0	10.0	10.0
Revenues of SLF Available For Third-Priority Debt Service Transfers* From SLF	151.2	137.6	143.3	140.3	135.1	103.0	95.2	95.2
Third-Priority Debt Service Transfer From SLF								
CTC Lottery Bonds	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Coverage of First-Priority Debt Service Transfers* From SLF Using Revenues of SLF	9.9	9.1	21.4	20.0	15.2	7.3	6.8	6.8
Coverage of First, Second-Priority and Third-Priority Debt Service Transfers From SLF Using Revenues of SLF	5.7	5.3	7.1	6.9	6.2	4.0	3.7	3.7

Source: West Virginia Lottery

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

** SBA Bonds debt service for 2018 and beyond may be less than the projected \$18,000,000, but \$18,000,000 has been included in anticipation of future bonds.

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Table III below shows the historical combined amount of revenues of the State Lottery Fund and the State Excess Lottery Revenue Fund for fiscal years 2013 through 2017, as well as projected combined revenues of the State Lottery Fund and the State Excess Lottery Revenue Fund for the 3-year period beginning in fiscal year 2018 through 2020 available for making the second-priority debt service transfers from the State Lottery Revenue Fund. See “THE STATE LOTTERY FUND” and “THE STATE EXCESS LOTTERY REVENUE FUND” herein, as well as historic and projected debt service coverage for the Series 2018 A Bonds.

Table III
Revenues of State Lottery Fund and State Excess Lottery Revenue Fund
Available For First-Priority Debt Service Transfers* From State Lottery Fund
(In Millions)

	<u>Actual</u>					<u>Projected</u>		
	2013	2014	2015	2016	2017	2018	2019	2020
Deposit to State Lottery Fund ("SLF")	177.4	163.6	160.8	158.2	155.3	131.0	123.2	123.2
Less: First-Priority Debt Service Transfer From SLF - SBA Lottery Bonds **	18.0	18.0	7.5	7.9	10.2	18.0	18.0	18.0
Revenues of SLF Available For Second-Priority and Third-Priority Debt Service Transfers* From SLF	159.4	145.6	153.3	150.3	145.1	113.0	105.2	105.2
Second-Priority Debt Service Transfers* From SLF								
EAST Lottery Bonds	8.2	8.0	10.0	10	10	10	10	10
Revenues of SLF Available For Third-Priority Debt Service Transfers* From SLF	151.2	137.6	143.3	140.26	135.1	103	95.2	95.2
Deposit to State Excess Lottery Revenue Fund ("SELRF")	295.6	266.8	347.0	337.9	321.1	297.6	290.3	290.3
Less: Refundable Credit	10.0	18.0	10.0	10.0	10.0	10.0	10.0	10.0
Less: First-Priority Debt Service Transfer* From SELRF - EDA Excess Lottery Grant Bonds	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Less: Second-Priority Debt Service Transfer From SELRF - SBA Excess Lottery Revenue Bonds**	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Less: Second-Priority Debt Service Transfer From SELRF - HEPC Higher Education Facilities Bonds	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Less: Second-Priority Debt Service Transfer From SELRF - WDA Infrastructure Council Chesapeake Bonds	0.0	0.0	0.0	6.0	6.0	6.0	6.0	6.0
Less: Second-Priority Debt Service Transfer From SELRF - EDA Parks Bonds	0.0	0.0	0.0	0.0	0.0	3.0	3.0	3.0
Revenues of SELRF Available For Third-Priority Debt Service Transfers* From SLF	232.6	195.8	284.0	268.9	252.1	225.6	218.3	218.3
Combined Revenues of SLF and SELRF Available For Third-Priority Debt Service Transfers* From SLF	383.8	333.4	427.3	409.2	387.2	328.6	313.5	313.5
Third-Priority Debt Service Transfers* From SLF								
CTC Lottery Bonds	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Coverage of First-Priority Debt Service Transfers* From SLF Using Combined Revenues of SLF and SELRF	21.3	18.5	57.0	51.8	38.0	18.3	17.4	17.4
Coverage of First, Second-Priority and Third-Priority Debt Service Transfers* From SLF Using Combined Revenues of SLF and SELRF	13.1	11.6	19.8	18.6	12.3	10.8	10.3	10.3

Source: West Virginia Lottery

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

** Bonds debt service for 2018 and beyond may be less than the projected \$18,000,000, but \$18,000,000 has been included in anticipation of future Bonds.

The second-priority debt service transfers from the State Excess Lottery Revenue Fund referred to in Table III above are on parity with one another, and include transfers to pay debt service on all of the Excess Lottery Bonds. Additional second-priority, parity transfers may be required in the future as a result of the issuance of revenue bonds by the Higher Education Policy Commission, the Authority and/or the West Virginia Economic Development Authority, the debt service of which is payable out of the Higher Education Improvement Fund, the Excess Lottery School Building Debt Service Fund, the Cacapon and Beech Fork State Parks Lottery Revenue Fund or the State Park Improvement Fund, respectively. See “THE STATE EXCESS LOTTERY REVENUE FUND” herein.

INVESTMENT CONSIDERATIONS

The purchase of the Series 2018 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 2018 A Bonds, and no lien or security interest in the Projects is being granted to the Owners of the Series 2018 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 2018 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 2018 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 2018 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 2018 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 2018 A Bonds and upon the availability to Owners of the Series 2018 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 2018 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 the Net Profits and Certain Racetrack Video Lottery Income in each fiscal year continues until the Series 2018 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. The annual allocation of Net Profits and Certain Racetrack Video Lottery Income to the School Building Debt Service Fund pursuant to the Lottery Act could be changed by future action of the State Legislature. Any such change would require statutory amendment.

Since the Revenues derive 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 State Legislature acted to provide an alternative source of funding. Legal challenges might affect the operation of the West Virginia Lottery. There can be no assurance that legal challenges will not arise, the consequences of which cannot be accurately predicted. The Lottery Commission, an agency within the State Department of Revenue, is subject to periodic legislative review under the West Virginia Performance Review Act by the Legislature's Performance Evaluation and Research Division (PERD). All State agencies except for constitutional officers are

subject to review under the West Virginia Performance Review Act. Agency reviews are conducted on the agencies or divisions within a Department and are required by the West Virginia Performance Review Act to be conducted at least once every seven years. During agency reviews, PERD may address several areas of performance including whether the activities of the agency duplicate or overlap those of other agencies and whether there is a continued need for the agency. As part of its review, PERD may make a recommendation as to whether the agency under review should be continued, consolidated or terminated. The State Department of Revenue was subject to a performance review by PERD in 2017, and the Lottery Commission is one of the agencies that was selected by PERD for review. As required by the West Virginia Performance Review Act, the State Department of Revenue made its presentation to the Joint Standing Committee on Government Organization and the Joint Committee on Government Organization (collectively the “Committees”) on August 22, 2017, during the 2017 legislative interim session. Since the State Department of Revenue made its presentation to the Committees during the interim session, PERD has not yet issued a report on any agency or division under the State Department of Revenue, including the Lottery Commission. 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 to assess the effect of introducing 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 (4) racetracks table games licenses. By 2010, the Greenbrier Resort, 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 (4) of West Virginia’s racetracks that hold video lottery licenses. Prior to 2014, 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 has no Native American reservations or treaty lands. For land to be converted to Indian lands upon which a tribal council could construct a casino, land must be offered to the United States Secretary of the Interior, and the Secretary has the option to accept it for 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 Senate Bill 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 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 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 (7) days a week, 24-hour per day operations. Maryland Live Casino began offering table games as of April 11, 2013. Rocky Gap Casino Resort operates just ten (10) table games in its western Maryland facility.

In January 2015, the Maryland Lottery and Gaming Commission approved the request of Maryland Live Casino and Horseshoe Baltimore Casino to reduce the number of slot machines, which were underperforming, with table games. The approved reduction became permanent in January 2016.

In addition, the MGM National Harbor casino in Prince George's County, just outside Washington, D.C., opened on December 8, 2016. In January 2018, MGM National Harbor generated \$50.25 million in gross gaming revenues, up by approximately 2.9% since January 2017.

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

Casino/Racino	Number of Video Lottery Terminals	Number of Table Games
Hollywood Casino Perryville	846	20
Casino at Ocean Downs	800	N/A
Maryland Live Casino	3,980	202
Rocky Gap Casino Resort	662	17
Horseshoe Baltimore	2,202	177
MGM National Harbor	3,137	165

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 (7) horseracing tracks. Governor Strickland had issued a directive to the Ohio Lottery Commission to begin adding up to 2,500 electronic slot machines at each track.

On November 3, 2009, Ohio voters considered and approved Issue 3 that authorized one (1) casino facility to be operated at a designated location within each of the cities of Cincinnati, Cleveland, Columbus and Toledo, Ohio. The Horseshoe Casino in Cleveland opened on May 14, 2012, Hollywood Casino in Toledo opened on May 29, 2012, Hollywood Casino in Columbus opened on October 8, 2012, and Horseshoe Casino in Cincinnati opened on March 4, 2013.

Caesars Entertainment Corp. 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 Jack Entertainment LLC (formerly Rock Gaming LLC). Jack Entertainment LLC has owned these properties since February 2015, but Caesars continued to manage the gaming aspects of the business until November 2, 2015. Rebranding of the three (3) properties took place in 2016. Specifically, on March 9, 2016, Thistledown Racecourse was rebranded as JACK Thistledown Racino, on May 9, 2016, Horseshoe Casino in Cleveland was rebranded as JACK Cleveland Casino and on June 8, 2016, Horseshoe Casino in Cincinnati was rebranded as JACK Cincinnati Casino.

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 (7) 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, JACK Thistledown Racino in Cuyahoga County opened in April 2013, Hard Rock Racino 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.

Penn National successfully transferred a racetrack license to Austintown, Ohio. Hollywood Gaming at Dayton Raceway opened on August 28, 2014, Hollywood Slots at Mahoning Valley Race Course opened on September 17, 2014, and Belterra Park Gaming and Entertainment Center at the former River Downs in Cincinnati opened on May 1, 2014. In December 2017, Las Vegas-based Boyd Gaming Corporation announced it plans to purchase Belterra Park Gaming and Entertainment Center, along with three other casinos in Missouri and Indiana, from Pinnacle Entertainment, Inc., as part of a complex transaction also involving Penn National, which plans to purchase Pinnacle Entertainment in a cash and

stock deal worth \$2.8 billion. Boyd Gaming's purchase of Belterra Park Gaming and Entertainment Center is expected to close in the second half of 2018. As discussed in more detail herein, Boyd Gaming also recently announced its intention to purchase Valley Forge Casino Resort in King of Prussia, Pennsylvania for \$280.5 million.

The number of video lottery terminals and table games as of June 30, 2017 at each casino/racino discussed above is shown below:

Casino/Racino	Number of Video Lottery Terminals	Number of Table Games
Hollywood Casino Toledo	2,044	78
JACK Cleveland Casino	1,488	126
Hollywood Casino Columbus	2,229	105
JACK Cincinnati Casino	1,915	121
Scioto Downs	2,244	N/A
JACK Thistledown Racino	1,399	N/A
Hard Rock Racino Northfield Park	2,272	N/A
Miami Valley Gaming	1,710	N/A
Hollywood Gaming at Dayton Raceway	1,012	N/A
Hollywood Slots at Mahoning	1,034	N/A
Belterra Park River Downs	1,361	N/A

Kentucky: Legislation has been introduced in Kentucky that would authorize casino-style gaming at Kentucky racetracks, but no legislation has ever been enacted. During the 2018 session, several bills have been introduced in the House to allow casino gaming in Kentucky. The proposed bills require the voters in the state to consider a constitutional amendment to authorize casinos in Kentucky. It is unknown whether the proposed bills will receive sufficient legislative support to be enacted. In March 2013, the Kentucky Lottery Commission’s board of directors took action to allow 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 (7) slot machine licenses for existing and planned horseracing facilities (Category 1), up to five (5) slot machine licenses for non-racing venues (Category 2) and up to two (2) slot machine licenses for existing resort hotels with at least 275 rooms each (Category 3). When fully exercised, 14 licensees could operate as many as 61,000 slot machines. As of June 2017, the average number of slot machines operating throughout Pennsylvania was 25,685, down from 26,634 in June 2016.

At the end of calendar year 2007, the Pennsylvania Gaming Control Board (“PGCB”) approved permanent licenses for six (6) 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 near Wilkes-Barre was the first to begin operations in Pennsylvania, opening on November 14, 2006.
- Greenwood Gaming and Entertainment Inc. (Parx Casino, Bucks County). The racino opened December 19, 2006.
- Mountainview Thoroughbred Racing Association (Hollywood Casino at Penn National Race Course, Dauphin County). The racino near Harrisburg opened in February 2008.
- Presque Isle Downs, Inc. (Presque Isle Downs & Casino, Erie County). The racino located outside of Erie opened in February 2007.
- Washington Trotting Association, Inc. (Meadows Racetrack and Casino, Washington County). The racino opened in June 2007.

The PGCB also approved five (5) 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 along the Delaware River near the Girard Avenue exit of Interstate 95 in Philadelphia. In May 2016, SugarHouse Casino officially celebrated a major expansion to the casino including an expansion of its gaming areas to offer 44 additional table games, 289 new slot machines and a 28-table poker room.
- PITG Gaming, LLC. The Rivers Casino is operated in Pittsburgh by owner Majestic Star. It is 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 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 a joint venture between 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.

The final Category 2 gaming license granted by the PGCB for the *LIVE! Hotel & Casino Philadelphia* project was appealed by several of the losing bidders for the license. On March 29, 2016, the Pennsylvania Supreme Court remanded the case back to the PGCB to re-examine whether the applicant's ownership structure complies with state gaming laws.

The PGCB has approved two (2) Category 3 licenses. A Category 3 license was placed at Valley Forge Casino Resort in King of Prussia, Pennsylvania, which began operations at midnight on March 31, 2012, and one at Woodlands Fayette, LLC which operates a slot casino at Nemaquin 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 (10) Category 1 and 2 licensees to operate up to 250 table games for the initial six (6) months of operation, after which they may petition the PGCB to increase the number of table games. As of July 31, 2016, 1,131 tables were in operation across the ten (10) 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 and as of June 30, 2017 had 50 tables in operation. The Category 3 casino at Nemaquin Woodlands Resort operates table games as well and as of June 30, 2017, had 27 tables in operation. 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.

Citing recent passage by the Pennsylvania Legislature of its gaming expansion legislation, as discussed below, Boyd Gaming Corporation recently announced plans to acquire Valley Forge Casino Resort from Valley Forge Convention Center Partners LP for a cash consideration of \$280.5 million. The new gaming expansion legislation in Pennsylvania eliminated "membership" requirements that imposed an annual entry fee or required that money be spent elsewhere on a property before entering the casino, and also allowed for increases in slot inventory. As a result of the new legislation, Valley Forge can add

250 slot machines to its existing 600 machines. Boyd Gaming has announced plans to increase the number of slot machines at the casino before it acquires the property. The transaction is expected to close in the third quarter of 2018.

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. As of June 15, 2016, the Pennsylvania Liquor Control Board has approved Tavern Gaming Licenses for 53 different taverns around the state.

On April 4, 2016, Gaming and Leisure Properties, Inc., a Pennsylvania corporation based out of Wyomissing, Pennsylvania, announced that it has contracted to sell the entities holding the gaming licenses and operating assets of Meadows Racetrack and Casino in Washington County, Pennsylvania, to Pinnacle Entertainment, Inc. for \$138 million. On September 7, 2016, the PGCB approved the acquisition of the operations of Meadows Racetrack and Casino, following the earlier approval by the Pennsylvania Harness Racing Commission in August 2016. The transaction closed in September 2016. The 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. On February 28, 2018, Eldorado Resorts, Inc., the owner of Presque Isle Downs & Casino, announced that it has entered into a definitive agreement to sell substantially all of the assets of the casino to Churchill Downs Incorporated for approximately \$178.9 million. The transaction is expected to close in late 2018, subject to receipt of regulatory approval and other closing conditions including, without limitation, the consummation of the sale by Eldorado Resorts, Inc. to Churchill Downs Incorporated of another one of its casinos, Lady Luck Casino Vicksburg in Vicksburg, Mississippi.

Plans of Endeka Entertainment to build the proposed Lawrence Downs Casino and Racing Resort in Lawrence County, Pennsylvania came to an end in 2016, when the developer elected not to appeal the Pennsylvania Gaming Control Board's decision to deny a casino license for the complex. Despite the developer's decision not to move forward and appeal the denial of its application for the casino license, both Lawrence County, Pennsylvania and Mahoning Township filed an appeal of the Board's denial of the license with the Pennsylvania Supreme Court of Appeals.

On October 26, 2017, the Pennsylvania Legislature passed legislation to expand its gaming laws to help close its budget gap. Governor Tom Wolf signed the bill on October 30, 2017. The bill, among other things, allows for the creation of 10 "mini-casinos" around the state, which could operate between 300 and 750 slot machines and 30 table games. The licenses for the mini-casinos will be auctioned off, first to current casino operators in Pennsylvania. The casinos may not be located within a twenty-five mile radius of an existing casino, and municipalities have the option to reject having a "mini-casino" within their borders. The bill also legalizes online casino and lottery games, authorizes interactive gambling parlors in airports and permits truck stops to have 5 slot-style machines known as video gaming terminals on their premises. With tax rates on online slot revenues and licensing fees being significantly higher than in the neighboring state of New Jersey, the amount of new, additional gaming activity in Pennsylvania and its impact on the revenues of the Lottery are difficult to predict.

The number of video lottery terminals and table games as of June 30, 2017 at each casino/racino discussed above is shown below:

Casino/Racino	Number of Video Lottery Terminals	Number of Table Games
Mohegan Sun Pocono	2,332	91
Parx Casino	3,412	179
Harrah's Chester Downs	2,450	118
Presque Isle Downs & Casino	1,594	38
Meadows Racetrack and Casino	2,730	82
Mount Airy Casino	1,868	81
Hollywood Casino at Penn National Race Course	2,350	74
Sands Casino	3,013	237
The Rivers Casino	2,934	122
SugarHouse Casino	1,802	140
Valley Forge Casino Resort	600	50
Nemacolin Woodlands Resort	600	27

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.

New Local Option Elections

The Racetrack Video Lottery Act, the Racetrack Table Games Act and Section 7 of the Authorized Gaming Facility Act provide that if 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 (5) 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 5% 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 2018 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

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. Revenues from table games declined in fiscal years 2016 and 2017, and are projected by the West Virginia Lottery to decline in fiscal year 2018 but then stabilize in 2019 and 2020. All of the State's racetracks renewed their table game licenses on July 1, 2017. 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 2018 A Bonds.

Decline or Cessation of Greyhound Dog Racing

On April 8, 2017, Governor Justice vetoed Senate Bill 437, which would have eliminated subsidies to greyhound breeders and removed the requirement for greyhound racing at Wheeling Island Hotel-Casino-Racetrack and Mardi Gras Casino & Resort. If Senate Bill 437 had become effective, it may have had a negative effect on greyhound racing at Wheeling Island Hotel-Casino-Racetrack and Mardi Gras Casino & Resort. In the 2018 legislative session, similar legislation was introduced but the State Legislature did not act on such legislation. Additionally, 40 states have passed legislation prohibiting greyhound dog racing, and four (4) other states have closed their tracks and ceased live racing without legislative action. Presently, only six (6) states have tracks open which allow greyhound dog racing, including West Virginia. Legislation could be introduced in the State Legislature in the future, which could either further reduce or completely eliminate state subsidies for greyhound purse and breeder's funds or altogether cease greyhound dog racing at both the Wheeling Island Hotel-Casino-Racetrack and at Mardi Gras Casino & Resort, which 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 (4) 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 2018 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 2018 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 2018 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 2018 A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Series 2018 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 2018 A Bonds. Prospective purchasers of the Series 2018 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 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 1,819,921 as of September 2017. Total estimated personal income in West Virginia was approximately \$68.427 billion as of September 2017. The West Virginia economy is based primarily on government, trade, transportation and public utilities, education and health services, leisure and hospitality, professional and business services, other services, manufacturing, construction, financial activities, mining and logging and information, which account for all of the State's total employment according to Workforce West Virginia. The government of the State is comprised of three (3) 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 (7) departments, three (3) bureaus

and some independent boards and commissions comprising the remainder of the Executive Department. The legislative power of the State 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 AUDITORS' REPORT

The audited financial statements of the West Virginia Lottery for the fiscal years ended June 30, 2017 and 2016, included in **APPENDIX B** to this Official Statement have been audited by Gibbons & Kawash, A.C., now Brown Edwards, Independent Auditors, for the periods indicated in their report, as stated in their report. The independent auditors gave their consent to the West Virginia Lottery to attach the financial statements of the West Virginia Lottery for the fiscal years ended June 30, 2017 and June 30, 2016, and the related independent auditors' reports as an appendix to this Official Statement. However, the independent auditors did not review this Official Statement, nor did the independent auditors perform any procedures relating to any of the information in this Official Statement and are therefore not associated with the issuance of the Series 2018 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 2018 A Bonds, or in any manner contesting or affecting the validity of the Series 2018 A Bonds, or the proceedings taken with respect to the authorization, issuance and sale thereof.

LEGAL MATTERS

The authorization and issuance of the Series 2018 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, Frost Brown Todd LLC, Charleston, West Virginia, and disclosure matters will be passed upon for the State by Spilman Thomas & Battle, PLLC, Charleston, West Virginia, as disclosure counsel.

TAX MATTERS

General

The following discussion of "Tax Matters" is a brief discussion of certain income tax matters with respect to the Series 2018 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 2018 A Bonds.

Federal Income Tax Exemption of the Series 2018 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 2018 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 2018 A Bonds is not a specific preference item for purposes of the federal individual or corporate

alternative minimum taxes, although Bond Counsel observes that such interest is taken into account in determining the adjusted current earnings of certain corporations for purpose of calculating corporate alternative minimum taxable income for taxable years beginning on or before December 31, 2017. A complete copy of the proposed form of opinion of Bond Counsel for the Series 2018 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 2018 A Bonds. The Authority has covenanted to comply with certain restrictions designed to insure that interest on the Series 2018 A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2018 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2018 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 2018 A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2018 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 2018 A Bonds. Prospective purchasers of Series 2018 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 2018 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 2018 A Bonds in order for the Series 2018 A Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the Series 2018 A Bonds, use of the facilities financed by the Series 2018 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 2018 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 2018 A Bonds may have no right to participate in the audit process. The initiation of an audit with respect to the Series 2018 A Bonds could adversely affect the market value and liquidity of the Series 2018 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 2018 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 2018 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 2018 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 2018 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.

Original Issue Discount

To the extent the issue price of any maturity of the Series 2018 A Bonds is less than the amount to be paid at maturity of such Series 2018 A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2018 A Bonds) (the “Discount Bonds”), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2018 A Bonds which is excludable from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2018 A Bonds is the first price at which a substantial amount of such maturity of the Series 2018 A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2018 A Bonds accrues daily over the term to maturity of such Series 2018 A Bonds on the basis of a constant interest rate compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The accruing original issue discount is added to the adjusted basis of such Series 2018 A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2018 A Bonds. A purchaser of a Discount Bond in the initial public offering at a price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond. **Beneficial owners of the Series 2018 A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2018 A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2018 A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2018 A Bonds is sold to the public.**

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 2018 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 2018 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 2018 A Bonds together with the interest on the bonds shall be exempt from all taxation by the State, 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 A Bonds. Prospective purchasers of the Series 2018 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 2018 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 2018 A Bonds ends with the issuance of the Series 2018 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 2018 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 2018 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 2018 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 2018 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.

PURCHASE

_____ (the "Original Purchaser") was the winning bid with the lowest cost after competitive bidding on April __, 2018, pursuant to the terms of the Certificate of Award, and has agreed, to purchase the Series 2018 A Bonds at a price equal to \$_____ (representing the par amount of the Series 2018 A Bonds plus a [net premium] of \$_____, less the Original Purchaser's discount of \$_____.) The Original Purchaser has agreed to purchase all of the Series 2018 A Bonds if any of the Series 2018 A Bonds are purchased. The Original Purchaser has agreed to make a bona fide public offering of the Series 2018 A Bonds at not in excess of the public offering prices set forth on the inside front cover page of this Official Statement.

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is serving as Financial Advisor in connection with the issuance of the Series 2018 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 "___" and "___," respectively, with respect to the Series 2018 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 Original Purchasers have undertaken no responsibility either to bring to the attention of the Owners of the Series 2018 A Bonds any proposed revision or withdrawal of any rating of the Series 2018 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 2018 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 State Department of Administration will enter into a Disclosure Dissemination Agent Agreement on behalf of the State with respect to the Series 2018 A Bonds (the “Continuing Disclosure Agreement”) with Digital Assurance Certification, L.L.C. (“DAC”), as the dissemination agent on behalf of the State Department of Administration, for the benefit of the registered and beneficial owners of the Series 2018 A Bonds, pursuant to which the State Department of Administration will covenant to provide to DAC: (a) certain annual financial information of the West Virginia Lottery not later than March 31st of the calendar year following the end of the West Virginia Lottery’s fiscal year, commencing with the report for the fiscal year ended June 30, 2018 (which is due March 31, 2019), (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 2018 A Bonds, an Event of Default under the Indenture, or a default under any other document relating to the Series 2018 A Bonds.

Compliance with Prior Undertakings

Pursuant to the Rule, the State Department of Administration has previously 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) twenty-one series of the State’s infrastructure general obligation bonds or general obligation state road bonds (collectively, the “State General Obligation Bonds”); (ii) five series of surface transportation improvements special obligation notes issued by the West Virginia Commissioner of Highways (collectively, the “Highway Bonds”); (iii) one series of lottery revenue bonds issued by the State Building Commission (the “Building Commission Bonds”); (iv) two series of tobacco settlement asset-backed bonds issued by the Tobacco Settlement Finance Authority (collectively, the “Tobacco Authority Bonds”); (v) twenty series of lease and/or lottery revenue bonds and/or excess lottery bonds issued by the 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) seventeen 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, the Series 2015 A Bonds,

the Series 2016 A Bonds, the Series 2016 B Bonds and the Series 2007 Bonds (collectively referred to in this section of the Official Statement as the “School Building Authority Bonds”); (viii) two series of revenue bonds issued by the West Virginia Higher Education Policy Commission (the “HEPC Bonds”); (ix) one series of excess lottery revenue bonds issued by the West Virginia Water Development Authority; and (x) four series of bonds issued by other state authorities and building commissions consisting of the State Building Commission, the Charleston Urban Renewal Authority, the Raleigh Building Commission, and the Charleston Building Commission (the “Other Commission Bonds”).

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

(1) for one (1) series of the School Building Authority Bonds and one (1) series of the WVEDA Bonds, unaudited interim financial statements for the State within 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 five (5) series of the School Building Authority Bonds, the State’s annual audited financial statements within 270 days of its fiscal year end or, in at least one instance with respect to one (1) 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 180 days or 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 (1) series of the WVEDA Bonds and one (1) series of the School Building Authority Bonds, unaudited interim financial statements for the State within 90 days of its fiscal year end;

(4) for the Building Commission Bonds, the Hospital Finance Authority Bonds, the HEPC Bonds and some series of both the WVEDA Bonds and the School Building Authority Bonds, the West Virginia Lottery’s annual audited financial statements, if available, within 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 90 days of its fiscal year end;

(5) for the Highway Bonds, the annual audited financial statements of the State Department of Transportation, Division of Highways within either 180 days or 270 days of its fiscal year and if not available, then its unaudited financial statements, and its unaudited financial statements within 90 days of its fiscal year end;

(6) for the Tobacco Authority Bonds and some of the School Building Authority Bonds, the respective issuer’s annual audited financial statements within 300 days and 270 days, respectively, of its fiscal year end;

(7) for the Tobacco Authority Bonds, the HEPC Bonds and certain series of both the WVEDA Bonds and the School Building Authority Bonds, certain operating data relating to the State and/or the West Virginia Lottery and/or the respective issuer within either 180 days, 270 days or 300 days of the issuer’s fiscal year end;

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

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

There have been instances in the previous five (5) years in which the State 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, 2014, 2015 and 2016 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, the State's 2014 audited financial statements on April 9, 2015, the State's 2015 audited financial statements on May 17, 2016 and the State's 2016 audited financial statements on May 10, 2017. Additionally, in connection with one series of the Other Commission Bonds issued by the Charleston Building Commission, 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 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.

On March 24, 2016, 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 or annual financial information. The notice states that the State encountered unexpected complications in compiling the State's CAFR associated with a new accounting system. In July 2014, all West Virginia State agencies converted from a mainframe-based accounting system to an Enterprise Resource Planning system. This was a sweeping change, affecting accounting functions throughout State government. While the benefits of the new system, such as better accounting information for managers and system users, are valuable, the system has also presented the State with significant start-up challenges. On May 17, 2016, the Department of Administration filed its 2015 annual financial information on EMMA.

On March 27, 2017, 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 2016 annual financial information or annual financial information. The notice states that the State encountered complications in compiling the State's CAFR because a number of the State's agencies fiscal year 2016 audits were delayed due to updates required by Governmental Accounting Standard Board's Statement No. 68. On May 10, 2017, the Department of Administration filed its 2016 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 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 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 180 days of its fiscal year end. With the exception of the 2013, the 2014, the 2015, and the 2016 annual audited financial statements, the Department of Administration has filed the State's annual audited financial statements within 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.

On September 21, 2016, 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, 2016, as required by certain of its undertakings.

(3) *Filing of Lottery Annual Audited Financial Statements.* With respect to its undertakings for three series of School Building Authority Bonds, four series of WVEDA Bonds, the Building Commission Bonds, the Hospital Finance Authority Bonds and one series of 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 2012 and 2013, although the Department of Administration did timely file the West Virginia Lottery's audited financial statements for the fiscal years 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 2012 and 2013 in connection with its undertakings for some series of the School Building Authority Bonds and the West Virginia Lottery's annual unaudited general purpose financial statements for fiscal years 2012 and 2013 with respect to one series of 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 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 State 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 2013, 2014, and 2015, and (ii) failed to file the unaudited financial statements of the Department of Transportation, Division of Highways for any of the past five (5) fiscal years. The Department of Administration filed the Department of Transportation, Division of Highways annual audited financial statements for fiscal year 2013 on July 7, 2014, for fiscal year 2012 on August 29, 2014, and for fiscal year 2014 on March 11, 2015.

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 year 2013. The Department of Administration filed the fiscal year 2013 annual audited financial statements of the Tobacco Settlement Finance Authority on May 1, 2014. With respect to its undertakings for some series of the School Building Authority Bonds, the Department of Administration failed to file on a timely basis the annual audited financial statements of the School Building Authority for some of the past five fiscal years. The Department of Administration filed the annual audited financial statements of the School Building Authority for the 2010 through 2013 fiscal years on November 13, 2014.

With respect to its undertakings for some series of the School Building Authority Bonds, the State Department of Administration failed to file on a timely basis the annual audited financial statements of the Authority for some of the past five (5) fiscal years. The State Department of Administration filed the annual audited financial statements of the Authority for the 2010 through 2013 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 School Building Authority Bonds, the Tobacco Settlement Bonds, one series of the WVEDA Bonds and one series of 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 2012 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 2018 A Bonds. The Authority has approved this Official Statement by official action on April __, 2018.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By: _____
Chair

APPENDIX A

PROJECTS

COUNTY	PROJECT DESCRIPTION	AMOUNT
Cabell	New Highlawn Elementary School	\$6,618,539
Calhoun	Calhoun Co. Middle/High School Sanitation Renovations	\$895,118
Hampshire	Augusta Elementary School Partial Roof Replacement	\$168,562
Hancock	Weir Middle/High School Roof Replacement	1,000,000
Kanawha	Ben Franklin Career Center HVAC Roof Replacement	\$6,992,759
Lincoln	Roof Replacement at Five (5) schools	\$1,000,000
Mason	Fire Alarm System Replacement at Three (3) Schools	\$401,885
Mercer	New Elementary (PK-2) School	\$10,704,032
Mingo	Gilbert Middle School Renovations	\$916,365
Monongalia	Morgantown High School Additions & Renovations	\$4,024,133
Monroe	New Peterstown PK-8 School	\$100,000
Pleasants	Safe School Entrance Renovations at Two (2) Elementary Schools	\$464,494
Preston	Roof Replacement at Two (2) Schools	\$1,292,400
Randolph	Additions & Renovations at Two (2) Schools	\$5,397,458
Ritchie	Ritchie Co Middle/High school Access/Energy Management/Doors	\$1,412,431
Tucker	Davis Thomas Elementary/Middle School Roof & Site Drainage	\$828,647
Tyler	Roof Replacement at Two (2) Elementary Schools	\$1,179,000
Upshur	Tennerton Elementary School Roof Replacement	\$546,164
Wayne	Spring Valley High School HVAC and Roof Replacement	\$3,636,750
Wirt	Wirt Co. Primary/Middle School Restroom/Security Renovations	\$1,012,706
Wood	Wood Co. Technical Center Additions & Renovations	\$7,493,600
Wyoming	Wyoming East High School HVAC and Roof Replacement	\$3,042,500
	Total Grants – Series 2018 A Bonds	\$59,127,543.00

APPENDIX B

**AUDITED FINANCIAL STATEMENTS FOR THE
WEST VIRGINIA LOTTERY FOR FISCAL
YEARS ENDED JUNE 30, 2017 AND 2016**

APPENDIX C

FORM OF THE PRINCIPAL BOND DOCUMENTS

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2018 A Bonds. The Series 2018 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 2018 A Bond certificate will be issued for each maturity of the Series 2018 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 2018 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018 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 2018 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 2018 A Bonds, except in the event that use of the book-entry system for the Series 2018 A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 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 2018 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 2018 A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series

2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2018 A BONDS, REFERENCES TO THE HOLDERS OF THE 2018 A BONDS OR OWNERS OF THE SERIES 2018 A BONDS, SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

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 2018 A Bonds or (b) the Authority elects to discontinue its use of DTC as a clearing agency for the Series 2018 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 2018 A Bonds, as are necessary or appropriate to discontinue use of

DTC as a clearing agency for the Series 2018 A Bonds and to transfer the ownership of each of the Series 2018 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 2018 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 Original Purchaser take no responsibility for the accuracy thereof.

APPENDIX G
NOTICE OF SALE