RECEIVED
AUG 11 1998
MEC

$1,780,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998A (the "G.O. Refunding Bonds")

and

$3,225,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998C (the "Revenue Refunding Bonds")

CLOSING: MAY 28, 1998

VOLUME 1 OF 2

$1,780,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998A (the "G.O. Refunding Bonds")

and

$3,225,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998C (the "Revenue Refunding Bonds")

CLOSING: MAY 28, 1998

TRANSCRIPT OF CLOSING DOCUMENTS

I. AUTHORIZING AND PRINCIPAL DOCUMENTS

1.1	Certified copy of Chapter 13, Article 1 of the Code of West Virginia, 1931, as amended.	1
1.2	Certified copy of Chapter 13, Article 2 of the Code of West Virginia, 1931, as amended.	2
1.3	Certified copy of Chapter 7, Article 3 of the Code of West Virginia, 1931, as amended.	3
1.4	Certified copy of Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended.	4
1.5	Copy of the Order entered by The County Commission of Grant County, West Virginia (the "County Commission"), on February 11, 1998 (without Exhibit C).	5
1.6	Copy of the Order entered by the County Commission on May 13, 1998 (without Exhibits, except Exhibits A, B and G), as amended on May 26, 1998.	6
1.7	Bond Trust Indenture, dated as of May 1, 1998, among the County Commission, Grant Memorial Hospital (the "Hospital") and Wesbanco Bank Parkersburg, as trustee for the Revenue Refunding Bonds (the "Bond Trustee").	7

1.8	Preliminary Official Statement dated May 1, 1998.	8
1.9	Official Statement dated May 13, 1998.	9
1.10	Bond Purchase Agreement dated May 13, 1998, among the County Commission, the Hospital and Ferris, Baker Watts Incorporated (the "Underwriter").	10
1.11	Specimen G.O. Refunding Bond.	11
1.12	Specimen of Municipal Bond Insurance Policy from Asset Guaranty Insurance Company (the "Bond Insurer") for the G.O. Refunding Bonds.	12
1.13	Specimen Revenue Refunding Bond.	13
1.14	Specimen of Municipal Bond Insurance Policy from the Bond Insurer for the Revenue Refunding Bonds.	14
1.15	Escrow Agreement, dated May 28, 1998, among the County Commission, the Hospital and the Bond Commission, as escrow trustee.	15
1.16	Escrow Agreement, dated May 28, 1998, among the County Commission, the Hospital and Wesbanco Bank Parkersburg, as escrow trustee (the "Escrow Trustee").	16
1.17	Tax Regulatory Agreement relating to:	
	A. G.O. Refunding Bonds; and	17
	B. Revenue Refunding Bonds.	18

II. COUNTY COMMISSION DOCUMENTS

2.1	Certificate of County Clerk.	19
2.2	General Certificate of County Commission.	20
2.3	Designation of Officers' Signatures.	21
2.4	Copy of letter, dated May 21, 1998, from Bond Counsel, on behalf of the County Commission, to the West Virginia Municipal Bond Commission (the "Bond Commission"), requesting that its Chairman certify the amount of taxes expected to be available for the G.O. Refunding Bonds.	22

2.5	Certificate of the Chairman of the West Virginia Municipal Bond Commission regarding the amount of taxes expected to be available for the G.O. Refunding Bonds.	23
2.6	Rule 15c2-12 Certificate of The County Commission of Grant County.	24
2.7	Letter of Representations to The Depository Trust Company for:	
	A. G.O. Refunding Bonds; and	25
	B. Revenue Refunding Bonds.	26
2.8	Form 8038-G for:	
	A. G.O. Refunding Bonds; and	27
	B. Revenue Refunding Bonds.	28
2.9	Request and Authorization as to Authentication and Delivery of Refunding Bonds.	29
2.10	Directions from County Commission to Grant County Sheriff and Bond Commission.	30
2.11	UCC-1 Financing Statement.	31
2.12	Receipt for Refunding Bond Proceeds.	32
2.13	Municipal Bond Commission New Issue Form for G.O. Refunding Bonds.	33

III. HOSPITAL DOCUMENTS

3.1	Copy of Resolution adopted by the Board of Trustees of the Hospital on December 9, 1996 (without Exhibit A).	34
3.2	Copy of Resolution adopted by the Board of Trustees of the Hospital on May 11, 1998.	35
3.3	Certificate of Determination.	36

3.4 General Certificate of Grant Memorial Hospital with Respect to Members of the Board of Trustees, Officers, Certified Copies and Certain Other Matters. 37

3.5 Rule 15c2-12 Certificate of Grant Memorial Hospital. 38

IV. UNDERWRITER'S DOCUMENTS

4.1 Legal Investment Survey regarding:

A. G.O. Refunding Bonds; and 39

B. Revenue Refunding Bonds. 40

4.2 Preliminary Blue Sky Memorandum regarding:

A. G.O. Refunding Bonds; and 41

B. Revenue Refunding Bonds. 42

4.3 Final Blue Sky Memorandum regarding:

A. G.O. Refunding Bonds; and 43

B. Revenue Refunding Bonds. 44

4.4 Rating Letters. 45

4.5 Receipt for Refunding Bonds. 46

4.6 Continuing Disclosure Agreement. 47

V. BOND TRUSTEE AND CO-PAYING AGENT DOCUMENTS

5.1 General Certificate of Bond Trustee. 48

5.2 Acceptance of Co-Paying Agent and Certificate with Respect to Authority To Act as Co-Paying Agent and Depository, Delivery and Other Matters. 49

VI. BOND INSURER DOCUMENTS

6.1 Certificate of Bond Insurer regarding:

A. G.O. Refunding Bonds; and 50

B. Revenue Refunding Bonds. 51

6.2 Certificate of Bond Insurer regarding Official Statement. 52

VII. REFUNDING DOCUMENTS

7.1 Notice to Bond Commission of Refunding. 53

7.2 Copies of SLG subscriptions for:

A. 1994 G.O. Bonds; and 54

B. 1994 Revenue Bonds. 55

7.3 Verification Report, dated May 28, 1998, of Doak, Cuppett & Poling, regarding the accuracy of the refunding analysis and certain other matters. 56

7.4 Copy of Notice of Defeasance for:

A. 1994 G.O. Bonds; and 57

B. 1994 Revenue Bonds. 58

7.5 Certificate of Escrow Trustee. 59

7.6 Acceptance of Municipal Bond Commission. 60

VIII. OPINIONS

8.1 Approving opinion of Jackson & Kelly, as bond counsel ("Bond Counsel") regarding:

A. G.O. Refunding Bonds; and 61

B. Revenue Refunding Bonds. 62

8.2 Reliance letter from Bond Counsel to Underwriter and Bond Insurer. 63

8.3	Supplemental opinion of Bond Counsel pursuant to the Bond Purchase Agreement.	64
8.4	Supplemental opinion of Bond Counsel as to security.	65
8.5	Opinion of Jackson & Kelly, counsel to the Underwriter, pursuant to the Bond Purchase Agreement.	66
8.6	Opinion of Dennis V. DiBenedetto, prosecuting attorney (the "Prosecuting Attorney"), as counsel to the County Commission.	67
8.7	Opinion of the Prosecuting Attorney as counsel to the Hospital.	68
8.8	Opinion of Dan Marshall, counsel to the Bond Trustee, Co-Paying Agent and Escrow Trustee.	69
8.9	Opinion of Sullivan & Donovan, LLP, counsel to the Bond Insurer.	70
8.10	Opinion of Jackson & Kelly re defeasance of 1984 Bonds.	71

The closing of the sale of $1,780,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A, and $3,225,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C, will take place at the offices of Jackson & Kelly, 1600 Laidley Tower, Charleston, West Virginia, at 10:00 a.m. on Thursday, May 28, 1998. The pre-closing of such sale will take place at the offices of Jackson & Kelly, at 2:00 p.m. on Wednesday, May 27, 1998. All transactions at the pre-closing and closing will be deemed to have taken place simultaneously on May 28, 1998, and no transactions shall be deemed to have been completed and no documents shall be deemed to have been delivered unless and until all transactions are complete and all documents delivered.

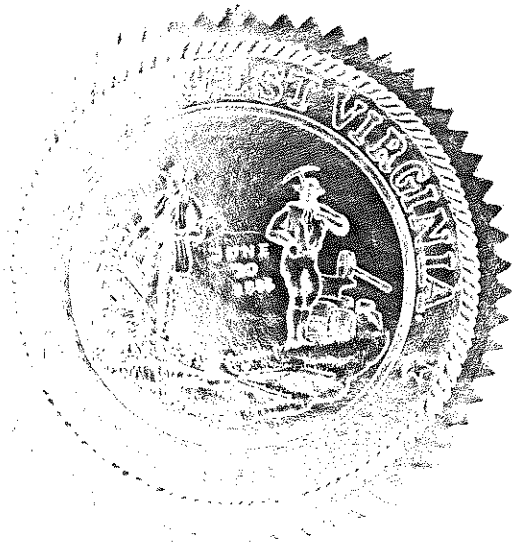
CHASFS3:115487/2
5/26/98

State of West Virginia

Certificate

I, Ken Hechler, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 13 ARTICLE 1 OF THE WEST VIRGINIA CODE AS INDICATED BY THE RECORDS OF THIS OFFICE.



Given under my hand and the Great Seal of the State of West Virginia on this

Twenty-Seventh *day of*

May *19* **98**

Secretary of State

disclose the nature and extent of such interest and the date of his or her acquisition thereof, which disclosure shall be publicly acknowledged by the board and entered upon the minutes of the board. If a member of the board or officer, agent or employee thereof holds such an interest, he or she shall refrain from any further involvement on behalf of the board in regard to such contract or agreement, from voting on any matter pertaining to such contract or agreement, and from communicating with other members of the board or its officers, agents and employees concerning said contract or agreement. Notwithstanding any other provision of law, any contract or agreement entered into in conformity with this subsection shall not be void or invalid by reason of the interest described in this subsection, nor shall any person so disclosing the interest and refraining from further official involvement as provided in this subsection be guilty of an offense, be removed from office or be subject to any other penalty or legal disability on account of such interest.

(c) Any contract or agreement made in violation of subsection (a) or (b) of this section shall be null and void and shall give rise to no civil or criminal action against the board or any member thereof. (1992, c. 33.)

§ 12-7-16. Credit of state not pledged.

No provisions of this article shall be construed to authorize the jobs investment trust board at any time or in any manner to pledge the credit or taxing power of the state, nor shall any of the obligations or debts created by the jobs investment trust board under the authority herein granted be deemed to be obligations of the state. (1992, c. 33.)

CHAPTER 13.
PUBLIC BONDED INDEBTEDNESS.

Article
1. **Bond Issues for Original Indebtedness.**
2. **Refunding Bonds.**
2A. **Revenue Bond Refinancing.**
2B. **Validation.**
2C. **Industrial Development and Commercial Development Bond Act.**
2D. **Airport Development Bond Act.**
2E. **Revenue Bond Refunding Act.**
2F. **Public Obligations Registration Act.**
2G. **State Refunding Bond Act.**
3. **Municipal Bond Commission.**

W. Va. Law Quarterly. — For discussion of Act of 1917, from which a part of this chapter derives, see 27 W. Va. L.Q. 84.

ARTICLE 1.
BOND ISSUES FOR ORIGINAL INDEBTEDNESS.

Sec.
13-1-1. Political divisions authorized to issue and sell bonds.
13-1-1a. Exemption from interest rate ceilings.
13-1-2. Purposes for which bonds may be issued.
13-1-3. Amount and purpose of indebtedness for which bonds may be issued.
13-1-4. Bond issue proposal to be submitted to voters; election order.
13-1-5. Engineer's estimate.
13-1-6. Bonds may be specified for more than one purpose; single or general purpose defined.
13-1-6a. When proceeds of bond issue specified for one project may be used for another project.
13-1-7. When election to be held.
13-1-8. Publication of notice of election.
13-1-9. Registration of voters.
13-1-10. Election precincts.
13-1-11. General election laws to apply; recorders and secretaries to act in lieu of circuit clerks.
13-1-12. Form of ballot.
13-1-13. Time and manner of canvassing returns.
13-1-14. Resolution authorizing issuance and fixing terms of bonds.
13-1-15. Bonds to be payable in annual installments.
13-1-15a. Bonds may be subject to redemption.
13-1-16. Recital of certification that bonds are issued in conformity with Constitution and statutes; effect thereof with attorney general's indorsement.
13-1-17. Bonds may be registered; coupon bonds may be registered as to principal.
13-1-18. Registration of coupon bonds as to interest; exchange of registered bond for coupon bond.
13-1-19. Signing, sealing and delivery of bonds and coupons.
13-1-20. Imposition and collection of tax to pay bonds and interest.
13-1-21. Advertisement and sale of bonds.
13-1-22. Purposes for which proceeds to be used; purchaser need not see to application thereof.
13-1-23. No law, order, ordinance, resolution, proceeding or publication neces-

Sec.
sary except as prescribed by this article.
13-1-24. Legal status of bonds.
13-1-25. Copy of proceedings to be transmitted to attorney general for approval or disapproval; publication of approval or disapproval.
13-1-26. Review in supreme court of appeals of action of attorney general.
13-1-27. Bond issue and tax to pay bonds to be incontestable upon failure to file petition for review or dismissal thereof.
13-1-28. Indorsement on bonds by attorney general.
13-1-29. Costs of proceedings and expenses of attorney general to be paid out of proceeds of bonds or general fund.
13-1-30. Files and records to be kept by attorney general.
13-1-31. Proceedings to issue bonds under authority of prior statutes; debts heretofore incurred.
13-1-32. Amount of indebtedness authorized by § 13-1-3 may be increased by special act as to municipalities and independent school districts; bonds for assessments against abutting property excepted from this article.
13-1-33. Bonds exempt from taxation.
13-1-34. Bonded indebtedness of school districts; annual tax to be levied and collected to pay same; definition of value.
13-1-35. Bonded indebtedness of counties, magisterial districts and municipal corporations; levy and collection of taxes to pay same.

Michie's Jurisprudence. — For comprehensive treatment of power of municipalities to incur and pay debts, borrow money and issue bonds, see 13B M.J., Municipal Corporations.

As to power of counties to do likewise, see 5A M.J., Counties.

W. Va. Law Review. — For note, "Municipal Bonds — The Need for Disclosure," see 78 W. Va. L. Rev. 391 (1976).

"Survey of Developments in West Virginia Law: 1985," 88 W. Va. L. Rev. 443 (1985).

This article was not repealed by § 11-8-1 et seq. Walker v. City of Charleston, 116 W. Va. 645, 182 S.E. 766 (1935).

---

§ 13-1-1. Political divisions authorized to issue and sell bonds.

Any county, by and through its county court, either for and on behalf of the county or for and on behalf of any magisterial district, or group of magisterial districts therein; any municipal corporation, by and through its council or other governing body in lieu thereof; or any school district, or any independent school district, by and through its board of education or other fiscal body in lieu thereof, may issue and sell its bonds, in the manner and subject to the limitations and conditions hereinafter contained in this article. (1923, c. 14, § 1.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Intergovernmental agreement. — A provision of an intergovernmental agreement signed by three counties, when read in conjunction with existing statutory law, provided sufficient legal authority for the three participating counties to issue general obligation bonds to build a regional jail. Op. Att'y Gen., Sept. 9, 1983, No. 19.

Cited in Vineyard v. Roane County Court, 92 W. Va. 51, 114 S.E. 380 (1922); State ex rel. Horne v. Adams, 154 W. Va. 269, 175 S.E.2d 193 (1970).

§ 13-1-1a. Exemption from interest rate ceilings.

Notwithstanding any other provision in this Code to the contrary, any municipality, county or state agency shall be free of interest rate restrictions when obtaining loans from the farmers home administration, housing and urban development and the economic development authority where such loans are made from federal moneys and are made for public projects. It is the intention of the legislature that the political subdivisions of this State take maximum possible advantage of federal programs and financing alternatives where such would be in the best interests of this State. (1982, c. 93.)

§ 13-1-2. Purposes for which bonds may be issued.

Debt may be incurred and bonds issued under this article for the purpose of acquiring, constructing and erecting, enlarging, extending, reconstructing or improving any building, work, utility or undertaking, or for furnishing, equipping and acquiring or procuring the necessary apparatus for any building, work, improvement or department, or for establishing and maintaining a library or museum for the public use, or a building or structure for educational purposes, or acquiring a recreation park for the public use, or for acquiring, constructing, furnishing, equipping and maintaining civic arenas, auditoriums, exhibition halls and theaters, or for other similar corporate purpose, for which the political division is authorized to levy taxes or expend public money. But no bonds shall be issued for the purpose of providing funds for the current expenses of any body or political division. Interest accruing during the construction period, that is to say, the time when an improvement is under construction and six months thereafter, shall be deemed a part of the cost of the improvement, and shall not be deemed current expenses. All engineering and inspection costs, including a proper proportion of the compensation, salaries and expenses of the engineering staff of the political division properly chargeable to any work or improvements, as determined by the governing body, or the estimated amount of such costs, shall be deemed part of the cost of an improvement. All costs and estimated costs of the issuance of bonds shall be deemed a part of the cost of the work or improvement, or of the property, or of the carrying out of the purposes for which such bonds are to be issued. The power to acquire or construct any building, work or improvement as herein provided shall be deemed to include the power to acquire the necessary lands, sites and rights-of-way therefor.

Bonds may also be issued by any municipality having a population of fifty thousand or more or by any county for the purpose of acquiring land and constructing a building or buildings for use and occupancy as a college. The proposal for such a bond issue shall contain a provision that there shall be created a commission or committee for the purpose of operating the building or buildings and for renting the same for an amount sufficient to pay the interest and sinking fund on the bonds proposed to be issued, and shall contain a further provision that in the event a sufficient amount is not realized from rent or rents for the purpose of meeting the debt service, then the city or county shall lay a levy for such purpose in an amount sufficient within the constitu-

tional and statutory limitation to pay the interest and principal on such bonds as the same become due and payable. The proposal may also contain a provision that when the bonds and the interest thereon shall have been paid, then the title to the land and the building or buildings situated thereon may be transferred to the college to which the same have been rented. (1923, c. 14, § 2; 1941, c. 8; 1945, c. 17; 1974, c. 8.)

Cross references. — Political divisions authorized to issue and sell bonds, § 13-1-1.

Amount of the indebtedness for which bonds may be issued, § 13-1-3 and note thereto.

Purposes for which proceeds to be used, § 13-1-22.

Editor's notes. — Acts 1911, c. 38, § 25a, authorizing the bonding of a magisterial district for the construction of roads therein, did not contemplate bridges over large streams as a part of public roads; and it was held that an issue of magisterial district bonds under Acts 1911, c. 38, § 25a, not solely for the construction of roads in the district, but largely for the construction or purchase of bridges therein exceeding five feet in length, was illegal and void. See Hedrick v. County Court, 71 W. Va. 732, 77 S.E. 359 (1913).

In general. — It was said in the case of Pfalzgraf v. County Court, 73 W. Va. 723, 81 S.E. 397 (1914), that the section authorizing the issuance of bonds for road improvement did not impliedly repeal Acts 1905, c. 51, limiting the indebtedness of counties, cities, school districts and municipal corporations to two and one-half percent of the assessed value of the taxable property therein.

Bonds must be for municipal uses. — Under Acts 1872, c. 141, § 1, which has been superseded and in some respects modified radically by this section, it was held that it was not the intention of the legislature to authorize and empower cities, towns, or municipal corporations to issue bonds for purposes other than municipal or corporate uses. Ohio Valley Iron Works v. Town of Moundsville, 11 W. Va. 1 (1877).

Section specifically authorizes the use of bond proceeds to pay any interest accruing during construction or six months thereafter. Op. Att'y Gen., Aug. 2, 1978.

Refund of bond proceeds or reduction in tax levy prohibited until sufficient funds on deposit. — Where in order to meet interest obligations due on bonds prior to first levy of taxes for payment of their principal and interest, county school board forwarded portion of bond proceeds to municipal bond commission, and subsequently tax collections exceeded the amount necessary to meet present principal and interest payments and would be sufficient to pay future obligations, the municipal bond commission could not refund any part of bond proceeds forwarded to the commission by the county board of education nor reduce the taxes to be levied below that sum required by § 13-1-34 until such time as sufficient funds were on deposit with the commission to pay interest accruing in all subsequent years and to retire the bonds; however, after retirement of all bonds, any balance in the account could be refunded. Op. Att'y Gen., Aug, 2, 1978.

Courthouse. — As to financing of new courthouses, see 45 Op. Att'y Gen. 409 (1953).

Dam. — Where a proposed multiple purpose dam will be constructed, operated and owned by the federal government, which will purchase the property necessary for such project along with any easements and rights-of-way which are needed, the project, upon completion, will not be the property of the county; hence, under the provisions of this chapter, a county court (now county commission) cannot be authorized to issue and sell its general obligation bonds therefor. 47 Op. Att'y Gen. 234 (1957).

A county board of education is not authorized to incur indebtedness by the issuance of general obligation bonds for the purpose of purchasing school textbooks for students. 51 Op. Att'y Gen. 323 (1965).

Cited in Pardue v. County Court, 105 W. Va. 235, 141 S.E. 874 (1928).

§ 13-1-3. Amount and purpose of indebtedness for which bonds may be issued.

No political division authorized by this article to issue bonds, except county boards of education, shall by any bond issue, become indebted to an amount, including all other indebtedness, exceeding two and one-half percent of the value of the taxable property therein, as shown by the last assessment thereof, for state and county purposes, next prior to the issuing of such bonds: Provided, that any county for the erection and equipment of a courthouse

and/or jail for such county, with funds borrowed from the government of the United States or any governmental agency, federal or state, and any municipal corporation of three hundred inhabitants or more, for the purpose of grading, paving, sewering, and otherwise improving or reimproving its streets and alleys, or for establishing and maintaining a library or museum for the public use, or a building or structure for educational purposes, or acquiring a recreation park for the public use, or for acquiring, constructing, furnishing, equipping and maintaining civic arenas, auditoriums, exhibition halls and theatres, may become indebted and issue bonds in an additional sum not exceeding two and one-half percent of the value of the taxable property therein, ascertained as aforesaid: Provided, however, That no county board of education authorized by this article to issue bonds, shall, by any bond issue, become indebted, in any manner, or for any purpose, to an amount, including all other indebtedness, in the aggregate, exceeding five percent on the value of the taxable property therein, in the county school district to be ascertained by the last assessment for state and county taxes, previous to the incurring of such indebtedness, in the manner provided by the "School Bond Amendment," as ratified.

The term "sewering" as used herein shall be treated in a comprehensive sense, so as to include all mains, laterals, connections, traps, incinerating and disposal plants, and other necessary and convenient accessories to a modern sanitary and efficient sewerage system and shall include storm sewers.

The county court of any county is hereby authorized and empowered to negotiate and sell to the government of the United States or to any governmental agency, federal or state, at private sale, at not less than par any bonds issued for the purpose of erecting and equipping a courthouse or other public buildings for such county, under and by virtue of this article, without first offering them for sale at public auction, or to any other person or agency. (1923, c. 14, § 3; 1925, c. 42; 1927, c. 58; 1931, c. 36; 1935, c. 21; 1941, c. 8; 1945, c. 17; 1951, c. 153; 1974, c. 8.)

Cross references. — Tax limitation amendments, W. Va. Const., art. X, § 1.

Statutory provisions enacted pursuant to such constitutional tax limitation, c. 11, art. 8.

Certain bond issues to which this section is inapplicable, § 11-8-16.

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Constitutionality. — A similar act, Acts 1905, c. 51, limiting the indebtedness of counties, cities, school districts and municipal corporations to two and one-half percent of the assessed value of the taxable property therein was held not to be in conflict with W. Va. Const., art. X, § 8. Pfalzgraf v. Wood County Court, 73 W. Va. 723, 81 S.E. 397 (1914). See also Sanders v. County Court, 115 W. Va. 187, 174 S.E. 878 (1934), holding that constitutional and statutory limitations on the indebtedness of distinct political divisions apply distributively and not collectively.

No obligation in excess of legally available revenue. — Obligations of political divisions of a state may not be incurred in excess of the legally available revenue derived from taxes raised by valid levies or from other legally authorized sources. State ex rel. County Court v. Partlow, 130 W. Va. 777, 45 S.E.2d 506 (1947).

Cited in Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

§ 13-1-4. Bond issue proposal to be submitted to voters; election order.

No debt shall be contracted or bonds issued under this article until all questions connected with the same shall have been first submitted to a vote of the qualified electors of the political division for which the bonds are to be issued, and shall have received three fifths of all the votes cast for and against the same. The governing body of any political division referred to in this article may, and when requested so to do by a petition in writing, praying that bonds be issued and stating the purpose and amount thereof, signed by legal voters of the political division equal to twenty percent of the votes cast in a county or magisterial district for governor, or in a municipal corporation or school district for mayor or members of the board of education, as the case may be, shall, by order entered of record, direct that an election be held for the purpose of submitting to the voters of the political division all questions connected with the contracting of debt and the issuing of bonds. Such order shall state:

(a) The necessity for issuing the bonds, or, if a petition has been filed as provided herein, that such petition has been filed;

(b) If for the construction of a county-district road or bridge thereon, a summary of the engineer's report provided for in the following section [§ 13-1-5] setting forth the approximate extent and the estimated cost of the proposed improvement, and the kind or class of work to be done thereon;

(c) Purpose or purposes for which the proceeds of bonds are to be expended;

(d) Valuation of the taxable property as shown by the last assessment thereof for state and county purposes;

(e) Indebtedness, bonded or otherwise;

(f) Amount of the proposed bond issue;

(g) Maximum term of bonds and series;

(h) Maximum rate of interest;

(i) Date of election;

(j) If a special election, names of commissioners for holding same;

(k) If registration of voters is necessary, notice of the time, place and manner of making same;

(*l*) That the levying body is authorized to lay a sufficient levy annually to provide funds for the payment of the interest upon the bonds and the principal at maturity, and the approximate rate of levy necessary for this purpose;

(m) In the case of school bonds, that such bonds, together with all existing bonded indebtedness, will not exceed in the aggregate five percent of the value of the taxable property in such school district ascertained in accordance with section 8, article X of the Constitution; and that such bonds will be payable from a direct annual tax levied and collected in each year on all taxable property in such school district sufficient to pay the principal and the interest maturing on such bonds in such year, together with any deficiencies for prior years, within, and not exceeding thirty-four years, which tax levies will be laid separate and apart and in addition to the maximum rates provided for tax levies by school districts on the several classes of property in section 1, article X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property; and said tax may be levied outside the limits fixed by section 1, article X of the Constitution.

Any other provision which does not violate any provision of law, or transgress any principle of public policy, may be incorporated in the order. (1923, c. 14, § 4; 1951, c. 153; 1959, c. 132.)

Cross references. — Certain bond issues to which this section is inapplicable, § 11-8-16.

ALR references. — Statute requiring or authorizing judicial or administrative approval before issuance or sale of municipal bonds, 87 ALR 706; 102 ALR 90.

Kind or type of contractual obligation within term "bonds" in statute validating or legalizing obligations of municipalities or other public bodies, 128 ALR 1411.

Constitutionality. — That West Virginia has adopted a rule of decision in W. Va. Const., art. X, §§ 1 and 8, and in this section, § 13-1-14 and § 11-8-16, applicable to all bond referenda and increases in taxes, by which the strong consensus of three fifths is required before indebtedness is authorized, does not violate the equal protection clause or any other provision of the United States Constitution. Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971).

The supreme court of the United States in Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971), reversed the judgment of the West Virginia supreme court of appeals which held unconstitutional W. Va. Const., art. X, §§ 1 and 8, and § 11-8-16, this section, and § 13-1-14, because violative of the equal protection clause of the Constitution of the United States. State ex rel. Heavener v. Perry, 155 W. Va. 353, 184 S.E.2d 136 (1971).

West Va. Const., art. X, §§ 1 and 8, singles out no discrete and insular minority for special treatment. The three-fifths voting requirement applies equally to all bond issues and tax increases for any purpose, whether for schools, sewers, or highways. Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971).

This section is clear and unambiguous. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

Section mandatory. — This section, which provides, inter alia, that a city council, when requested by petition signed by legal voters as provided therein, shall direct that an election be held to determine all questions connected with the contracting of debt and the issuing of bonds, is mandatory, and, upon the refusal by a city council to comply with those mandatory terms, where all the provisions of the statute have been complied with, mandamus lies to compel the calling of such election and the submission of such question. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

Where a valid petition is submitted to a city council in a proper case, that body has a mandatory duty to submit the question to the voters of the city in accordance with the provisions of this section. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

Mandamus. — Mandamus is the proper remedy to compel a city council to submit a question to the voters where the law provides for such submission and council refused to do so. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

When the requisite number of signatures is contained upon a valid petition, mandamus will lie to compel the council to submit the question to the voters at an election where the council has refused to adopt the ordinance or submit the question to the voters of the municipality. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

Mandamus will lie to require a city council, upon the filing of a proper petition, to submit the question to the voters of the city, and even though the ordinance, if passed, would carry with it fatal infirmities, it would go into operation, if adopted, and become legally advantageous to the relators in mandamus. State ex rel. Elliott v. Adams, 155 W. Va. 110, 181 S.E.2d 276 (1971).

Where petitioners file a petition before a city council requesting that the council undertake procedure to submit a bond issue to a vote of the people in accordance with a provision of a city charter and the council fails to give petitioners the relief sought under the charter provisions, such petitioners cannot by mandamus proceeding later force the council to proceed in accordance with an initiative provision of a general state law with which the council was not in the beginning asked by proper petition to comply. In such a situation, there is not a clear legal right to the issuance of a writ. State ex rel. Horne v. Adams, 154 W. Va. 269, 175 S.E.2d 193 (1970).

Refunding bonds. — The rule that refunding bonds do not create a new debt and, therefore, may be issued without voter approval under W. Va. Const., Art. X, §§ 8, 10, is subject to certain qualifications: First, the amount of refunding bonds cannot increase the total indebtedness authorized by the voters on the original bond issue; secondly, refunding bonds ordinarily may not be liquidated over a period longer than authorized for the original bond issue, and thirdly, the aggregate of the princi-

pal and interest payments made on the original bonds prior to their refunding, when added to the amounts to be paid on the refunding bonds and any outstanding original bonds that are issued but not refunded, cannot exceed the original indebtedness authorized by the voters. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Valuation for bond levy purposes. — It is apparent from this section that the special bond levy is set annually based upon the current year's appraised values. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

This article contemplates general obligation bonds. 46 Op. Att'y Gen. 337 (1955).

Hence, authority to issue revenue bonds cannot be given by affirmative vote. — Authority of the county court (now county commission) to issue revenue bonds for the construction of an armory cannot be given by an affirmative vote of the voters of the county; such authority can only be given by appropriate legislative action. 46 Op. Att'y Gen. 337 (1955).

Method of financing. — The method of financing known as the "restricted special fund" theory, has been upheld by an almost unbroken line of authorities. The legislature has recently adopted the "broad special fund" theory of subjecting the revenues from the entire system to the payment of bonds issued for the improvement and extension of an existing water plant. The validity of such legislation is now recognized in almost all jurisdictions. Casto v. Town of Ripley, 114 W. Va. 668, 173 S.E. 886 (1934).

Approval of bond issue in an amount in excess of that permitted by law. — County bonds in an amount which can be paid from legal maximum levies as part of a proposed issue of bonds of an aggregate in excess of the limits permitted by law are not valid and cannot be issued or used to complete a different and less costly project than the project specified in the proposed issue submitted to voters and the completion of which would require the proper expenditure of the entire principal amount of the proposed issue. State ex rel. County Court v. Partlow, 130 W. Va. 777, 45 S.E.2d 506 (1947).

The requirement that voters be correctly advised as to all existing indebtedness is mandatory and calls for the utmost good faith in its compliance on the part of the county court (now county commission). Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

Under this section, the failure of a county court (now county commission) to include in its order calling an election to vote on a proposed issue of county bonds, a statement of the amount of an existing overdraft in the county fund, not provided for out of the levies of the current fiscal year, renders void the election held thereunder, and the issue of bonds attempted to be authorized thereby. Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

Order submitting bond issue must state approximate rate of levy needed for sinking fund requirements. — This section requires that an order submitting the approval or disapproval of a bond issue to a vote of the people state the approximate rate of levy necessary to meet the sinking fund requirements, and this rate of levy must be substantially complied with. Baxa v. Partlow, 132 W. Va. 859, 54 S.E.2d 825 (1949).

The rates of levy adopted by the people at a bond election are binding and where a subsequent order expressly provided that this rate could be exceeded, the provision in the order was invalid and of no effect. Baxa v. Partlow, 132 W. Va. 859, 54 S.E.2d 825 (1949).

Stated in APCO v. County Court, 146 W. Va. 118, 118 S.E.2d 531 (1961).

Cited in State ex rel. Todd v. Steen, 106 W. Va. 325, 145 S.E. 602 (1928).

§ 13-1-5. Engineer's estimate.

Before ordering an election on the question of issuing bonds to construct a county-district road or bridge, whether acting on its own motion or on petition, the county court shall instruct the county road engineer, or some other engineer designated by it for the purpose, to make an investigation and furnish to the court an estimate of the probable cost of the proposed improvement. (1923, c. 14, § 5.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

§ 13-1-6. Bonds may be specified for more than one purpose; single or general purpose defined.

The order or ordinance submitting the proposition of issuing bonds to a vote may specify more than one purpose for which bonds are to be issued: Provided, That the amount of the proceeds of the issue to be used for each purpose shall also be specified therein: Provided further, That all expenditures, including but not limited to expenditures for the acquisition of sites, the construction, erection, equipping and furnishing of one or more buildings, structures, improvements or facilities, or group of buildings, structures, improvements or facilities, and the relocation, alteration, renovation or enlargement of any existing buildings, structures, improvements or facilities, or group of buildings, structures, improvements or facilities, for the same general purpose shall be construed to be a single purpose within the meaning of this section. It shall not be necessary to specify in the order or ordinance submitting the proposition the amount of the proceeds of such bond issue to be used for each such site, building, structure, improvement or facility, or group of buildings, structures, improvements or facilities, which are a part of the same general purpose and it shall be sufficient compliance with this section if such order or ordinance state only the general purposes for which bonds are to be issued and the amount of the proceeds of such issue to be used for each such general purpose. (1923, c. 14, § 6; 1965, c. 125.)

Amounts for several projects must be specified. — A city bond issue for different projects cannot be sustained unless the ordinance which submitted the proposed issue to a vote of the people clearly specified the amounts to be used for the several projects, respectively. State ex rel. Davenport v. Meadows, 120 W. Va. 602, 199 S.E. 883 (1938).

And substantial variance invalidates issue. — In the submission to a vote of the people of a proposed bond issue embracing several municipal projects, the amounts specified in the ordinance for the projects, respectively, shall also be set forth in the ballot, and a substantial variance will invalidate the issue. State ex rel. Davenport v. Meadows, 120 W. Va. 602, 199 S.E. 883 (1938); Jarrell v. Board of Educ., 131 W. Va. 702, 50 S.E.2d 442 (1948).

Diversion of funds prohibited. — A city may not use the balance of $200,000, remaining after the completion of the first five individual projects contained in a bond issue, for the purpose of implementing the total amount available for project number six. Such action, if carried into effect, would constitute a diversion of the funds, which the law forbids. 47 Op. Att'y Gen. 33 (1956).

Only one purpose was contemplated by county court (now county commission) where it had in mind to "establish, acquire and construct an airport . . ." and to submit to the voters the question of issuing bonds. Hence, it was not a case coming within the requirements of this section. Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

§ 13-1-6a. When proceeds of bond issue specified for one project may be used for another project.

If the order or ordinance submitting the proposition of issuing bonds to a vote specifies several projects within the same general purpose and the amount of the proceeds of such issue to be used for each project and for any reason one or more of said projects cannot be constructed, carried out, or completed, the amount of money specified for such projects and any sums remaining unused upon completion of any one of the specified projects may be allocated by the governing body in its discretion to and expended for any one or more of the

remaining projects specified in said order or ordinance if said order or ordinance of submission shall contain a provision authorizing it to do so. (1965, c. 126.)

§ 13-1-7. When election to be held.

Elections for the purpose of voting upon questions of issuing bonds may be held at any general, primary, or special election which the fiscal body in its order submitting the same to a vote may designate, except that, when a petition is filed asking that bonds be issued, the fiscal body with which the same is filed, if it be not designated in the petition that the election shall be held at a general or primary election, shall order a special election to be held within sixty days from the date of the filing of such petition; or, if it be a petition for bonds for the construction of county-district roads or bridges thereon, the election shall be held within sixty days from the filing of the engineer's report as provided for in section five [§ 13-1-5] of this article. (1923, c. 14, § 7.)

Certain questions cannot be submitted at special election designated for consideration of constitutional amendments. — When the legislature, by law, designates that one or more proposed amendments are to be submitted to the voters at a special election, it would be unconstitutional and prohibited for the voters of any county to consider the question(s) of whether or not to authorize a county board of education to borrow money by issuing general obligation bonds and/or to lay an excess levy at an election called by a county school board to be held on the same day as that already designated by the legislature for holding a special election for voters to vote on one or more constitutional amendments. Op. Att'y Gen., Apr. 9, 1973.

§ 13-1-8. Publication of notice of election.

Notice of all bond elections shall be given by publication, within fourteen consecutive days next preceding the date of the election, of the order provided for in section four [§ 13-1-4] of this article as a Class II-0 legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this Code, and the publication area for such publication shall be the political division in which the election is to be held. (1923, c. 14, § 8; 1967, c. 105.)

Editor's notes. — By Acts 1921, c. 112, § 106, it was provided that the clerk shall "forthwith" in a conspicuous place in his office and at the front door of the courthouse post the order of notice, and under such section it was held that a notice of a bond issue to build a road, seven days after the order and thirty days before the election, was posted "forthwith" as required by the section. See Vineyard v. County Court, 92 W. Va. 51, 114 S.E. 380 (1922).

Section liberally construed. — Under this section a liberal rather than a technical rule of construction should be applied. Stanley v. Kanawha County Court, 84 W. Va. 619, 100 S.E. 408 (1919).

Where a publication is required "for" a given number of days or weeks, it must be for each day or week for the required number of days or weeks, thereby giving force to the preposition "for" and distinguishing that class of statutes from those where continuity is not contemplated or so indicated by the use of the preposition. Stanley v. Kanawha County Court, 84 W. Va. 619, 100 S.E. 408 (1919).

Stated in Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-9. Registration of voters.

The registration of voters and the use of registration books prescribed by general law shall be applicable to any election under this chapter. (1923, c. 14, § 9.)

Cross references. — General law pertaining to registration of voters, c. 3, art. 2 and note thereto.

§ 13-1-10. Election precincts.

Elections for bond issues for counties, districts and school districts shall be held at the voting precincts established for holding general elections; for municipalities, at the precincts established for the election of municipal officers; and for independent school districts, at the precincts used for voting for boards of education. (1923, c. 14, § 10.)

§ 13-1-11. General election laws to apply; recorders and secretaries to act in lieu of circuit clerks.

All the provisions of the general election laws of this State concerning general, primary or special elections, when not in conflict with the provisions of this article, shall apply to bond elections hereunder, insofar as practicable: Provided, That in bond elections for municipalities, school or independent school districts, the recorders and secretaries, respectively, shall procure and furnish to the election commissioners at each voting precinct the ballots, pollbooks, tally sheets and other things necessary for conducting the election, and perform all duties imposed by law upon clerks of the circuit courts in relation to general elections. (1923, c. 14, § 11.)

ALR references. — Rescission of vote authorizing school district or other municipal bond issue, expenditure, or tax, 68 ALR2d 1041.

Inspection of polling places. — The secretary of state, as chief election official under § 3-1A-6, and his designates are allowed to enter polling places on election day in an effort to ensure that an election is running smoothly and without error or fraud. Op. Att'y Gen., Oct. 22, 1979.

County board of education is the proper body to certify election officials for general obligation bond issue election. 47 Op. Att'y Gen. 158 (1957).

County court (now county commission) to conduct recount. — In the absence of any conflicting statute, and under the provisions of this section and § 3-6-9, the county court (now county commission), as a board of canvassers of the county, is vested with the power and authority to recount the ballots cast at a special bond election in the county and is the proper governmental instrumentality to conduct such recount. State ex rel. Bumgarner v. County Court, 147 W. Va. 52, 125 S.E.2d 883 (1962).

And to do so promptly and without unnecessary delay. — The county court (now county commission), as the board of canvassers of the county, being vested with the power and authority to conduct a recount of the ballots cast at special bond elections, is subject to the duty to conduct such recount promptly and without unnecessary delay and to comply with the public policy of the State which requires diligent and timely action by officers, boards, tribunals and courts in ascertaining, declaring and certifying the final results of an election. State ex rel. Bumgarner v. County Court, 147 W. Va. 52, 125 S.E.2d 883 (1962).

The duty to provide polling places in special elections for school purposes is imposed solely upon the county court (now county commission) and not the board of education. Op. Att'y Gen., July 25, 1969.

Applied in Mingo County Taxpayers Ass'n v. Board of Educ., 122 W. Va. 109, 7 S.E.2d 656 (1940).

§ 13-1-12. Form of ballot.

The ballots to be used at elections under this article shall be in substantially the following form:

Shall ..... (name of political division) incur debt and issue bonds to the amount of $....., to run not more than ..... years from the date thereof, with interest not exceeding the rate of ..... percent per annum, for the purpose of ....., and levy taxes sufficient to pay the interest on and the principal of such bonds.

☐ Yes.

☐ No.

NOTICE TO VOTERS: To vote in favor of the proposition submitted on this ballot, place an X mark in the square before the word "Yes."

To vote against it, place a similar mark before the word "No." (1923, c. 14, § 12.)

Failure of municipality to use ballot prescribed does not invalidate election. — Failure to use the form of ballot prescribed by this section, in an election held by a municipality upon the question of the issuance of municipal bonds for street improvement to be paid for in whole or in part by assessment against abutting property, does not render the election invalid. Sexton v. Lee, 100 W. Va. 389, 130 S.E. 437 (1925).

As ballot clearly indicating intention of voter is sufficient. — If the form of ballot to be used in municipal bond elections be not prescribed by statute, a ballot which clearly indicates the intention of the voter on the proposition submitted will suffice. Sexton v. Lee, 100 W. Va. 389, 130 S.E. 437 (1925).

§ 13-1-13. Time and manner of canvassing returns.

The authorities calling bond elections shall canvass the returns at the same time with reference to the election and in the same manner as is required of county courts for general elections. (1923, c. 14, § 13.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

County board of education is authorized to canvass the returns of a general obligation bond issue election. 47 Op. Att'y Gen. 158 (1957).

Quoted in Park v. Landfried, 135 W. Va. 361, 63 S.E.2d 586 (1951).

§ 13-1-14. Resolution authorizing issuance and fixing terms of bonds.

If three fifths of all the votes cast for and against the proposition to incur debt and issue negotiable bonds shall be in favor of the same, the governing body of the political division shall, by resolution, authorize the issuance of such bonds in an amount not exceeding the amount stated in the proposition; fix the date thereof; set forth the denominations in which they shall be issued, which denominations shall be one hundred dollars or multiples thereof; determine the rate or rates of interest which the bonds shall bear, which rate or rates of interest shall be within the maximum rate stated in the proposition submitted to vote and payable semiannually; prescribe the medium with which the bonds shall be payable; require that the bonds shall be made payable at the office of

TT-32-04-7096-WVA 96 RVB

the state board of investments and at such other place or places as the body issuing the same may designate; provide for a sufficient levy to pay the annual interest on the bonds and the principal at maturity; fix the times within the maximum period, as contained in the proposition submitted to vote, when the bonds shall become payable, which shall not exceed thirty-four years from the date thereof; determine whether all or a portion of the bonds shall be subject to redemption prior to the maturity thereof and, if so, the terms of the redemption; and prescribe a form for executing the bonds authorized. (1923, c. 14, § 14; 1970, c. 9; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1990, 3rd Ex. Sess., c. 5; 1994, c. 13.)

Effect of amendment of 1994. — The amendment inserted "determine whether all ... the terms of the redemption" near the end of the section; and made minor punctuation changes.

Constitutionality. — The supreme court of the United States in Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971), reversed the judgment of the West Virginia supreme court of appeals which held unconstitutional W. Va. Const., art. X, §§ 1 and 8, and §§ 11-8-16, 13-1-4 and this section, because violative of the equal protection clause of the Constitution of the United States. State ex rel. Heavener v. Perry, 155 W. Va. 353, 184 S.E.2d 136 (1971).

That West Virginia has adopted a rule of decision in W. Va. Const., art. X, §§ 1 and 8, and in § 13-1-4, this section, and § 11-8-16, applicable to all bond referenda and increases in taxes, by which the strong consensus of three fifths is required before indebtedness is authorized, does not violate the equal protection clause or any other provision of the United States Constitution. Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971).

West Va. Const., art. X, §§ 1 and 8, singles out no discrete and insular minority for special treatment. The three-fifths voting requirement applies equally to all bond issues and tax increases for any purpose, whether for schools, sewers, or highways. Gordon v. Lance, 403 U.S. 1, 91 S. Ct. 1889, 29 L. Ed. 2d 273 (1971).

Variance in interest rates. — Issuance of different blocks, amounts, or series of bonds of a total authorized bond issue, may have variance in the coupon interest rates, provided none of the interest rates exceed the maximum authorized interest rate. 45 Op. Att'y Gen. 303 (1953).

Issuance of less than total amount authorized. — Under this section, relating to an original bond issue, it appears that the legislature intended that a bond-issuing authority could issue less than the total amount of bonds authorized at the election, if under all the circumstances the projects authorized by the voters can still be completed. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Registration of bonds. — This section and § 13-2-2, which authorize a bond-issuing authority to have bonds payable at the office of the treasurer of state and at such other places that the bond-issuing authority may designate, provide sufficient authority to permit the bonds to be registered at the place of payment. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-15. Bonds to be payable in annual installments.

Such bonds shall be made payable in annual installments beginning not more than two years after the date thereof, and the amount payable in each year may be so fixed that, when the annual interest is added to the principal amount to be paid, the total amount payable in each year in which part of the principal is payable shall be as nearly equal as practicable. It shall be an immaterial variance if the difference between the largest and smallest amounts of principal and interest payable annually during the term of the bonds shall not exceed three percent of the total authorized issue. Or, such bonds may be payable in annual installments beginning not more than two years after the date thereof, each installment being as nearly equal in principal amount as may be practicable. (1923, c. 14, § 14.)

§ 13-1-15a. Bonds may be subject to redemption.

All or a portion of such bonds may be subject to redemption prior to the maturity thereof, at the option of the body issuing the same, at such times and prices and on such terms as shall be designated in the resolution required by section fourteen [§ 13-1-14] of this article. The body issuing the bonds may not levy taxes in connection with the redemption of any bonds in excess of the taxes that would have been levied for the payment of principal of and interest on such bonds in such year. (1994, c. 13.)

§ 13-1-16. Recital of certification that bonds are issued in conformity with Constitution and statutes; effect thereof with attorney general's indorsement.

The resolution authorizing the bonds provided for in section fourteen [§ 13-1-14] of this article may direct that they shall contain the following recital:

"It is certified that this bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia."

Such recital, when such bonds shall have been indorsed by the attorney general as provided in section twenty-eight [§ 13-1-28] of this article, shall be deemed an authorized declaration by the governing body of the political division and to import that there is constitutional and statutory authority for incurring the debts and issuing the bonds; that all the proceedings therefor are regular; that all the acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the bonds, have existed, happened and been performed in due time, form and manner as required by law; that the amount of the bond and the issue of which it forms a part, together with all other indebtedness, does not exceed any limit or limits prescribed by the Constitution or statutes of this State; and that all questions connected with incurring the debt and issuing the bonds have been first submitted to a vote of the people and have received three fifths of all the votes cast for and against the same at an election regularly called and held for the purpose after notice published and posted in the manner required by law. If any bond be issued containing the said recital, and also containing the indorsement of the attorney general as aforesaid, it shall be conclusively presumed that said recital, construed according to the import hereby declared, is true, and neither the political division nor any taxpayer thereof shall be permitted to question the validity or regularity of the obligation in any court or in any action or proceeding. (1923, c. 14, § 15.)

§ 13-1-17. Bonds may be registered; coupon bonds may be registered as to principal.

The bonds issued hereunder may be registered or coupon bonds. Coupon bonds may be registered as to the principal in the owner's name by the state

board of investments on books which shall be kept at its office for the purpose and the registration shall also be noted on the bonds, after which no transfer shall be valid unless made by the state board of investments on the books of registration and similarly noted on the bonds. Bonds registered as to principal may be discharged from registration by being transferred to bearer, after which they shall be transferable by delivery; but may again, and from time to time, be registered as to the principal amount as before. The registration of coupon bonds as to the principal sum shall not affect the negotiability of the interest coupons, but title to the same shall pass by delivery. (1923, c. 14, § 16; 1990, 3rd Ex. Sess., c. 5.)

Quoted in Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-18. Registration of coupon bonds as to interest; exchange of registered bond for coupon bond.

Coupon bonds may also be registered as to the interest by the holder surrendering the bonds with the unpaid coupons attached, which bonds and coupons shall be canceled by the state board of investments. New bonds of the same date and tenor and for the same amounts as the bonds surrendered, or, at the option of the holder, a single bond for the aggregate amount of the bonds surrendered, but without interest coupons attached, shall be issued in the place of the coupon bonds and registered in the manner required in the preceding section [§ 13-1-17]. A registered bond may at any time be surrendered and be exchanged by the holder for a coupon bond by the holder delivering the registered bond to the state board of investments who shall cancel the same and who shall cause a new bond of the same date and tenor and for the same amount to be issued, and with interest coupons for the interest thereafter to accrue thereon attached, and deliver the same to the holder of the surrendered bond. The governing body of the county, municipal corporation or school district which issued the original bond shall issue and execute the new bond required by this section and shall pass the resolutions and ordinances necessary to authorize the same. The expense of such registration shall in all cases be paid by the holder of the bonds. (1923, c. 14, § 17; 1990, 3rd Ex. Sess., c. 5.)

§ 13-1-19. Signing, sealing and delivery of bonds and coupons.

All bonds issued under this article by any county shall be signed by the president of the county court and countersigned by the clerk of such court; bonds issued by any municipality shall be signed by the mayor or other chief executive and countersigned by the clerk, recorder or secretary; bonds issued by a district or independent school district shall be signed by the president of the board of education and countersigned by the secretary thereof. The seal of the political division shall be affixed to such bonds. Interest coupons shall be signed by the facsimile signatures of such officers. The delivery of any bonds or

coupons so executed at any time thereafter shall be valid, although before the date of delivery the person signing such bonds or coupons shall have ceased to hold office. (1923, c. 14, § 18.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Cited in Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-20. Imposition and collection of tax to pay bonds and interest.

It shall be the duty of the governing body of any political division, at or before the time of issuing bonds under this article, to provide for the imposition and collection annually of a tax, in excess of all other taxes, on all property subject to taxation by the political division under the Constitution and laws of this State, sufficient in amount to pay annually the interest on such debt and the principal thereof falling due in each year, such tax to be levied and collected by the same officers, at the same time and in the same manner as the general taxes of the political division. Should any political division neglect or fail for any reason to impose or collect such tax for the payment of the principal or interest of any bonded indebtedness incurred under this article, any person in interest or the state tax commissioner may enforce the imposition and collection thereof in any court having jurisdiction of the subject matter, and any suit, action or proceeding brought for such purpose shall be heard and disposed of with reasonable dispatch. (1923, c. 14, § 19.)

Rate adjustments. — This section appears to permit annual adjustments to the levy rates, if necessary, to meet the annual bond interest, including retirement of principal. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-21. Advertisement and sale of bonds.

The governing body of the political division issuing such bonds shall sell the same and collect the proceeds, which proceeds shall be deposited with its treasurer. The governing body of the political division shall advertise such bonds for sale, on sealed bids, which advertisement shall be published as a Class II legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be the political division. The first publication shall be made at least fourteen days before the date fixed for the reception of bids. Such advertisement shall also be published in a financial paper published either in the city of New York or the city of Chicago, or in a newspaper published in a city of this state having a population of not less than twenty thousand inhabitants, according to the last federal census. The governing body may reject any and all bids. If the bonds be not sold pursuant to such advertisement, they may within one hundred twenty days after the date advertised for the reception of bids, be sold by the governing body at private sale, but no private sale shall be made at a price less than the highest bid which shall have been received. If not sold, such bonds shall be readvertised in the manner herein provided. In no event

shall bonds be sold for less than their par value. (1923, c. 14, § 20; 1967, c. 105; 1981, 1st Ex. Sess., c. 2; 1992, c. 29.)

ALR references. — Legislature's power to add to or make more onerous conditions prescribed by constitution upon incurring of public debt, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

Discount sales. — A discount sale of a refunding bond is not prohibited. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-1-22. Purposes for which proceeds to be used; purchaser need not see to application thereof.

The proceeds derived from the sale of any bonds shall be used only for the purpose or purposes for which the bonds were issued as set out in the order or ordinance submitting the question to vote, but the purchaser of the bonds shall not be obliged to see to the application thereof. (1923, c. 14, § 21.)

Limitations not forbidden by fundamental law may be imposed on expenditures. — The board of education may place upon the expenditure of funds any limitations or restrictions not forbidden by the fundamental law in the original order and bond ballot. 46 Op. Att'y Gen. 375 (1956).

Hence, it was legal and proper for a county board of education to use the proceeds designated for "Simmons" in a bond issue election for the necessary expansion of facilities at several schools in the "Simmons" community. 46 Op. Att'y Gen. 375 (1956).

Authority to designate location of municipal park when bond issue does not so provide. — See 45 Op. Att'y Gen. 426 (1953).

A municipal corporation is estopped by recitals in bonds to assert, as against a holder in due course, that the recitals were false or incorrect. St. Paul Fire & Marine Ins. Co. v. Town of Monongah, 209 F. Supp. 514 (N.D.W. Va. 1962).

A county court (now county commission) may not expend proceeds of a bond issue made under the provisions of article 1 of this chapter for purposes other than those specifically approved by the voters of that county. Op. Att'y Gen., May 28, 1969.

§ 13-1-23. No law, order, ordinance, resolution, proceeding or publication necessary except as prescribed by this article.

This article shall, without reference to any other act of the legislature, be full authority for the issuance and sale of bonds in this article authorized. No order, ordinance, resolution or proceeding in respect to the issuance of any bond under this article shall be necessary, except such as are required by this article. No publication of any order, ordinance, resolution or proceeding relating to the issuance of such bonds shall be necessary except such as is required by this article. Any publication prescribed hereby may be made in any newspaper conforming to the terms of this article, without regard to designation thereof as the official journal of the political division. (1923, c. 14, § 22.)

§ 13-1-24. Legal status of bonds.

Bonds issued under this article, except to the extent that their status shall be affected by registration made in pursuance of this article, shall have all the qualities of negotiable paper under the law merchant and shall not be invalid for any irregularity or defect in the proceedings for the issuance thereof, and

shall be incontestable in the hands of bona fide purchasers or holders thereof for value. (1923, c. 14, § 23.)

ALR references. — Validity of bond issue in excess of amount permitted by law within authorized debt, tax, or voted limit, 175 ALR 823.

§ 13-1-25. Copy of proceedings to be transmitted to attorney general for approval or disapproval; publication of approval or disapproval.

The governing body of any political division issuing bonds under this article shall, as soon as practicable after the result of the election authorizing their issuance shall have been officially ascertained, transmit to the attorney general a duly certified copy of all orders, ordinances, proclamations, notices, advertisements, affidavits, resolutions and records of all the proceedings connected with or pertaining to such bond issue, and any other matters relative thereto which the attorney general may require. The attorney general shall thereupon either approve or disapprove the validity of such bond issue, and shall immediately notify the governing body of the political division which authorized the issuance of the bonds of his action by mail, and as soon as practicable notify the people of such political division of his approval or disapproval of such bond issue, by causing notice thereof to be published as a Class II legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this Code, and the publication area for such publication shall be the political division. (1923, c. 14, § 24; 1967, c. 105.)

Cross references. — See notes to § 13-1-26.

Attorney general restricted to consideration of procedural steps in passing on validity of bond issue. — The power of the attorney general in approving or disapproving the validity of a proposed bond issue, pursuant to this section, is restricted to passing upon the procedural steps taken by the political subdivision. State ex rel. Town of South Charleston v. Partlow, 133 W. Va. 139, 55 S.E.2d 401 (1949).

And may not rule on validity of contract affecting title to land to be purchased from proceeds of bond issue. — Under this section, the attorney general of this State has no power to pass on the validity of a contract and agreement affecting the title to land to be purchased from the proceeds of a bond issue. Such question is judicial and must be determined by a court of competent jurisdiction. State ex rel. Town of South Charleston v. Partlow, 133 W. Va. 139, 55 S.E.2d 401 (1949).

Proceeding by attorney general does not oust jurisdiction of court. — Where, prior to the approval of a bond issue by the attorney general, a citizen and taxpayer has instituted his suit or action attacking the legality of the election, the jurisdiction of the court to hear and determine such suit or action cannot be ousted, or in any manner affected, by any proceeding on the part of the attorney general, under this and §§ 13-1-26, 13-1-27. Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

Cited in State ex rel. Davenport v. Meadows, 120 W. Va. 602, 199 S.E. 883 (1938); State ex rel. County Court v. Partlow, 130 W. Va. 777, 45 S.E.2d 506 (1947); Town of South Charleston v. Board of Educ., 132 W. Va. 77, 50 S.E.2d 880 (1948).

§ 13-1-26. Review in supreme court of appeals of action of attorney general.

For a period of ten days from and after the date of the last publication of the notice of the attorney general of his action in approving or disapproving the validity of any bond issue as provided in the preceding section [§ 13-1-25], any

person in interest, or any taxpayer within the political division for which the bonds are authorized to be issued, may present his or its petition to the supreme court of appeals or to a judge thereof in vacation, praying that the action of the attorney general in approving or disapproving such bond issue, as aforesaid, be reversed or modified; and if the court, or such judge thereof in vacation, be of the opinion to hear and determine the matters in such petition set out, the case shall be proceeded with as in cases of original jurisdiction; but the petitioner shall file with the clerk of the court a bond, with security to be approved by him, and in such sum as the court or judge may fix, for the payment of such costs as may be awarded against him in said court. The clerk of the court shall forthwith notify the attorney general and the governing body of the political division which authorized the issuance of the bonds of the action taken by the court or judge in vacation upon such petition, and for the hearing thereof the attorney general shall file with the clerk of said court all papers, documents, evidence and records, or certified copies thereof, which were before him and on which he based his approval or disapproval; and before the day fixed for final hearing, he shall file with the clerk of said court a written statement of his reasons for the approval or disapproval of the bond issue. Upon the submission of the case, the court shall decide the matters in controversy and enter such order thereon as to it may seem to be just. (1923, c. 14, § 24.)

Exercise of discretion by attorney general must not be arbitrary. — This section does not contemplate or sanction an arbitrary exercise of the discretionary powers of the attorney general. This is indicated by the provision hereof which permits an appeal to the supreme court in the event of misuse or abuse of the authority vested in the attorney general. State ex rel. Allen v. England, 86 W. Va. 508, 103 S.E. 400 (1920).

Thus he may not withhold approval, all preliminary proceedings having been regular. — The attorney general cannot withhold his approval if all of the preliminary proceedings to the issue of the road bonds are regular or substantially so. Nor can he be permitted to give his approval if the statutory provisions have not been complied with. State ex rel. Allen v. England, 86 W. Va. 508, 103 S.E. 400 (1920).

But if his judgment has not been attacked by a suit within the prescribed time, such judgment becomes final. State ex rel. Allen v. England, 86 W. Va. 508, 103 S.E. 400 (1920).

Review contemplated. — The provisions of this section and § 13-1-25 contemplate that when the attorney general has ruled, his action may be reviewed by the supreme court of appeals. Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

Power of review rests solely on this section. — The jurisdiction of the supreme court of appeals to review the action of the attorney general in approving or disapproving a proposed bond issue rests solely on this section, and should "be proceeded with as in cases of original jurisdiction." State ex rel. Town of South Charleston v. Partlow, 133 W. Va. 139, 55 S.E.2d 401 (1949).

And the sole question ordinarily considered on review is approval or disapproval by the attorney general of a proposed bond issue. Generally the supreme court of appeals will not undertake in such proceeding the supervision of the expenditure of funds to be procured as the result of such bond issue. Baxa v. Partlow, 132 W. Va. 859, 54 S.E.2d 825 (1949); State ex rel. Town of South Charleston v. Partlow, 133 W. Va. 139, 55 S.E.2d 401 (1949).

In the proper exercise of his powers under § 13-1-25. — The review by the supreme court of appeals of the attorney general's action in approving or disapproving a proposed bond issue contemplated by this section is limited to his action with respect to the powers he may properly exercise pursuant to § 13-1-25. State ex rel. Town of South Charleston v. Partlow, 133 W. Va. 139, 55 S.E.2d 401 (1949).

Effect on jurisdiction of lower court. — The action of the appellate court in upholding the attorney general in sustaining a county bond issue would not oust the circuit court of the county of its jurisdiction to finally hear and determine a pending suit seeking to contest the bond election and to enjoin the issuance of the bonds. Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943).

An objection to an amended and supplemental petition, filed more than ten days after the date of the last publication of the notice of the attorney general of his approval of a bond issue, was held to be without merit so long as the defendant was not taken by surprise or otherwise prejudiced by the filing and consideration of the supplemental petition. Baxa v. Partlow, 132 W. Va. 859, 54 S.E.2d 825 (1949).

Applied in State ex rel. Davenport v. Meadows, 120 W. Va. 602, 199 S.E. 883 (1938); State ex rel. County Court v. Partlow, 130 W. Va. 777, 45 S.E.2d 506 (1947).

Cited in Town of South Charleston v. Board of Educ., 132 W. Va. 77, 50 S.E.2d 880 (1948).

§ 13-1-27. Bond issue and tax to pay bonds to be incontestable upon failure to file petition for review or dismissal thereof.

If no person in interest or taxpayer shall within ten days from and after the date of the last publication of the notice of the attorney general of his action in approving or disapproving the validity of any bond issue, as provided in this article, present his or its petition to the supreme court of appeals or to a judge thereof in vacation praying that the action of the attorney general be reversed or modified, as hereinbefore provided, or if such petition be filed and the court or judge be of the opinion not to hear and determine the matters in such petition set out, the action of the attorney general shall be final and no other appeal shall be allowed therefrom; and the bond issue approved by him shall become incontestable and shall be a valid and binding obligation upon the authority issuing the same and upon the taxable property within the political division which authorized the bond issue by the vote of the people therein; and no one shall thereafter have the right to contest in any court or in any action or proceeding the legality of any election held under this article, the bond issue provided for, or the tax required to pay the same, for any cause whatsoever. (1923, c. 14, § 24.)

Applied in Warden v. Grafton, 125 W. Va. 658, 26 S.E.2d 1 (1943).

Cited in Sessler v. Partlow, 126 W. Va. 232, 27 S.E.2d 829 (1943); In re Proposal to Incorporate Town of Chesapeake, 130 W. Va. 527, 45 S.E.2d 113 (1947).

§ 13-1-28. Indorsement on bonds by attorney general.

After ten days shall have elapsed from and after the date of the last publication of the attorney general's notice provided for in section twenty-five [§ 13-1-25] of this article, if no proceeding be pending to have his approval of the bond issue reversed and modified, the attorney general shall indorse upon each and every bond of the issue so approved by him his certificate to the effect that such bond has been approved by him by virtue of the authority vested in him by this article; that notice of his approval was published as required by section twenty-five of this article; that ten days have elapsed since the date of the last publication of such notice; that there has been no appeal from his decision to the supreme court of appeals; and that the bond has become incontestable and is a binding obligation upon the authority issuing the same and upon the taxable property within the political division, and that the validity of such bond shall not be contested thereafter in any court or in any action or proceeding for any cause whatsoever. (1923, c. 14, § 24.)

§ 13-1-29. Costs of proceedings and expenses of attorney general to be paid out of proceeds of bonds or general fund.

The cost of publishing the notice to taxpayers as herein provided, and the costs of certifying and copying all records, papers and proceedings to be used by the attorney general in passing upon the validity of the bond issue, and all necessary expense incurred by the attorney general in connection with any bond issue, shall be paid by the authority issuing such bonds out of the proceeds arising from the sale thereof, if the same be finally approved, and if the bond issue be disapproved, such expense shall be paid out of the general fund of such authority. (1923, c. 14, § 24.)

§ 13-1-30. Files and records to be kept by attorney general.

The attorney general shall keep on file in his office the papers pertaining to any bond issue submitted to him, and shall record his findings of approval or disapproval in a well bound book kept for that purpose in his office, which shall be open for inspection by anyone in interest during business hours. (1923, c. 14, § 24.)

§ 13-1-31. Proceedings to issue bonds under authority of prior statutes; debts heretofore incurred.

Nothing contained in this article shall affect in any way proceedings heretofore begun by the governing body of any political division to issue bonds under the authority of any statutes of this State heretofore in force. Such proceedings may be completed under the statute under which the same were begun and under the provisions of this article so far as the same can be made applicable thereto. Nor shall anything contained in this article invalidate any indebtedness heretofore incurred under a law then existing. (1923, c. 14, § 25.)

§ 13-1-32. Amount of indebtedness authorized by § 13-1-3 may be increased by special act as to municipalities and independent school districts; bonds for assessments against abutting property excepted from this article.

Notwithstanding the provisions of section three [§ 13-1-3] of this article, when by a special act of the legislature any municipality or independent school district is authorized to become indebted for any purpose or purposes in a greater amount than is fixed by said section three, bonds may be issued under this article by such municipality or independent school district in an amount not exceeding that fixed by such special act. This article shall not affect any general or special law providing for the issuing of bonds for any improvement to be paid for in whole or in part by assessment against abutting property. (1923, c. 14, § 26.)

Editor's notes. — Acts 1933, Ex. Sess., c. 8, abolished "existing magisterial school districts and subdistricts and independent districts." See § 18-1-3.

Cited in Sexton v. Lee, 100 W. Va. 389, 130 S.E. 437 (1925).

§ 13-1-33. Bonds exempt from taxation.

All bonds of the State of West Virginia or of any political subdivision thereof issued hereunder, or under the provisions of chapter eight [§ 8-1-1 et seq.] of this Code, shall be exempt from all taxation by the State or by any political subdivision thereof. (1931 Code, § 13-1-33.)

Exemption must be provided by law or contract. — Unless in some way exempted by express provision of law or by contract, bonds issued by municipal subdivisions of the State may be taxed by the State. State v. Page, 100 W. Va. 166, 130 S.E. 426 (1925).

§ 13-1-34. Bonded indebtedness of school districts; annual tax to be levied and collected to pay same; definition of value.

(a) Notwithstanding any other provision of this article or of any other law to the contrary, every school district, by and through its board of education, shall levy and collect in each year a direct annual tax on all taxable property in such school district sufficient to pay the principal and interest maturing in such year, together with any deficiencies for prior years, within, and not exceeding thirty-four years, on any bonded indebtedness of such school district, now or hereafter contracted, not to exceed five percent of the value of the taxable property therein to be ascertained in accordance with section 8, article X of the Constitution, which levies shall be laid separate and apart and in addition to the maximum rates provided for tax levies by school districts on the several classes of property specified in section 1, article X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property, and which tax may be levied outside the limits fixed by said section 1, article X of the Constitution.

(b) The term "value" as used in this section and in section 8, article X of the Constitution, is used in the same context that the term "value" is used in section 1, article X of the Constitution, and means the "worth in money" of a piece of property — its market value for ad valorem property tax purposes. (1959, c. 132; 1988, 3rd Ex. Sess., c. 7.)

Refund of bond proceeds or reduction in tax levy prohibited until sufficient funds on deposit. — Where in order to meet interest obligations due on bonds prior to first levy of taxes for payment of their principal and interest, county school board forwarded portion of bond proceeds to municipal bond commission, and subsequently tax collections exceeded the amount necessary to meet present principal and interest payments and would be sufficient to pay future obligations, the municipal bond commission could not refund any part of bond proceeds forwarded to the commission by the county board of education nor reduce the taxes to be levied below that sum required by this section until such time as sufficient funds were on deposit with the commission to pay interest accruing in all subsequent years and to retire the bonds; however, after retirement of all bonds, any balance in the account could be refunded. Op. Att'y Gen., Aug. 2, 1978.

Stated in APCO v. County Court, 146 W. Va. 118, 118 S.E.2d 531 (1961).

§ 13-1-35. Bonded indebtedness of counties, magisterial districts and municipal corporations; levy and collection of taxes to pay same.

Notwithstanding any other provisions of this article or any other law to the contrary, every county, by and through its county court, either for or on behalf of the county, or for and on behalf of any magisterial district, or any group of magisterial districts therein, and any municipal corporation, by and through its council or other governing body in lieu thereof, shall levy and collect in each year a direct annual tax on all the taxable property in such county, magisterial district or districts, or municipality sufficient to pay the principal and interest maturing in such year, together with any deficiencies for prior years, within, and not exceeding thirty-four years, on any bonded indebtedness of such county, magisterial district or districts, or municipality, as the case may be, now or hereafter contracted, not to exceed in the aggregate five percent of the value of the taxable property therein, to be ascertained in accordance with section 8, article X of the Constitution, which levies shall be laid separate and apart and in addition to the maximum rates provided for tax levies by such counties, magisterial district or districts, or municipalities, as the case may be, on the several classes of property specified in section 1, article X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property, and which tax may be levied outside the limits fixed by said section 1, article X of the Constitution.

The order of the county court, either for or on behalf of the county or for and on behalf of any magisterial district, or any group of magisterial districts therein, or of any municipal corporation, by its council or other governing body in lieu thereof, hereafter adopted calling an election on the issuance of bonds of such county, magisterial district or districts, or municipality, as the case may be, which together with the existing bonded indebtedness of such county, magisterial district or districts, or municipality, as the case may be, will not exceed in the aggregate five percent of the value of the taxable property in such county, magisterial district or districts, or municipality, as the case may be, the value to be ascertained in accordance with section 8, article X of the Constitution, shall contain a statement in substantially the following form:

Such bonds, together with all existing bonded indebtedness of such county, magisterial district or districts, or municipality, as the case may be, will not exceed in the aggregate five percent of the value of the taxable property in such county, magisterial district or districts, or municipality, as the case may be, ascertained in accordance with section 8, article X of the Constitution; and that such bonds will be payable upon a direct annual tax levied and collected in each year on all taxable property in such county, magisterial district or districts, or municipality, as the case may be, sufficient to pay the principal and interest maturing on such bonds in such year, together with any deficiencies for prior years, within, and not exceeding thirty-four years, which tax levies will be laid separate and apart and in addition to the maximum rates provided for tax levies by counties, magisterial district or districts, or municipalities, as the case may be, on the several classes of property specified in section 1, article

X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property; and said tax may be levied outside the limits fixed by section 1, article X of the Constitution. (1959, c. 133.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Section unconstitutional. — This section attempts to confer levying power and authority upon county courts (now county commissions) in direct conflict with W. Va. Const., art. X, § 1 and is unconstitutional. APCO v. County Court, 146 W. Va. 118, 118 S.E.2d 531 (1961), commented on in 63 W. Va. L. Rev. 357 (1961).

ARTICLE 2.

REFUNDING BONDS.

Sec.
13-2-1. What political divisions may issue refunding bonds; when issued.
13-2-2. Terms of refunding bonds; time, place and amount of payments.
13-2-3. Certain provisions of article one to apply to refunding bonds.
13-2-4. Disposition of bonds; cancellation of original bonds.
13-2-5. Article sufficient authority for issuing refunding bonds.
13-2-6. Issuance without election or notice.
13-2-7. Invalidity of part of article not to affect other parts.
13-2-8. Bonds exempt from taxation.
13-2-9. Funding of orders, drafts or warrants by county courts and boards of education at rate lower than six percent.

W. Va. Law Review. — "Survey of Developments in West Virginia Law: 1985," 88 W. Va. L. Rev. 443 (1985).

No new indebtedness created. — The issuance by a county court (now county commission) of refunding bonds to retire existing road bonds of a magisterial district under this article does not create a new indebtedness, and levies to provide debt service for the new (refunding) bonds may be laid to the same extent and with like effect as they could have been laid for the original bonds. Keeney v. Kanawha County Court, 115 W. Va. 243, 175 S.E. 60 (1934); Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

The rule that refunding bonds do not create a new debt and, therefore, may be issued without voter approval under W. Va. Const., art. X, §§ 8 and 10 is subject to certain qualifications: First, the amount of refunding bonds cannot increase the total indebtedness authorized by the voters on the original bond issue; secondly, refunding bonds ordinarily may not be liquidated over a period longer than authorized for the original bond issue, and thirdly, the aggregate of the principal and interest payments made on the original bonds prior to their refunding, when added to the amounts to be paid on the refunding bonds and any outstanding original bonds that are issued but not refunded, cannot exceed the original indebtedness authorized by the voters. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

In action to test validity of issue, bondholders must be made parties. — A court will not consider and pass upon the constitutionality of the statute nor upon the validity of the bonds sold under the authority thereof, unless the bondholders are made parties or have their day in court. State ex rel. Hall v. County Court, 100 W. Va. 11, 129 S.E. 712 (1925).

Completion of project. — Where a bond-issuing authority has been unable to market all of its original bond issue and is unable to complete the project financed by the bond issue, it may utilize for the project any unencumbered funds in its account with the bond commission in accordance with the provisions of § 13-3-9(c), as a part of a refunding bond plan to complete the original project. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Use of excess funds. — Section 18-9-2c, which authorizes the transfer of funds remaining from the liquidation of school bonds to the school current fund, does not preclude the use of excess money from an escrow fund established with the bond commission and derived from the sale of refunding bonds under this article, as long as the county board of education complies with § 13-3-9(c). Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Discount sales. — A discount sale of a refunding bond is not prohibited. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-1. What political divisions may issue refunding bonds; when issued.

Any county, by and through its county commission, either for and on behalf of the county or for and on behalf of any magisterial district or group of magisterial districts therein; any municipal corporation, by and through its council or other governing body in lieu thereof; or any school district, or any independent school district, by and through its board of education or other fiscal body in lieu thereof, may, in the manner and subject to the limitations and conditions contained in this article, issue and sell its bonds for the purpose of refunding the bonds of such political division which have become or are becoming due and payable and for the discharge of which there are or will be when the bonds mature no funds or insufficient funds available; or when, in the opinion of the governing body of the political division obligated to the payment of such bonds, the rate of levy necessary to provide funds for their discharge will impose excessive taxes upon the taxpayers of such political division; or for the purpose of providing for the payment of outstanding bonds in advance of the maturity or redemption thereof through the making of a deposit as provided in section four [§ 13-2-4] of this article; or for the purpose of rendering outstanding bonds not due when such outstanding bonds are to be presented for payment before maturity by the exercise of option provisions or by agreement with the holders thereof. Such refunding bonds may be issued bearing the same or a higher or lesser rate of interest than the bonds to be refunded. Except to the extent that additional taxes for such purpose have been approved by the voters and the levy of such additional taxes provided for in the manner stipulated in sections seven through fourteen [§§ 13-1-7 through 13-1-14] of article one of this chapter, no such refunding bonds shall be issued bearing a higher rate of interest than the bonds being refunded or shall be issued in a principal amount exceeding the principal amount of the bonds to be refunded unless the amount of debt service payable on such refunding bonds in each year is equal to or less than the amount of taxes expected to be available therefor as shall be certified by the chairman of the West Virginia municipal bond commission prior to the issuance of such refunding bonds. The amount of taxes expected to be available in each year for purposes of this section shall be based upon the rates of levy stipulated in the order directing the election at which the issuance of the bonds being refunded was approved by the voters and upon the most recent assessed valuation of the affected property prior to such election. In the event only a portion of the bonds provided for such order are being refunded or have been issued, an appropriate reduction shall be made in the amount of taxes expected to be available based upon the actual debt service requirements of bonds which have been issued but are not being refunded and the estimated debt service requirements of bonds which have not been issued. (1925, c. 46, § 1; 1984, c. 25.)

Editor's notes. — Acts 1933, Ex. Sess., c. 8, abolished "existing magisterial school districts and subdistricts and independent districts." See § 18-1-3.

ALR references. — Power of municipality or other governmental body to issue refunding bonds to retire obligation in respect of which the creation and maintenance of a sinking fund

State of West Virginia

Certificate

I, Ken Hechler, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 13 ARTICLE 2 OF THE WEST VIRGINIA CODE AND CHAPTER 13, ARTICLE 2 OF THE 1997 CUMULATIVE SUPPLEMENT TO THE WEST VIRGINIA CODE AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on this

Twenty-Seventh *day of*

May *19* 98

Secretary of State

X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property; and said tax may be levied outside the limits fixed by section 1, article X of the Constitution. (1959, c. 133.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Section unconstitutional. — This section attempts to confer levying power and authority upon county courts (now county commissions) in direct conflict with W. Va. Const., art. X, § 1 and is unconstitutional. APCO v. County Court, 146 W. Va. 118, 118 S.E.2d 531 (1961), commented on in 63 W. Va. L. Rev. 357 (1961).

ARTICLE 2.

REFUNDING BONDS.

Sec.
13-2-1. What political divisions may issue refunding bonds; when issued.
13-2-2. Terms of refunding bonds; time, place and amount of payments.
13-2-3. Certain provisions of article one to apply to refunding bonds.
13-2-4. Disposition of bonds; cancellation of original bonds.
13-2-5. Article sufficient authority for issuing refunding bonds.
13-2-6. Issuance without election or notice.
13-2-7. Invalidity of part of article not to affect other parts.
13-2-8. Bonds exempt from taxation.
13-2-9. Funding of orders, drafts or warrants by county courts and boards of education at rate lower than six percent.

W. Va. Law Review. — "Survey of Developments in West Virginia Law: 1985," 88 W. Va. L. Rev. 443 (1985).

No new indebtedness created. — The issuance by a county court (now county commission) of refunding bonds to retire existing road bonds of a magisterial district under this article does not create a new indebtedness, and levies to provide debt service for the new (refunding) bonds may be laid to the same extent and with like effect as they could have been laid for the original bonds. Keeney v. Kanawha County Court, 115 W. Va. 243, 175 S.E. 60 (1934); Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

The rule that refunding bonds do not create a new debt and, therefore, may be issued without voter approval under W. Va. Const., art. X, §§ 8 and 10 is subject to certain qualifications: First, the amount of refunding bonds cannot increase the total indebtedness authorized by the voters on the original bond issue; secondly, refunding bonds ordinarily may not be liquidated over a period longer than authorized for the original bond issue, and thirdly, the aggregate of the principal and interest payments made on the original bonds prior to their refunding, when added to the amounts to be paid on the refunding bonds and any outstanding original bonds that are issued but not refunded, cannot exceed the original indebtedness authorized by the voters. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

In action to test validity of issue, bondholders must be made parties. — A court will not consider and pass upon the constitutionality of the statute nor upon the validity of the bonds sold under the authority thereof, unless the bondholders are made parties or have their day in court. State ex rel. Hall v. County Court, 100 W. Va. 11, 129 S.E. 712 (1925).

Completion of project. — Where a bond-issuing authority has been unable to market all of its original bond issue and is unable to complete the project financed by the bond issue, it may utilize for the project any unencumbered funds in its account with the bond commission in accordance with the provisions of § 13-3-9(c), as a part of a refunding bond plan to complete the original project. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Use of excess funds. — Section 18-9-2c, which authorizes the transfer of funds remaining from the liquidation of school bonds to the school current fund, does not preclude the use of excess money from an escrow fund established with the bond commission and derived from the sale of refunding bonds under this article, as long as the county board of education complies with § 13-3-9(c). Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Discount sales. — A discount sale of a refunding bond is not prohibited. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-1. What political divisions may issue refunding bonds; when issued.

Any county, by and through its county commission, either for and on behalf of the county or for and on behalf of any magisterial district or group of magisterial districts therein; any municipal corporation, by and through its council or other governing body in lieu thereof; or any school district, or any independent school district, by and through its board of education or other fiscal body in lieu thereof, may, in the manner and subject to the limitations and conditions contained in this article, issue and sell its bonds for the purpose of refunding the bonds of such political division which have become or are becoming due and payable and for the discharge of which there are or will be when the bonds mature no funds or insufficient funds available; or when, in the opinion of the governing body of the political division obligated to the payment of such bonds, the rate of levy necessary to provide funds for their discharge will impose excessive taxes upon the taxpayers of such political division; or for the purpose of providing for the payment of outstanding bonds in advance of the maturity or redemption thereof through the making of a deposit as provided in section four [§ 13-2-4] of this article; or for the purpose of rendering outstanding bonds not due when such outstanding bonds are to be presented for payment before maturity by the exercise of option provisions or by agreement with the holders thereof. Such refunding bonds may be issued bearing the same or a higher or lesser rate of interest than the bonds to be refunded. Except to the extent that additional taxes for such purpose have been approved by the voters and the levy of such additional taxes provided for in the manner stipulated in sections seven through fourteen [§§ 13-1-7 through 13-1-14] of article one of this chapter, no such refunding bonds shall be issued bearing a higher rate of interest than the bonds being refunded or shall be issued in a principal amount exceeding the principal amount of the bonds to be refunded unless the amount of debt service payable on such refunding bonds in each year is equal to or less than the amount of taxes expected to be available therefor as shall be certified by the chairman of the West Virginia municipal bond commission prior to the issuance of such refunding bonds. The amount of taxes expected to be available in each year for purposes of this section shall be based upon the rates of levy stipulated in the order directing the election at which the issuance of the bonds being refunded was approved by the voters and upon the most recent assessed valuation of the affected property prior to such election. In the event only a portion of the bonds provided for such order are being refunded or have been issued, an appropriate reduction shall be made in the amount of taxes expected to be available based upon the actual debt service requirements of bonds which have been issued but are not being refunded and the estimated debt service requirements of bonds which have not been issued. (1925, c. 46, § 1; 1984, c. 25.)

Editor's notes. — Acts 1933, Ex. Sess., c. 8, abolished "existing magisterial school districts and subdistricts and independent districts." See § 18-1-3.

ALR references. — Power of municipality or other governmental body to issue refunding bonds to retire obligation in respect of which the creation and maintenance of a sinking fund

by taxation is required, 157 ALR 794.

Issuance at higher rate of interest. — Refunding bonds may be issued at a higher rate of interest than existed on the original bonds so long as this does not cause the refunding bond plan to exceed the total indebtedness originally approved by the voters. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-2. Terms of refunding bonds; time, place and amount of payments.

Upon determining to issue such refunding bonds, the governing body of such political division shall, by resolution, authorize the issuance of such bonds in an amount not exceeding the principal amount permitted by section one [§ 13-2-1] of this article, fix the date thereof, the rate or rates of interest which such bonds shall bear, payable semiannually, and require that the bonds shall bear, payable at the office of the state board of investments and at such other place or places as the body issuing the same may designate. Such resolution shall also provide that such bonds shall mature serially in annual installments beginning not more than three years after the date thereof, and the last of such annual installments shall mature in not exceeding thirty-four years from the date of such bonds. The amount payable in each year on the refunding bonds, together with any unrefunded or unissued bonds of the prior issue, may be so fixed that, when the amount of interest is added to the principal amount to be paid during the respective years, the total amount payable in each year shall be as nearly equal as practicable; or such bonds may be made payable in annual installments as nearly equal in principal as may be practicable.

All or a portion of the refunding bonds may be subject to redemption prior to the maturity thereof, at the option of the body issuing the same, at such times and prices and on such terms as shall be designated in the resolution required by this section. The body issuing the refunding bonds may not levy taxes in connection with the redemption of any refunding bonds in excess of the taxes that would have been levied for the payment of principal of and interest on such refunding bonds in such year. (1925, c. 46, § 2; 1984, c. 25; 1994, c. 13.)

Effect of amendment of 1994. — The amendment, in the first paragraph, inserted "or rates" before "of interest which such bonds shall bear", and substituted "board of investments" for "treasurer" following "payable at the office of the state"; and added the second paragraph.

No new indebtedness created. — See case notes at beginning of article.

Choice of options. — This section gives bond-issuing authorities the option of structuring their refunding bond plan to maintain either level debt service or level principal payments. Where level debt service is chosen, then the test is that the "total amount payable in each year shall be as nearly equal as practicable." Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Variance in maturity schedule. — The general rule is that the maturity schedule of bonds may be varied over that which was originally authorized so long as there has been no increase in the indebtedness originally authorized. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Refunding bonds may be issued at a higher rate of interest than existed on the original bonds so long as this does not cause the refunding bond plan to exceed the total indebtedness originally approved by the voters. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Registration of bonds. — This section and § 13-1-14, which authorize a bond-issuing authority to have bonds payable at the office of the treasurer of state and at such other places that the bond-issuing authority may designate, provide sufficient authority to permit the bonds to be registered at the place of payment. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

Discount sales. — The general rule is that in the absence of some constitutional or statutory prohibition, the right to sell bonds carries with it the right to sell at a discount, i.e., at less

than par. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-3. Certain provisions of article one to apply to refunding bonds.

All the provisions of sections seventeen, eighteen, nineteen and twenty of article one [§§ 13-1-17 through 13-1-20] of this chapter, relating to bonds issued for original indebtedness, shall apply to the same extent and with equal force and effect to refunding bonds issued under the provisions of this article. (1931 Code, § 13-2-3.)

Stated in Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-4. Disposition of bonds; cancellation of original bonds.

The governing body of the political body of the political subdivision issuing bonds under this article may sell the same or any part thereof and collect the proceeds, or such bonds may be delivered to the holder or holders of the bonds to be refunded in exchange therefor.

It is the intention of this article to authorize political divisions to issue bonds for the purpose of refunding outstanding bonds without thereby contracting any additional indebtedness, and it shall be conditional upon the delivery of any refunding bonds that the bonds to be refunded be canceled and paid simultaneously with the issuance and delivery of such refunding bonds: Provided, That such refunding bonds shall be issued in an amount sufficient to effect the refunding and may include an amount sufficient to pay (1) the principal amount outstanding of the bonds to be refunded, (2) interest accrued or to accrue to the date of maturity or the date of redemption of the bonds to be refunded (which need not necessarily be on the first available redemption date), (3) any redemption premiums to be paid thereon, (4) any reasonable expenses incurred in connection with such refunding and (5) any other reasonable costs deemed appropriate by the state, including without limitation, the expenses of preparing and delivering the refunding bonds, legal fees, financial advisor fees, consultant fees, and other expenses incurred in connection with the issuance, sale and delivery of the refunding bonds.

For all purposes of this section, bonds shall be considered to have been canceled and paid in advance of their due date or date of redemption if there shall have been deposited with the West Virginia municipal bond commission either:

(a) Moneys, sufficient to pay when and as due at maturity or prior redemption all amounts of principal, redemption premium, if any, and interest payable on such bonds; or

(b) Direct obligations of the United State of America or the state of West Virginia, or obligations fully and irrevocably secured as to the payment of both principal and interest by such direct obligations, the payment on which when

due will provide moneys, sufficient to pay when and as due at maturity or prior redemption all amounts of principal, redemption premium, if any, and interest payable on such bonds.

All such amounts shall be set aside and held in trust and irrevocably dedicated solely to the payment of such bonds, except that amount in excess of the amounts required for the payment of the bonds so refunded may be applied to the payment of costs related to the issuance, carrying, insuring or servicing the refunding bonds, including costs of credit or market enhancement services, such as letters of credit, remarketing arrangements and similar services. Any amount deposited pursuant to this section may include amounts already held on deposit by the West Virginia municipal bond commission for the payment of the bonds to be refunded. (1925, c. 46, § 7; 1937, c. 118; 1984, c. 25; 1994, c. 13.)

Effect of amendment of 1994. — The amendment, in the first paragraph, inserted "political body of the" prior to "political subdivision" and deleted "shall first offer the bonds to the secretary of state for purchase by any bonds, in accordance with the provisions of section nine, article three of this chapter. If the State does not purchase any or all of the bonds so offered, the governing body" prior to "may sell the same"; rewrote the second paragraph; and, in both (a) and (b) inserted "at maturity or prior redemption" and inserted "redemption premium, if any."

Excess funds. — One of the intended purposes of this section is to enable the board to spend any excess money on those expenses that directly result from the issuance of refunding bonds. Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

§ 13-2-5. Article sufficient authority for issuing refunding bonds.

This article shall, without reference to any other act of the legislature, be full authority for the issuance, sale and exchange of bonds in this article authorized. No order, ordinance, resolution or proceeding in respect to the issuance of any bonds hereunder shall be necessary except such as are required by this article. No publication of any notice, order, ordinance or proceeding relating to the issuance of such bonds shall be necessary. (1925, c. 46, § 8.)

§ 13-2-6. Issuance without election or notice.

The issuance and sale of exchange bonds in this article authorized may be had without an election or publication of any notice. (1925, c. 46, § 9; 1937, c. 118.)

§ 13-2-7. Invalidity of part of article not to affect other parts.

If any clause, sentence, paragraph or part of this article shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of the article, but shall be confined in its application to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment has been rendered. (1925, c. 46, § 10.)

§ 13-2-8. Bonds exempt from taxation.

All bonds of the State of West Virginia or of any political subdivision thereof issued hereunder shall be exempt from all taxation by the State or by any political subdivision thereof. (1931 Code, § 13-2-8.)

Cross references. — See note to § 13-1-33.

§ 13-2-9. Funding of orders, drafts or warrants by county courts and boards of education at rate lower than six percent.

County courts and boards of education may, upon the application of the owner or holder or holders, by an order entered of record, fund any indebtedness represented by orders, drafts, or warrants by taking up one or more of such orders, drafts, or warrants issued on the same fund, and issue in lieu thereof new orders, drafts or warrants to the person or persons entitled to receive the sums of money due upon said orders, drafts, or warrants, and in which orders there shall be set out in detail the number of each order, draft, or warrant, the date thereof, to whom issued, the fund or funds on which drawn, the name of the present holder thereof, or the person or persons entitled to receive the sum due thereon, if interest-bearing the date from which interest began, the credits, if any endorsed thereon, and the date thereof, and such other information so as to completely identify the orders, drafts or warrants for which new orders, drafts or warrants are issued: Provided, however, That no power or authority herein given or contained shall be construed to make legal and binding any order, draft or warrant not legal and/or binding when originally ordered and/or issued by any county court or board of education. The court and/or boards shall, when the orders, drafts or warrants are interest-bearing, in issuing such new orders, drafts or warrants, issue them on the same fund upon which the original order, draft or warrant was issued and for the aggregate amount of unpaid principal and interest to that date, and cancel all such orders, drafts or warrants funded and file the same with the clerk of the county court of their county for preservation. All such new orders, drafts or warrants shall not become interest-bearing until the same shall have been presented to the sheriff for payment and endorsed as provided by law, and when so presented shall draw interest at five and one-half percent per annum. (1933, c. 43, § 1.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

Cited in Board of Educ. v. Slack, 174 W. Va. 437, 327 S.E.2d 416 (1985).

WEST VIRGINIA CODE

ANNOTATED

VOLUME 5

1995 Replacement

1997 Supplement

Including Acts passed during the 1997 Regular and First Extraordinary Sessions

Prepared by the Editorial Staff of the Publishers

Under the Supervision of

RICHARD W. WALTER, JR.
PETER R. ROANE
RUTH P. KNIGHT
LYNN P. SEUFFERT

Place in pocket of corresponding bound volume

MICHIE
CHARLOTTESVILLE, VIRGINIA
1997

(2) Projected debt service requirements during the next fiscal year and annually for the following ten fiscal years based upon: (A) Existing outstanding debt; (B) previously authorized but unissued debt; and (C) projected bond authorizations;

(3) Any information available from the budget section of the department of administration in connection with anticipated capital expenditures projected for the next five fiscal years;

(4) The criteria that recognized bond rating agencies use to judge the quality of state bonds;

(5) Any other factor that the division finds as relevant to: (A) The ability of the state to meet its projected debt service requirements for the next fiscal year; (B) the ability of the state to meet its projected debt service requirement for the next five fiscal years; and (C) any other factor affecting the marketability of such bond; and

(6) The effect of authorizations of new tax-supported debt on each of the considerations of this subsection.

(c) Conduct ongoing review of the amount and condition of bonds, notes and other security obligations of the state's spending units: (1) Not secured by the full faith and credit of the state or for which the Legislature is not obligated to replenish reserve funds or make necessary debt service payments; (2) for which the state has a contingent or limited liability or for which the Legislature is permitted to replenish reserve funds or make necessary debt service payments if deficiencies occur. When appropriate, the division shall recommend limits on such additional obligations to the governor and to the Legislature. Such recommendation is advisory and shall in no way restrict the governor, the Legislature or the spending unit.

(d) The treasurer may review all proposed offerings of debt, as defined in this article, submitted to the division of debt management, as provided in section six [§ 12-6A-6], article six-a of this chapter. The division may also request any additional information which may be needed to issue an advisory opinion to the governor, the speaker of the House of Delegates and the president of the Senate as to the impact of the proposed offering on the state's net tax-supported debt outstanding and any other criteria which the treasurer feels may be relevant to the marketability of said offering and its impact on the state's credit rating. Such advisory opinion shall in no way restrict the governor, the Legislature or the spending unit.

(e) Do all things necessary or convenient to effectuate the intent of this article and to carry out its powers and functions. (1997, c. 95.)

CHAPTER 13.

PUBLIC BONDED INDEBTEDNESS.

Article
2C. Industrial Development and Commercial Development Bond Act.
3. Municipal Bond Commission.

ARTICLE 2.

REFUNDING BONDS.

§ 13-2-1. What political divisions may issue refunding bonds; when issued.

Stated in State ex rel. Sch. Bldg. Auth. v. Marockie, 481 S.E.2d 730 (W. Va. 1996).

ARTICLE 2C.

INDUSTRIAL DEVELOPMENT AND COMMERCIAL DEVELOPMENT BOND ACT.

Sec.
13-2C-3a. Creation of industrial revenue bond allocation review committee; appointment, term, etc., of private members; voting; expenses; duties.
13-2C-21. Ceiling on issuance of private activity bonds; establishing procedure for allocation and disbursements; reservation of funds; limitations; unused allocation; expirations and carryovers.

§ 13-2C-1. Short title.

Cited in State ex rel. County Comm'n v. Cooke, 197 W. Va. 391, 475 S.E.2d 483 (1996).

§ 13-2C-3a. Creation of industrial revenue bond allocation review committee; appointment, term, etc., of private members; voting; expenses; duties.

(a) There is hereby created the West Virginia industrial revenue bond allocation review committee consisting of five members, as follows: The secretary of tax and revenue, who shall serve as chair of the committee, and the executive director of the development office or his or her designee, and three members chosen from the general public as private members.

(b) The three private members shall be appointed by the governor, with the advice and consent of the Senate: Provided, That one private member shall be

State of West Virginia

Certificate

I, Ken Hechler, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 7 ARTICLE 3 OF THE WEST VIRGINIA CODE AND CHAPTER 7, ARTICLE 3 OF THE 1997 CUMULATIVE SUPPLEMENT TO THE WEST VIRGINIA CODE AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on this

Twenty-Seventh *day of*

May *19* **98**

Ken Hechler

Secretary of State

thousand nine hundred seventy-two, by designating that county's magisterial districts as tax districts, the term "tax districts" shall mean the magisterial districts of that county as they existed on the first day of July, one thousand nine hundred seventy-three. On and after the first day of July, one thousand nine hundred seventy-eight, the boundary lines reflected on such maps shall constitute the official boundary lines between tax districts of the State, as defined in section one-a [§ 11-3-1a], article three, chapter eleven of this code. (1973, c. 133.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

ARTICLE 3.
COUNTY PROPERTY.

Sec.
7-3-1. Conveyances or devises to county.
7-3-2. Courthouse, jail and offices.
7-3-2a. County courts [county commissions] to purchase and display flags.
7-3-3. Sale of county or district property.
7-3-3a. Sale of county or district property; local option election; petition, election procedure; form of ballot; effect of such election.
7-3-4. Leasing of county lands for oil, gas or minerals.
7-3-5. County commissions authorized to acquire and convey real estate and contract for construction, etc., and rental of courthouse, jail or other public building.
7-3-6. Annual levy for rentals.
7-3-7. Bonds for cost of real estate and public buildings.
7-3-7a. Bonds for construction or renovation of county jail or regional correctional center.
7-3-8. Creation and enforcement of lien of bondholders.
7-3-9. Form and payment of bonds; use of proceeds of bonds.
7-3-10. Limitation on character of debt incurred.
7-3-11. Powers conferred are additional.
7-3-12. Liberally construed.
7-3-13. Limitation on amount of debt; increase of levies.
7-3-14. Authority to acquire and operate hospitals, clinics, long-term care facilities and other related facilities; financing.
7-3-14a. "Hospital," "clinic" and "long-term care facility" defined.
7-3-15. Board of trustees for hospital, clinic or long-term care facility.
7-3-15a. Transfer of moneys; treasurer for county hospitals; bonding of treasurer; approval of bank accounts; authority to invest.
7-3-16. Operation with bonds outstanding.
7-3-17. Construction.
7-3-18. Insuring of moneys collected by county officers.

Michie's Jurisprudence. — See 5A M.J., Counties.

§ 7-3-1. Conveyances or devises to county.

No words in any devise or conveyance of real estate to a county, or the county court [county commission] thereof, or in any contract for the conveyance of real estate to a county or the county court [county commission] thereof, expressing the purpose for which such real estate is devised, conveyed or sold, or is to be used, shall limit or impair the power of such county court [county commission] to dispose thereof absolutely or use the same for another purpose, unless it be expressly declared in such instrument that whenever the said real estate shall cease to be used for the purpose, or in the manner therein specified, it shall revert to the former owner, his heirs or assigns. Every devise or conveyance of, or contract to convey, land within the limits of a county, heretofore or hereafter made, in any manner to or in trust for or for the use or benefit of such county, its people or inhabitants, shall have the same effect as if made to the county court [county commission] of such county. (1863, c. 78, § 2; Code 1868, c. 39, § 31; 1872-3, c. 114, § 31; 1881, c. 5, §§ 16, 17; Code 1923, c. 39, §§ 16, 17.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

Lease for several years does not bind county if property needed later. — A county court (now county commission) may lease property, but should the lease purport to be made for several years, it would not be binding upon a county court (now county commission) should it later determine that it has need of the property for the discharge of some governmental duty resting upon the court. 45 Op. Att'y Gen. 99 (1952).

Applied in Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

Cited in Shaffer v. Monongalia Gen. Hosp., 135 W. Va. 163, 62 S.E.2d 795 (1950); Daugherty v. Ellis, 142 W. Va. 340, 97 S.E.2d 33 (1956).

§ 7-3-2. Courthouse, jail and offices.

The county commission of every county, at the expense of the county, shall provide at the county seat thereof a suitable courthouse and jail, together with suitable offices for the judge of the circuit court and judges of courts of limited jurisdiction, clerks of circuit courts, courts of limited jurisdiction and of the county commission, assessor, sheriff, prosecuting attorney, county superintendent of schools, and surveyor, and all other offices as are or may be required by law: Provided, That the courthouse, including any annex or other facility housing the courts and offices herein set out (excepting all facilities that are on a twenty-four-hour basis), shall be open to the public Monday through Friday during the hours prescribed by the county commission by an order duly recorded in the order book of the commission. The county commission in such order may, in its discretion, provide that the courthouse, including any annex or other facility housing the courts and offices herein set out, be open on Saturday and prescribe the hours during which it shall be open. In no case may the county commission provide that the courthouse, including any annex or other facility housing the courts and offices herein set out, be open for business on Sundays or national or state holidays: Provided, however, That the county commission of every county having a population in excess of two

hundred thousand may provide at the county seat or elsewhere in the county, as the county commission shall determine, a suitable jail or jails: Provided further, That the county commission of any county, regardless of population, may, as provided in article twenty-three [§ 8-23-1 et seq.], chapter eight of the code of West Virginia, contract with the county commissions of one or more other counties within this state for the erection, construction, equipment, leasing and renting of a regional correctional center for either adult or youth offenders, at a location mutually agreeable to the contracting parties and not necessarily at the county seat, which will serve each county entering into the contract. The county commission shall keep the courthouse, jail and other offices in constant and adequate repair, and supplied with the necessary heat, light, furniture, record books, and janitor service, and, except as to the office for the judge of the circuit court, with the necessary stationery and postage, and other things as shall be necessary; but all of the public records, books and papers belonging or appertaining to the county surveyor's office shall be delivered to the clerk of the county commission and retained by him in his official possession and under his control and shall constitute a part of the public records, books and papers of his office. All courthouses, jails and offices hereafter erected shall be built of stone and brick, or stone or brick, or other equally fireproof materials, and the offices shall be fireproof or be furnished with fireproof vaults or safes. The jails shall be well secured, and sufficient for the convenient accommodation of those who may be confined therein. The county commission may also provide other necessary offices and buildings, and may, by purchase or otherwise, acquire as much land as may be requisite or desirable for county purposes, and may suitably enclose, improve and embellish the lands so acquired.

Subject to the conditions hereinabove set forth with respect to the site of the courthouse, jail, and other offices, the commission may, from time to time, as may seem to it proper, provide, at the expense of the county, a new or other building or buildings to be used for the courthouse and jail, or for either, together with suitable offices, as aforesaid, and for that purpose may acquire, by purchase or otherwise, and hold any lands, or lands and buildings, which may be necessary, and may enclose, improve and embellish the same. When any new or other building or buildings shall be ready for occupancy, the county commission shall make an order declaring that, on a day to be therein named, the new or other building or buildings shall become the courthouse, or jail, or both the courthouse and jail of the county, and shall cause copies of the order to be posted at the front door of the new as well as of the old courthouse, at least twenty days before the day named in the order; and on and after the day named the new or other building or buildings shall become, respectively, the courthouse, or jail, or both the courthouse and jail of the county in all respects and for all purposes. After the change shall have been made the county commission may sell or otherwise dispose of, as may seem to it proper, the building or buildings previously used as a courthouse and jail, or either, and the land on which they are, or either is, situated, and of the interest of the county therein.

Notwithstanding any other provision of this code to the contrary, any county commission providing and maintaining a jail on the effective date of this article [Acts 1989, c. 175: April 8, 1989] shall not be required to provide and maintain a jail after a regional jail becomes available pursuant to the provisions of article twenty [§ 31-20-1 et seq.], chapter thirty-one of this code, unless the county commission determines that such a facility is necessary: Provided, That such county commission may provide and maintain a holding facility which complies with the standards set forth for such holding facilities in legislative rules promulgated by the jail and correctional facility standards commission or its predecessor, the jail and prison standards commission. (Code 1849, c. 50, §§ 1, 2; Code 1860, c. 50, §§ 1, 2; 1863, c. 78, § 7; Code 1868, c. 39, § 28; 1872-3, c. 29, § 1; c. 114, § 28; 1881, c. 5, § 14; 1885, c. 24, § 14; 1915, c. 83, § 14; 1921, c. 86, § 1; Code 1923, c. 11, § 1d; c. 39, § 4; c. 67, § 2a; c. 137, § 46; 1965, c. 24; 1971, c. 25; 1980, c. 32; 1987, c. 34; 1989, c. 175.)

Constitutionality. — The (former) provision dealing with counties having a population in excess of one hundred thousand in the first sentence of this section bears no natural or reasonable relationship to the purpose of the act and is unconstitutional as violating W. Va. Const., art. VI, § 39. State ex rel. Taxpayers Protective Ass'n v. Hanks, 157 W. Va. 350, 201 S.E.2d 304 (1973); State ex rel. Morgan v. Miller, 177 W. Va. 97, 350 S.E.2d 724 (1986).

The (former) language in this section "and may, with the consent of the county commission in counties having a population in excess of one hundred thousand be closed on Saturday," is unconstitutional under W. Va. Const., art. VI, § 39 because it creates an arbitrary classification which frustrates the purpose of the statute. State ex rel. Morgan v. Miller, 177 W. Va. 97, 350 S.E.2d 724 (1986).

Constitutional interests. — State statutory standards in article 8 of this chapter which govern the conditions and practices of county jails may give rise to liberty and property interests secured to county prisoners by the Fourteenth Amendment to the United States Constitution. Dawson v. Kendrick, 527 F. Supp. 1252 (S.D.W. Va. 1981).

Court (now commission) vested with unlimited discretion. — In the exercise of the powers given by this section, the county court (now county commission) is vested with a discretion which is without limitation, and one which is not subject to review. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

And is sole judge as to amount of land to be purchased. — The county court (now county commission) is the sole judge of the amount of land to be purchased or acquired for carrying out the purposes named in this section. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

The amount of land requisite or desirable at one time, and under certain conditions, might not be requisite or desirable at another time and under different conditions. This is the reason for giving to the court (now commission) the discretion which this section gives to it. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

But land speculations are prohibited. — The power of purchase and sale, and the discretion vested by this section, does not give to the court (now commission) the authority to enter into land speculations with the public moneys. It may not buy more land than, in its judgment, is requisite or desirable for the public purpose, simply with a view to making a profit by a resale thereof. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

Condemnation proceedings unnecessary. — In the exercise of its discretion the court (now commission) does not have to resort to condemnation proceedings, but may acquire the property by purchase, even though it might possibly condemn the land for less money. McDonald v. County Court, 94 W. Va. 773, 120 S.E. 891 (1923).

Financing of new courthouses. 45 Op. Att'y Gen. 409 (1953).

County court (now county commission) may set hours courthouse is open. — Each county court (now county commission) has the authority to regulate the hours during which the courthouse of its county will remain open. 51 Op. Att'y Gen. 292 (1965).

Since Summers County has a population of less than 100,000, this section (formerly) required its courthouse to be open on Saturday. However, the county court (now county commission) is vested with discretion to prescribe the hours during which the courthouse shall be

opened to the public on Saturdays. Op. Att'y Gen., Aug. 21, 1973.

But must give primary regard to citizens' needs. — The county court (now county commission) has the authority to regulate the hours that the courthouse will remain open but in so doing must give primary regard to the needs and interests of the citizens of the county. 49 Op. Att'y Gen. 214 (1961).

And action of county court (now county commission) must be by order entered on order book. — The action of a county court (now county commission) in establishing or changing the business hours of the courthouse, or closing the courthouse on any secular day, other than legal holidays, may be made only by order of the county court (now county commission), spread upon the proper order book prescribed by law to be maintained by that court (now commission). 51 Op. Att'y Gen. 292 (1965).

Keeping courthouse offices open. — In order to provide access to the citizens of West Virginia, county courthouse offices must be kept open Monday through Saturday, excluding Sundays and state or national legal holidays, pursuant to the portions of this section which are free from constitutional defect. State ex rel. Morgan v. Miller, 177 W. Va. 97, 350 S.E.2d 724 (1986).

A clerk's improper closing of his office, so as to result in noncompliance with the filing deadline in § 11A-3-20, was not likened to a holiday so as to allow late filing under §§ 2-2-1 and 2-2-2; rather, the person affected by the improper closing, if he could make a clear showing that the reports could have been completed and filed on the particular date, but for the clerk's improper closing of the clerk's office, may be able to maintain an action under § 11A-3-42. State ex rel. Morgan v. Miller, 177 W. Va. 97, 350 S.E.2d 724 (1986).

Legal holidays. — A county commission has the authority to regulate the hours that the county courthouse will remain open, but the county commission does not have authority to designate legal holidays for the purpose of closing the courthouse. The only legal holidays on which the courthouse may be closed are those which the legislature has designated or authorized. State ex rel. Morgan v. Miller, 177 W. Va. 97, 350 S.E.2d 724 (1986).

Closing courthouse on Saturday is not specifically prohibited. — Current West Virginia law does not specifically prohibit the closing of public offices in the courthouse on Saturdays. 51 Op. Att'y Gen. 292 (1965).

Where regular and special meetings of board of education to be held. 49 Op. Att'y Gen. 363 (1962).

Trade or exchange of land. — The county court (now county commission) may, under this section, exchange property for other land, without consideration alone of the mere commercial values of the properties traded. McDonald v. County Court, 94 W. Va. 773, 120 S.E. 891 (1923).

Disposition of surplus land. — This section, by implication, gives to the court (now commission) the authority to dispose of the surplus, if more land than is requisite has been acquired. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

Court (now commission) may limit use of land sold. — When exercising the power of sale under this section, the county court (now county commission) has the discretion to limit the use which is to be made of the ground which it proposes to sell. Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

Or sell to one person for less money. — The county court (now county commission) may sell to one person for less money if the person offering more for the land desires to use it for purposes not suitable to the court (now commission). Keatley v. County Court, 70 W. Va. 267, 73 S.E. 706, 1913E Ann. Cas. 523 (1912).

Change in location of public buildings. — Under this section the county court (now county commission) may at its pleasure change the location of the courthouse, jail, or other public buildings at the county seat, to any point within the county seat that the court (now commission) may think proper, and at any time. Doolittle v. County Court, 28 W. Va. 158 (1886).

It is proper for a county court (now county commission) to utilize buildings other than the main courthouse to fulfill any housing problem that may arise with regard to space available for the various functions of county government. Op. Att'y Gen., Dec. 26, 1974; Op. Att'y Gen., Jan. 14, 1977.

County court (now county commission) has implied authority to protect property from acts of nature. — The legislature has not expressly authorized a county court (now county commission) to expend money to protect county property from acts of nature which are obviously damaging the said property. However, a county court court (now county commission) has, by necessary implication, this authority; and it is implicit in this section. 47 Op. Att'y Gen. 79 (1956).

County public assistance council. — A county court (now county commission) is required by law to provide adequate office space and equipment for the county public assistance council, and to pay all necessary expenses incidental thereto, including local telephone service. Such expenses may not be paid from the county relief fund, but must be paid from the current expense fund. 46 Op. Att'y Gen. 471 (1956).

Remedy to compel county court (now county commission) to provide adequate offices. — When a county court (now county commission) provides, or offers to provide, the quarters for one of the welfare department's county offices, but the department of welfare (now division of human services) considers the quarters so provided, or offered, to be inadequate, the remedy for the welfare department would be to proceed by court action, by way of petition for writ of mandamus, to compel such county court (now county commission) to provide more adequate quarters; the court having jurisdiction would make the final determination as to whether or not the quarters so provided, or offered, were in fact adequate. 52 Op. Att'y Gen. 562 (1968).

Payment of public moneys to sheriff in lieu of residence not authorized. — There is no direct or specific authorization for a county court (now county commission) to pay public moneys to a sheriff in lieu of providing him a residence. Op. Att'y Gen., Sept. 24, 1971.

Duty to provide prosecuting attorney with office equipment. 49 Op. Att'y Gen. 85 (1961).

A county board of commissioners is authorized to pay office expenses of a special judge if there are funds allocated and available for that general purpose. 45 Op. Att'y Gen. 677 (1954).

But may not reimburse circuit judge for expenses in disbarment proceedings. — A county court (now county commission) has no authority to reimburse a circuit judge for expenses incurred by him in a disbarment proceeding. 45 Op. Att'y Gen. 536 (1953).

County court (now county commission) may purchase mops and brooms. — While no statute expressly authorizes the court (now commission) to purchase mops and brooms, such authority is implied as a necessary and reasonable incident to the proper maintenance of the courthouse. State ex rel. County Court v. Arthur, 150 W. Va. 293, 145 S.E.2d 34 (1965).

Liability for personal injuries. — There is no statute which subjects a county court (now county commission) to liability for personal injuries caused by its negligence while engaged in the discharge of the duties imposed by this section or in the exercise of the authority conferred by § 7-3-5. Petros v. Kellas, 146 W. Va. 619, 122 S.E.2d 177 (1961) (overruled in part by Gooden v. County Comm'n, 298 S.E. 103 (W. Va. 1982)).

County commission was liable for personal injuries caused by its negligence while engaged in the discharge of the duties imposed by this section. Gooden v. County Comm'n, 171 W. Va. 130, 298 S.E.2d 103 (1982), overruling all cases, including Petros v. Kellas, 146 W. Va. 619, 122 S.E.2d 177 (1961), that have recognized common-law governmental immunity for county commissions.

Agreements under § 8-23-1 et seq. — Absent an agreement entered into under the provisions of § 8-23-1 et seq., those provisions contained in this section, relating to the available locations for a jail, remain in force. Op. Att'y Gen., Oct. 10, 1979.

Excess levy for jail construction. — An excess levy for jail construction may not exceed 50 percent of the rates authorized by law to be levied by the county commission; the excess levy may not exceed three years' duration and the degree of voter approval necessary for passage of a bond issue or excess levy is 60 percent of all votes cast for or against the same. Op. Att'y Gen., Sept. 9, 1983, No. 19.

Applied in Facility Review Panel v. Holden, 177 W. Va. 703, 356 S.E.2d 457 (1987).

Quoted in Morrell v. McFarland, 527 F. Supp. 324 (N.D.W. Va. 1981); Hickson v. Kellison, 170 W. Va. 732, 296 S.E.2d 855 (1982).

Cited in Rissler v. Giardina, 169 W. Va. 558, 289 S.E.2d 180 (1982).

§ 7-3-2a. County courts [county commissions] to purchase and display flags.

The county court [county commission] of every county of the State shall, out of its general revenue fund, cause to be purchased a United States flag and a flag of the State of West Virginia, four feet by six feet in dimensions and of regulation bunting, or of other appropriate size and quality, for its courthouse, and shall require the same to be displayed from such courthouse, or from an appropriate staff or pole near thereto, every day between the hours of sunrise and sunset, except in inclement weather. Each county court [county commission] shall likewise cause to be purchased a United States flag and a flag of the State of West Virginia, and require same to be displayed at all times in

the circuit courtroom of such county. It shall be the duty of the custodian or other person in charge of such courthouse to see that the flags are displayed as herein provided. (1957, c. 27.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

§ 7-3-3. Sale of county or district property.

In all instances where the county commission of a county is authorized by law to sell or dispose of any property, either real or personal, belonging to the county or held by it for the use of any district thereof, the same shall be sold at public auction, at the front door of the courthouse of the county, and such sale shall be conducted by the president of the county commission, but before making any such sale, notice of the time, terms and place of sale, together with a brief description of the property to be sold, shall be published as a Class II legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be the county: Provided, That this section shall not apply to the sale of any one item of property of less value than one thousand dollars: Provided, however, That the provisions of this section concerning sale at public auction shall not apply to a county commission selling or disposing of its property for a public use to the United States of America, its instrumentalities, agencies or political subdivisions or to the state of West Virginia, or its political subdivisions, including county boards of education, volunteer fire departments and volunteer ambulance services, for an adequate consideration without considering alone the present commercial or market value of the property: Provided further, That all real property conveyed or sold by a county commission to a volunteer fire department or volunteer ambulance service under this provision shall revert back to the county commission if the volunteer fire department or volunteer ambulance service ceases to use it for the purpose for which the real property was conveyed or sold. (1929, c. 80; 1947, c. 49; 1962, c. 10; 1967, c. 105; 1989, c. 42.)

Transfer to development authority must be for adequate consideration or public purpose. — If, under the special authority of Acts 1963, c. 218, the county courts (now county commissions) of Doddridge, Pleasants or Tyler counties seek to transfer any property to the Middle Island Creek development authority with only nominal consideration or without consideration, then the property must be destined for use in such recognized public purposes as (a) development of public recreational facilities, (b) prevention of floods, (c) protection of soil erosion — all of which may indirectly contribute to the overall industrial and economic development of the three-county area; otherwise, in the absence of a court decision to the contrary, transfer must be for an adequate consideration, bearing some reasonable relationship to the actual property. 51 Op. Att'y Gen. 201 (1965).

Validity of conveyance to church. — A conveyance of a county court's (now county commission's) interest in real property to the Methodist church without public auction and notice thereof, was not valid unless the value of said property was less than one thousand dollars, and where the sale was made without an adequate consideration, it was of doubtful validity. Op. Att'y Gen., Feb. 5, 1970.

Effect of § 1-5-3. — Within the limited area of the requirement of adequate consideration for transfers between public bodies, this section is superseded by § 1-5-3. Op. Att'y Gen., July 11, 1973; Op. Att'y Gen., June 4, 1975.

But land purchased through recreation bonds may be conveyed to school board for school or recreational purposes. — A county court (now county commission) may convey to the board of education, for school building and recreational purposes, land purchased with proceeds from a public recreation and playgrounds bond issue. 45 Op. Att'y Gen. 313 (1953).

Exchange of property. — A county court (now county commission) may not exchange its county infirmary for property adjoining the courthouse, even though additional cash will be given to the county court (now county commission) in order to insure that the county court (now county commission) receives a fair price for such county infirmary property; such an exchange of property is prohibited by the terms of this section, which specifically requires that county property being sold to persons other than the governmental units designated as exceptions must be sold at public auction. 51 Op. Att'y Gen. 669 (1966).

Conveyance of health service. — The conveyance of a county board of health's home health service to a private nonprofit corporation would not be valid without a public auction and notice thereof, or unless special legislation were passed specifically authorizing such a transfer of assets. Op. Att'y Gen., Feb. 21, 1986, No. 26.

The county is permitted to sell occasional excesses of rock, which may have resulted from unforeseen circumstances, to the state department of highways pursuant to the language of this section. Op. Att'y Gen., June 21, 1979.

Leasing county court (now county commission) property. 52 Op. Att'y Gen. 315 (1967).

Power to lease beyond term of county commissioners. — Power of county commissioners to lease property for a period of years beyond their term of office. 51 Op. Att'y Gen. 47 (1964).

Cited in Daugherty v. Ellis, 142 W. Va. 340, 97 S.E.2d 33 (1956).

§ 7-3-3a. Sale of county or district property; local option election; petition, election procedure; form of ballot; effect of such election.

The county commission of any county is authorized to call a local option election for the purpose of determining the will of the voters as to whether specific real property belonging to the county or held by it for the use of any district thereof shall be conveyed or whether the buildings and improvements thereon shall be demolished.

A petition for such local option election shall be in the form hereinafter specified and shall be signed by qualified voters residing within said county equal to at least ten percent of the persons qualified to vote within said county at the last general election. For the purpose of this article, the term "qualified voters" shall mean those actually voting at the last general election and not those registered to vote. Said petition may be in any number of counterparts and shall be sufficient if substantially in the following form:

PETITION
CONVEYANCE OF COUNTY PROPERTY
AND/OR
DEMOLITION OF COUNTY BUILDINGS
OR IMPROVEMENTS

Each of the undersigned certifies that he or she is a person residing in ..... county, West Virginia, and is duly qualified to vote in said county under the laws of the State, and that his or her name, address and the date of signing this petition are correctly set forth below.

The undersigned petition said county commission to call and hold a local option election upon the following question: Shall the county commission of ..... county, West Virginia, be authorized to convey (or demolish buildings and improvements located on) the following described real property belonging to the county or held by it for the use of a district thereof:

(here insert property description)

NAME	ADDRESS	DATE
.....	.....	.....
.....	.....	.....

(Each person signing must specify either his post-office address or his street number.)

Upon the filing of a petition for a local option election in accordance with the provisions of this section, the county commission shall enter an order calling a local option election and providing that the same shall be held at the same time and as a part of the next primary or general election to be held in said county. Said county commission shall give notice of such local option election by publication in two newspapers of opposite politics and of general circulation within said county. Said notice shall be given at least once each week for two successive weeks prior to the date of said election. If there is only one newspaper published in said county, publication of said notice therein shall be sufficient.

Each person qualified to vote in said county at said primary or general election shall likewise be qualified to vote at the local option election. The election officers appointed and qualified to serve as such at said primary or general election shall conduct said local option election in connection with and as a part of said primary or general election. The ballots in said local option election shall be counted and returns made by the election officers and the results certified by the commissioners of election to said county commission which shall canvass the ballots, all in accordance with the laws of the State of West Virginia relating to primary and general elections insofar as the same are applicable. The county commission shall, without delay, canvass the ballots cast at said local option election and certify the result thereof.

The ballot to be used in said local option election shall have printed thereon substantially the following:

"Shall the county commission of ..... county be authorized to convey (or demolish buildings and improvements located on) the following described real property belonging to the county? (insert description)

[ ] YES [ ] NO

(Place a cross mark in the square opposite your choice.)"

If a majority of the voters voting at any such local option election vote "no" on the foregoing question, the county commission shall not thereafter be permitted to convey said real property or demolish the buildings and improvements thereon, as the case may be, unless thereafter authorized so to do.

Nothing herein shall prohibit the county commission from altering, improving and maintaining such real property or the buildings and improvements thereon in any manner whatsoever which does not demolish the building or improvements which were subject to the referendum.

The county commission of any county wherein a majority of the voters have refused permission to convey or demolish specific real property or buildings or improvements pursuant to this section may on its own motion initiate an election pursuant to this section at any primary or general election held in such county after the voters have refused such permission and may restate the description of property or action desired to be taken in such manner as the commission shall determine. (1978, c. 22.)

§ 7-3-4. Leasing of county lands for oil, gas or minerals.

The county court [county commission] of any county may lease for oil or gas or other minerals, any lands owned in fee by it, the rentals, royalties or proceeds of any such lease to be placed to the credit of the general county fund of the county. (1937, c. 24.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

Power to lease beyond term of county commissioners. — Power of county commissioners to lease property for a period of years beyond their term of office. 51 Op. Att'y Gen. 47 (1964).

§ 7-3-5. County commissions authorized to acquire and convey real estate and contract for construction, etc., and rental of courthouse, jail or other public building.

The county commission of any county is hereby authorized and empowered to acquire real estate and to convey real estate and to enter into a contract, or lease, or both, with the United States government, or any federal agency authorized to make or enter into a contract, or lease, or with any bank or financial institution, or with any individual or persons for the erection, construction, equipment, leasing and renting of a courthouse, hospital, other public buildings, or jail, with an option to purchase the building and to provide for the payment of a yearly rental for the building by the commission: Provided, That any county commission may, as provided in chapter eight [§ 8-23-1 et seq.], article twenty-three of the code of West Virginia, also contract with one or more other county commissions within this State for the erection, construction, equipment, leasing and renting of a regional correctional center for either adult or youth offenders at a location mutually agreeable to the contracting parties and not necessarily at the county seat. The county commission of any county is also authorized to contract with the United States government, or any federal agency authorized to make or enter into a contract, or any bank or financial institution, or any individual or persons, to the end that the United States government, or any of its agencies, or agents thereunto duly authorized, or bank or financial institution or individual or persons, may for and on behalf of any county commission, build, erect, construct, equip or furnish upon the property any such building, or buildings, including a hospital; and to contract with the United States government, or any federal agency, or bank, or financial institution, or individual, or

persons, for the lease, or rental, of the building or buildings, with the privilege and authority of renewing any lease from year to year, for any period of years, not exceeding thirty, with the right to purchase the building, or buildings, and real estate on which the building or buildings are situated, and to apply toward the purchase price thereof any and all rentals paid to the United States government, or agency, or bank or financial institution, or individual, or persons, under the provisions of this act [§§ 7-3-5 to 7-3-13]; and the county commission shall pay to the United States government, or any federal agency, or bank, or financial institution, or individual, or persons, the yearly rental, or rentals, for the use and occupancy of the building, or buildings, if and when they are constructed, which yearly rental, or rentals, in the aggregate, may not exceed the total amount, and the interest thereon expended by the United States government, or agency or bank or financial institution, or individual, or persons, on the project, or projects, and the said yearly rentals shall be paid out of levies laid within the constitutional debts limitations; and to do any and all other things lawfully required by the United States government, or any federal agency, or bank, or financial institution, or individual, or persons, which are necessary and proper to effectuate the purpose of this act [§§ 7-3-5 to 7-3-13]. (1933, 2nd Ex. Sess., c. 44, § 1; 1937, c. 25, § 1; 1980, c. 32.)

Liability for personal injuries. — There is no statute which subjects a county court (now county commission) to liability for personal injuries caused by its negligence while engaged in the discharge of the duties imposed by § 7-3-2 or in the exercise of the authority conferred by this section. Petros v. Kellas, 146 W. Va. 619, 122 S.E.2d 177 (1961) (overruled in part by Gooden v. County Comm'n, 298 S.E. 103 (W. Va. 1982)).

Excess levy for jail construction. — An excess levy for jail construction may not exceed 50 percent of the rates authorized by law to be levied by the county commission; the excess levy may not exceed three years' duration and the degree of voter approval necessary for passage of a bond issue or excess levy is 60 percent of all votes cast for or against the same. Op. Att'y Gen., Sept. 9, 1983, No. 19.

Revenue sharing funds not yet received. — County court (now county commission) may not enter into a contract if the cost of same, at least in part, is to be defrayed by federal revenue sharing funds which have not yet been received. Op. Att'y Gen., March 26, 1974.

Cited in Hickson v. Kellison, 170 W. Va. 732, 296 S.E.2d 855 (1982).

§ 7-3-6. Annual levy for rentals.

The said court [county commission] shall levy and collect annually an amount sufficient to pay said rental, or rentals, for that particular year for the purposes aforesaid in the manner and form as provided by law. (1933, 2nd Ex. Sess., c. 44, § 2; 1937, c. 25, § 2.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

§ 7-3-7. Bonds for cost of real estate and public buildings.

Any county commission is likewise authorized and empowered to acquire real estate for, construct, equip, furnish and maintain a courthouse, hospital or other public buildings or jail, including a regional correctional center for either adult or youth offenders which is developed jointly by one or more counties, and to borrow funds from the United States government, the public works administration, or other governmental agency authorized to make loans, or any bank, or financial institution authorized by law to make loans, or any individual, or persons for the purpose of building, constructing, furnishing and equipping a courthouse, hospital, other buildings or jail, and for the purpose of acquiring real estate therefor, and shall have the right to acquire by purchase, condemnation, gift or otherwise, real estate on which to build the courthouse, hospital, other buildings or jail, including a regional correctional center for either adult or youth offenders which is developed jointly by one or more counties, within the discretion of the commission. The commission is authorized and empowered to issue bonds for the purpose of paying the cost of any real estate, building, furnishing and equipment and to pledge a sufficient amount of revenue within the constitutional limitations and within the limitations as provided by general law, to pay the principal of the bonds and the interest thereon, within a period not to exceed thirty years. Such court [commission] is further authorized and empowered to do and perform any and all acts and make all contracts necessary to effectuate the general purpose of this act [§§ 7-3-5 to 7-3-13], including the acquisition, by original grant, gift, condemnation, or other lawful means of real estate, and of all necessary permits, easements and other rights in real estate, and title to and possession thereof, or to make any purchase and acquisition with the money borrowed, as provided in this act.

The commission shall have authority, and is empowered, to make contracts, agreements and covenants between it and the United States government, or the public works administration, or other governmental agency, or bank, or financial institution, or individual, or persons for the loan of funds to the commission, and securing payment thereof as they may be able to effectuate, subject only to this limitation, that the bonds issued, or given as security thereof, shall be payable out of the levies now provided for by general law and by this act [§§ 7-3-5 to 7-3-13]; to be levied by the commission in and for the county; to acquire needed real estate, to construct, equip, furnish and maintain a courthouse, hospital, other public buildings or jail including a regional correctional center for either adult or youth offenders which is developed jointly by one or more counties, and to make and enter into contracts, and to do and perform all acts as may be necessary for the construction, equipment, operation and maintenance of the courthouse, hospital, other buildings, jail or correctional center, subject to any burdens, restrictions and encumbrances as it may be necessary to incur and bear, in securing the bonds and the real estate construction, equipment and maintenance.

Bonds issued hereunder shall be exempt from taxation by the State of West Virginia, or any county therein, or any district or municipality thereof. (1933, 2nd Ex. Sess., c. 44, § 3; 1937, c. 25, § 3; 1980, c. 32.)

Compliance with constitution. — The plan authorized by this section is one of borrowing and bonding which would require compliance with W. Va. Const., art. X, § 8. Warden v. County Court, 116 W. Va. 695, 183 S.E. 39 (1935).

An armory is a public building within the scope of this section. 47 Op. Att'y Gen. 7 (1956).

Governmental or proprietary functions of county hospitals for tort and social security purposes. 49 Op. Att'y Gen. 133 (1961).

County-owned hospitals. — The board of trustees for a hospital owned by a county commission may take action with regard to capital improvements to the hospital and may enter into a long-term debt for such purpose. Op. Att'y Gen., Oct. 2, 1986, No. 5.

Intergovernmental agreement. — A provision of an intergovernmental agreement signed by three counties, when read in conjunction with existing statutory law, provides sufficient legal authority for the three participating counties to issue general obligation bonds to build a regional jail. Op. Att'y Gen., Sept. 9, 1983, No. 19.

Cited in Hickson v. Kellison, 170 W. Va. 732, 296 S.E.2d 855 (1982).

§ 7-3-7a. Bonds for construction or renovation of county jail or regional correctional center.

The county commissions of the several counties are hereby authorized to issue revenue bonds for the purpose of constructing, reconstructing and renovating any jail facility used for county prisoners or a regional correctional center for either adult or youth offenders which is developed jointly by one or more counties; and for the purpose of retiring the bonds, the county commission may pledge for a period not to exceed twenty years, the funds available to the county under the provisions of section fifteen [§ 7-5-15], article five of this chapter. (1963, c. 24; 1980, c. 32.)

Cited in Hickson v. Kellison, 170 W. Va. 732, 296 S.E.2d 855 (1982).

§ 7-3-8. Creation and enforcement of lien of bondholders.

There shall be and there is hereby created a statutory mortgage lien upon the real estate, buildings and property acquired, constructed or built from the proceeds of bonds authorized to be issued under this act [§§ 7-3-5 to 7-3-13], which shall exist in favor of the holder of the bonds, and each of them, and to and in favor of the holder of the interest coupons attached to the bonds, and the courthouse, hospital, other public buildings, or jail or regional correctional center, and the real estate so acquired and used for and in connection therewith, shall remain subject to the statutory mortgage lien until payment in full of the principal and interest of the bonds. Any holder of bonds issued under the provisions of this act, or the holder of any coupons representing interest accrued thereon, may, either at law or in equity, enforce the statutory mortgage lien hereby created and conferred, and may, by proper suit, compel the performance of the duties of the officials of the commission as set forth in this act. If there be default in the payment of the principal of or interest upon any of the bonds, any court having jurisdiction in any proper action may appoint a receiver to administer the property on behalf of the court with power to charge and collect rents or income sufficient to provide for the payment of the bonds and interest thereon, and for the payment of the operating expenses, and to apply the income, rents or other revenue in conformity with this act and the

order providing for the issuance of the bonds. (1933, 2nd Ex. Sess., c. 44, § 4; 1937, c. 25, § 4; 1980, c. 32.)

Rules of Civil Procedure. — Receivers, Rule 66.

§ 7-3-9. Form and payment of bonds; use of proceeds of bonds.

Any county commission issuing revenue bonds under the provisions of this article shall thereafter, so long as any such bonds remain outstanding, operate and maintain said courthouse, hospital, other public buildings, jail or regional correctional center, to provide revenue sufficient to pay all operating costs, provide a sinking fund for, and to retire such bonds and pay the interest thereon as the same may become due. The amounts, as and when so set apart by said county commission, shall be remitted to the West Virginia municipal bond commission at least thirty days previous to the time interest or principal payments become due, to be retained and paid out by said commission consistent with the provisions of this article and with the order pursuant to which the bonds have been issued. The West Virginia municipal bond commission is hereby authorized to act as fiscal agent for the administration of such sinking fund under any order passed pursuant to the provisions of this article, and shall invest all sinking funds, as provided by general law. Revenue bonds issued under the provisions of this article are hereby declared to be and to have all the qualities of negotiable instruments. Such bonds shall bear interest at the rate or rates set by the county commission, not to exceed twelve percent per annum, payable semiannually, and shall mature at any time fixed by the county commission, in not more than thirty years from their date. Such bonds shall be sold at a price not lower than a price which, when computed upon standard tables of bond values, will show a net return of not more than thirteen percent per annum to the purchaser upon the amount paid therefor. Such bonds may be made redeemable at the option of the county commission at such price and under terms and conditions as said county commission may fix, by its order, prior to the issuance of such bonds. Revenue bonds issued hereunder shall be payable at the office of the state treasurer, or a designated bank or trust company within or without the State of West Virginia.

In case any of the officers whose signatures appear on such bonds or coupons shall cease to be such officers before the delivery of such bonds, such signatures shall, nevertheless, be valid and sufficient for all purposes the same as if they had remained in office until such delivery. The county commission shall by order entered prior to the issuance of said bonds, fix the denominations, times and places of payment of such bonds, the principal and interest of which shall be payable in lawful money of the United States of America. The proceeds of such bonds shall be used solely for the payment of the cost of land, buildings, furniture and equipment thereon, and shall be checked out by the county commission under such restrictions as are contained in the order providing for the issuance of said bonds. If the proceeds of such bonds issued for

any courthouse, hospital, other public buildings, jail or regional correctional center, shall exceed the cost thereof, the surplus shall be paid into the fund herein provided for the payment of principal and interest upon such bonds. Such fund may be used for the purchase or redemption of any of the outstanding bonds payable from such fund at the market price, but at not exceeding the price at which any of such bonds shall in the same year be redeemable, as fixed by the commission in its said order, and all bonds redeemed or purchased shall forthwith be canceled, and shall not again be issued.

Prior to the preparation of definitive bonds, the county commission may, under like restrictions, issue temporary bonds, or interim certificates, with or without coupons, exchangeable for definitive bonds upon the issuance of the latter. Such bonds may be issued without any other proceedings or the happening of any other conditions or things than those proceedings, conditions and things which are specified and required by this article. (1933, 2nd Ex. Sess., c. 44, § 5; 1937, c. 25, § 5; 1970, c. 6; 1980, c. 32; 1980, c. 33; 1981, 1st Ex. Sess., c. 2.)

§ 7-3-10. Limitation on character of debt incurred.

Nothing in this act [§§ 7-3-5 to 7-3-13] contained shall be so construed or interpreted as to authorize or permit any county court [county commission] to incur a debt for and on behalf of said court of any kind or nature contrary to the provisions of the Constitution of the State in relation to debt. (1933, 2nd Ex. Sess., c. 44, § 6; 1937, c. 25, § 6.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

§ 7-3-11. Powers conferred are additional.

This act [§§ 7-3-5 to 7-3-13] shall be deemed to provide an additional and alternative method for the doing of the things authorized hereby and shall be regarded as supplementary and additional to powers conferred by other laws. (1933, 2nd Ex. Sess., c. 44, § 7; 1937, c. 25, § 7.)

§ 7-3-12. Liberally construed.

This act [§§ 7-3-5 to 7-3-13], being necessary for the health, welfare and public requirements of the public of the several counties, it shall be liberally construed to effectuate the purpose thereof. (1933, 2nd Ex. Sess., c. 44, § 8; 1937, c. 25, § 8.)

§ 7-3-13. Limitation on amount of debt; increase of levies.

Notwithstanding the provisions of general law, any county court [county commission] authorized by this act [§§ 7-3-5 to 7-3-13] to issue bonds, may become indebted for the purposes in this act authorized, to any amount, including all other indebtedness, up to but not exceeding five percent of the value of the taxable property in such county as shown by the last assessment thereof for State and county purposes next prior to the authorization of such bonds, subject to the levy limitations as provided in the Constitution. For the purpose of effectuating the provisions and purposes of this act and for the purpose of obtaining revenue to pay said bonds and their interest, or for the purpose of redeeming said bonds in whole or in part, such court [commission] may and is authorized to increase the levies on each class of property not to exceed fifty percent of the rates authorized by section ten, article eight, chapter sixty-seven, acts of the legislature, second extraordinary session, one thousand nine hundred thirty-three [§ 11-8-10], not to exceed three years, and may submit to the voters of the county the question of authorizing such increase, not to exceed three years, at the same time and as a part of the scheme to issue said bonds and provide for the payment thereof. Such increase of levies shall not continue for more than three years without submission to the voters, but the question of future levy increases for such purposes may be again submitted to the voters.

Upon the question of issuance of such bonds, providing for the payment thereof, the increase of said levies, at least sixty percent of the votes cast shall be in favor thereof, as provided by general law. (1937, c. 25, § 9.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

In general. — Excluding provisions relating to school finance, a county commission may not lay a tax levy on property value which tax is in excess of that specified by W. Va. Const., art. X, except that a county commission may submit an excess levy for voter approval in a regular election. Op. Att'y Gen., Sept. 9, 1983, No. 19.

Excess levy for jail construction. — An excess levy for jail construction may not exceed 50 percent of the rates authorized by law to be levied by the county commission; the excess levy may not exceed three years' duration and the degree of voter approval necessary for passage of a bond issue or excess levy is 60 percent of all votes cast for or against the same. Op. Att'y Gen., Sept. 9, 1983, No. 19.

§ 7-3-14. Authority to acquire and operate hospitals, clinics, long-term care facilities and other related facilities; financing.

The county commission of any county is hereby authorized and empowered to acquire by purchase or construction and to thereafter own, equip, furnish, operate, lease, improve and extend a public hospital, clinic, long-term care facility and other related facilities, with all appurtenances, including the necessary real estate as a site therefor. Any such county public hospital acquired pursuant thereto may include a nurses home and nurses training school. The county commission is further authorized and empowered, upon acquiring a hospital, clinic, long-term care facility or other related facility, to

lease to others any or all such facilities for such rentals and upon such terms and conditions as the county commission may deem advisable. For the purpose of paying all or any part of the costs, not otherwise provided, of acquiring, completing, equipping, furnishing, improving or extending such hospital, clinic, long-term care facility or other related facility, the county commission is hereby authorized and empowered by order duly entered of record, to issue and sell the negotiable revenue bonds of such county, which shall be payable solely and only from all or such part of the net revenues from the operation of such county public hospital, clinic, long-term care facility or other related facility as may be provided by said order; and each such revenue bond so issued shall contain a recital that payment or redemption of the bond and payment of the interest thereon is secured by the revenues pledged therefor, and that such bond does not constitute an indebtedness of such county or the county commission thereof within the meaning of any constitutional or statutory limitation or provision. Such revenue bonds may bear such date or dates, may mature at such time or times not exceeding thirty-four years from their respective dates, may bear interest at such rate or rates not exceeding twelve percent per annum, may be of such denomination or denominations, may be in such form, may carry such registration privileges, may be made subject to such terms of redemption with or without premium, and may contain such other terms and covenants not inconsistent with this article as may be provided in such order. Such revenue bonds shall be exempt from taxation by the State of West Virginia and the other taxing bodies of the State. In determining the amount of revenue bonds to be issued, there may be included any expenses in connection with and incidental to the issuance and sale of bonds and for the preparation of plans, specifications, surveys and estimates, interest during the estimated construction period and for six months thereafter, and a reasonable amount for working capital and prepaid insurance. Such bonds may be sold in such manner, at such times and upon such terms as may be determined by the county commission to be for the best interests of the county: Provided, That no bonds may be sold upon terms which will result in the net interest cost of more than thirteen percent per annum computed to maturity of the bonds according to standard tables of bond values. There may be included in any such order authorizing the issuance of revenue bonds such covenants, stipulations and conditions as may be deemed necessary with respect to the expenditure of the bond proceeds, the operation and maintenance of the county public hospital, clinic, long-term care facility or other related facility, and the custody and application of the revenues from such operation. The holder of any bond or bonds may, by mandamus or other appropriate proceedings, require and compel performance of any duties imposed by law in connection with the hospital, clinic, long-term care facility or other related facility, or any covenant, stipulation or condition that may have been expressed in such bond order. (1951, c. 43; 1965, c. 25; 1970, c. 6; 1980, c. 33; 1981, 1st Ex. Sess., c. 2.)

Rules of Civil Procedure. — Applicability of rules to proceedings under writs of mandamus, Rule 81(a)(5).

A county court (now county commission) is authorized to acquire property for a public hospital by condemnation proceedings. 45 Op. Att'y Gen. 290 (1953).

County court (now county commission), not trustees, has authority over extension of hospital. — This section clearly indicates that any extension of a county public hospital is to be accomplished by the county court (now county commission) if the expense thereof is to be paid with the proceeds of a revenue bond sale. No rule of law nor rule of reason would permit a conclusion that such authority is vested in a county public hospital's board of trustees. 49 Op. Att'y Gen. 24 (1960).

Since authority of trustees is subordinate to county court's (now county commission's) control of fiscal affairs. — Although § 7-3-15 places the administration and management of county hospitals in a board of trustees, the control by such trustees is subordinate to the constitutionally imposed duty on county courts (now county commissions) to superintend and administer the internal fiscal affairs of their counties. 49 Op. Att'y Gen. 24 (1960).

Absent a statutory requirement of a specific method of letting construction contracts, a county court (now county commission) may choose such method, within its statutory powers, as it deems appropriate in view of serving the best interests of the public and maintaining responsible fiscal policy. A county court (now county commission) may, as a matter of administrative practice, voluntarily submit contracts of public works to competitive bidding, or it may elect to negotiate such contracts when the circumstances justify the same. Op. Att'y Gen., Sept. 28, 1973.

Authority with respect to problems of the aging. — A county court (now county commission) does not have the authority to appoint a committee on the problems of the aging but does have the authority to appropriate money for establishing a demonstration program of services for the aging in cooperation with the state commission on aging. Op. Att'y Gen., Nov. 13, 1969.

A pharmacy is an indispensable part of the operation of a county hospital, and, therefore, a pharmacy is one such "other related facility" as is described in this section. Op. Att'y Gen., July 10, 1973.

No statutory prohibition exists against the opening of the pharmacy of a county hospital to the general public. Op. Att'y Gen., July 10, 1973.

Leasing of land by county court (now county commission) to hospital association for the construction, operation and improvement of a health center. — See Op. Att'y Gen., Sept. 11, 1974.

Governmental or proprietary functions of county hospitals for tort and social security purposes. — See 49 Op. Att'y Gen. 133 (1961).

Financing construction and improvements. — The board of trustees for a hospital owned by a county commission may take action with regard to capital improvements to the hospital and may enter into a long-term debt for such purpose. Op. Att'y Gen., Oct. 2, 1986, No. 5.

This section does not provide the only mechanism for financing construction and improvements upon a county-owned hospital. See §§ 8-32-4 and 13-2C-1 et seq. Op. Att'y Gen., Oct. 2, 1986, No. 5.

§ 7-3-14a. "Hospital," "clinic" and "long-term care facility" defined.

The following terms whenever used in this article shall have the following meanings:

(a) The term "hospital" shall mean any general hospital, chronic disease hospital, mental hospital and other related facilities.

(b) The term "clinic" shall mean any community medical clinic, mental health center and other related facilities.

(c) The term "long-term care facility" shall mean any nursing home, rest home, housing facility for aged citizens and other related facilities. (1965, c. 25.)

§ 7-3-15. Board of trustees for hospital, clinic or long-term care facility.

The administration and management of any county public hospital, clinic, long-term care facility or other related facility acquired, equipped, furnished, improved or extended under section fourteen [§ 7-3-14] of this article shall be vested in a board of trustees, consisting of not less than five members appointed by the county commission. Prior to the issuance of any bonds under the provisions of section fourteen of this article, the county commission shall appoint two of such trustees for a term of two years, two trustees for a term of four years, and one trustee for a term of six years from the first day of the month during which appointed. Upon the expiration of such initial appointments, the term of each new appointee shall be six years, except that any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term. Any trustee shall be eligible for reappointment upon the expiration of his term. The trustees shall receive no compensation for their services, but shall be reimbursed for any expenses incurred in the performance of their duties. Any trustee may be removed by the county commission for incompetency, neglect of duty or malfeasance in office after an opportunity to be heard at a public hearing before the county commission. At the first meeting of the board of trustees, and annually thereafter, it shall organize by designating one of its members as chairman and by appointing a secretary and a treasurer who may, but need not be, trustees: Provided, That the board of trustees shall designate a treasurer at its first regular meeting subsequent to the effective date of this section [May 19, 1986].

Such board of trustees shall provide for the employment of and shall fix the compensation for and remove at pleasure all professional, technical and other employees, skilled or unskilled, as it may deem necessary for the operation and maintenance of the hospital, clinic, long-term care facility or other related facility; and disbursement of funds in such operation and maintenance shall be made only upon order and approval of such board. The board of trustees shall make all rules and regulations governing its meetings and the operation of the hospital, clinic, long-term care facility or other related facility. (1951, c. 43; 1965, c. 25; 1986, c. 53.)

This statute, in its application, is very broad and inclusive. Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

Authority of board is subordinate to county court's (now county commission's) control of fiscal affairs. — Although this section places the administration and management of county hospitals in a board of trustees, the control by such trustees is subordinate to the constitutionally imposed duty on county courts (now county commissions) to superintend and administer the internal fiscal affairs of their counties. 49 Op. Att'y Gen. 24 (1960).

Thus, county court (now county commission) controls extension of hospital with revenue bond proceeds. — Section 7-3-14 clearly indicates that any extension of a county public hospital is to be accomplished by the county court (now county commission) if the expense thereof is to be paid with the proceeds of a revenue bond sale. No rule of law nor rule of reason would permit a conclusion that such authority is vested in a county public hospital's board of trustees. 49 Op. Att'y Gen. 24 (1960).

But board may buy real estate with excess funds pursuant to statutes and bond order. — A board of hospital trustees may legally expend monies reasonably determined by it to be excess funds, pursuant to the terms of the pertinent statutes and bond order, for the purpose of buying real estate, if said real estate is to be used for a purpose consistent with and in furtherance of the efficient operation of said hospital. 50 Op. Att'y Gen. 512 (1963).

Courts cannot interfere with discretion of board. — The power vested in the board by this statute does not relate to, is not limited to, any particular licensed practitioner or to any school of medicine, but to the overall duty and responsibility of the board in the efficient operation or management of the hospital, for the purpose for which created, the best service for the greatest number of people in the community and in the exercise of that discretion by the board, without arbitrariness, caprice or discrimination, the courts cannot interfere. Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

Trustees may determine what rules are necessary to maintain discipline. — It is within the power of the board of trustees to determine what rules are necessary to maintain discipline in a manner that will enable them to successfully operate the hospital, and the trustees are justified in attempting to avoid the happening of a situation which could result in the impossibility of operating and maintaining the hospital. Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

And may bar osteopathic physicians from practicing in hospital. — Action by the board of trustees in barring osteopathic physicians from practicing their profession in a hospital is neither arbitrary nor unreasonable, nor does it deprive an osteopathic physician of his rights under the privileges and immunities clause of State and federal Constitutions, and the due process and equal protection clauses of the federal Constitution. Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

The holding, in Vest v. Cobb, 138 W. Va. 660, 76 S.E.2d 885 (1953), that a duly licensed osteopathic physician and surgeon was, by virtue of provisions of § 30-14-9, entitled to the same rights to the practice of his profession as were physicians and surgeons of other schools of medicine, and had the right to treat any human ailment or infirmity by any method authorized or used by the so-called regular physicians and surgeons, had no relation to the right of an osteopathic physician and surgeon, or of any medical practitioner, to practice his profession in any hospital, private or public. Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

Authority with respect to problems of the aging. — A county court (now county commission) does not have the authority to appoint a committee on the problems of the aging but does have the authority to appropriate money for establishing a demonstration program of services for the aging in cooperation with the state commission on aging. Op. Att'y Gen., Nov. 13, 1969.

County hospital trustees are "officers" covered by § 61-10-15. Op. Att'y Gen., March 4, 1977.

A pharmacy is an indispensable part of the operation of a county hospital, and, therefore, a pharmacy is one such "other related facility" as is described in this section. Op. Att'y Gen., July 10, 1973.

No statutory prohibition exists against the opening of the pharmacy of a county hospital to the general public. Op. Att'y Gen., July 10, 1973.

Board members may not be interested in contract made by board. — The board of trustees of a county hospital has authority to administer, manage, and operate the hospital, but the members of the board may not have a pecuniary interest in the proceeds of any contract or service made by the board. 45 Op. Att'y Gen. 274 (1953).

Nor may they sell property to county court for use of hospital. — A member of a board of hospital trustees is prohibited by the terms of § 61-10-15, from selling property owned by him, or in which he has a pecuniary interest, to the county court (now county commission), for the use and benefit of the hospital whose facilities and revenues are managed by such board of hospital trustees. 50 Op. Att'y Gen. 512 (1963).

But conflict of interests statute does not prevent staff physician serving on board. — Although the members of boards of trustees appointed pursuant to this section are governed by the general conflict of interests provisions of § 61-10-15, a staff physician would not, merely by virtue of his position as such physician, be precluded from serving on such a board, but would only be prohibited from being either directly or indirectly pecuniarily interested in any contract or purchase made by the board, as are all members of such a board of trustees. 51 Op. Att'y Gen. 214 (1965).

Nor does any other statute prohibit his appointment. — There is no express statutory prohibition against appointing a staff physician of a county hospital to the board of trustees of such hospital. 51 Op. Att'y Gen. 214 (1965).

Prosecuting attorney represents board. — It is the duty of the prosecuting attorney to represent, in litigation and in an advisory capacity, the board of trustees of a county hospital. 45 Op. Att'y Gen. 515 (1953).

Board contract for collection of accounts on contingent basis. — A board of hospital trustees has the authority to contract on a contingent basis for the collection of delinquent

hospital accounts. 50 Op. Att'y Gen. 775 (1964).

Board members are proper plaintiffs in actions on delinquent accounts. — In an action to collect delinquent accounts, the individuals comprising the board are the proper parties plaintiff. 50 Op. Att'y Gen. 775 (1964).

Financing construction and improvements. — The board of trustees for a hospital owned by a county commission may take action with regard to capital improvements to the hospital and may enter into a long-term debt for such purpose. Op. Att'y Gen., Oct. 2, 1986, No. 5.

Stated in Woodruff v. Board of Trustees, 173 W. Va. 604, 319 S.E.2d 372 (1984).

§ 7-3-15a. Transfer of moneys; treasurer for county hospitals; bonding of treasurer; approval of bank accounts; authority to invest.

The sheriff of each county shall remit to the board of trustees of any county hospital all moneys in his possession held on behalf of such county hospital, whether or not deposited in a bank or depository unless the sheriff has been designated treasurer of the county hospital as provided in this section. Such transfer of funds shall be made as of the balances on hand on the thirtieth day of June of the year in which the board of trustees of such county hospital appoints a treasurer other than the sheriff, and shall be completed no later than the first day of August of that year. Such transfer shall be adjudged complete and final upon the approval of the sheriff's official settlement for the fiscal year ending on the thirtieth day of June of the year in which the board of trustees of such county hospital appoints a treasurer other than the sheriff, and, any minor adjustment made necessary by the actually known figures shall also be made at that time. All balances in all county hospital funds at the end of each month after the thirtieth day of June of the year in which the board of trustees of county hospitals appoints a treasurer other than the sheriff, shall be transferred by the sheriff to the board of trustees of such county hospital not later than the tenth day of the following month.

The treasurer for the board shall be the fiscal officer of the board, or an employee commonly designated as the person in charge of the financial affairs of the hospital board or the county sheriff. Upon appointment this person shall be titled and referred to as treasurer of the county hospital. For the faithful performance of this duty, he shall execute a bond, to be approved by the board of trustees of such county hospital, in the penalty to be fixed by such board, not to exceed the amount of funds which it is estimated he will handle within any period of two months. The premium on such bond shall be paid by the county hospital.

The board of trustees of such county hospital may open a bank account, or accounts, as required to adequately and properly transact the business of the district in a depository, or banks, within the county. Such depositories, or banks, shall provide bond to cover the maximum amount to be deposited at any one time. On and after the first day of July, one thousand nine hundred eighty-six, all levies and any other moneys received by the sheriff and paid to the treasurer of such county hospital shall be deposited in these accounts and all proper payments from such funds shall be made by the designated depository or bank upon order or draft presented for payment and signed by the duly

authorized signatories of the board of trustees: Provided, That in determining the depository for county hospital funds a board member who has a pecuniary interest in a bank within the county shall not participate in the determination of the depository for such funds.

If it be deemed that sufficient funds are on hand in any account at any one time which may be more than are normally required for the payment of incurred expenses, such funds in the amount so deemed available may be invested by the treasurer of the county board with the state sinking fund commission, or in guaranteed certificates of deposit issued by the depository or bank, or other guaranteed investments such as treasury bills, treasury notes or certificates of deposit issued by either the United States government or a banking institution in which federal or state guarantees are applicable. Interest earned in such investments is to be credited to the fund from which the moneys were originally available.

For the purposes of this section "county hospital" means any county public hospital, clinic, long-term care facility or other related facility acquired, equipped, furnished, improved or extended under section fourteen [§ 7-3-14] of this article. (1986, c. 53.)

§ 7-3-16. Operation with bonds outstanding.

So long as any revenue bonds remain outstanding under the provisions of section fourteen [§ 7-3-14] of this article, the hospital, clinic, long-term care facility or other related facility and all appurtenances shall be operated and maintained on a revenue-producing and self-sustaining basis; and the board of trustees shall charge, collect and account for revenues therefrom which will be sufficient to pay the interest on such bonds as the same becomes due, to create and maintain a sinking fund to pay and retire the principal at or before maturity, and to pay the costs of operating and maintaining the hospital, clinic, long-term care facility or other related facility. The order authorizing such bonds shall definitely fix and determine the amount of the revenues which shall be necessary and set apart in a special fund to pay such interest and to pay and retire such principal; and all or such portion of the balance of such revenues as may be necessary shall be set apart in a special fund to pay the costs of operation and maintenance of the hospital, clinic, long-term care facility or other related facility. (1951, c. 43; 1965, c. 25.)

Quoted in Wallington v. Zinn, 146 W. Va. 147, 118 S.E.2d 526 (1961).

§ 7-3-17. Construction.

The provisions of sections fourteen, fifteen and sixteen [§§ 7-3-14, 7-3-15 and 7-3-16] of this article shall be construed as conferring separate and additional powers as herein set forth and shall be deemed full authority for the acquisition, improvement, extension, maintenance and operation of the hospital, clinic, long-term care facility or other related facility and for the issuance and sale of the bonds by this article authorized: Provided, That all pertinent

functions, powers and duties of the state department of health shall remain in effect. (1951, c. 43; 1965, c. 25.)

§ 7-3-18. Insuring of moneys collected by county officers.

Any county officer, who by the laws of the State of West Virginia, is required to make collections of moneys for such county, or other governmental agencies, may insure the moneys so collected against loss by burglary and robbery, with any reliable insurance company licensed to do business in this State, and the county court [county commission] may pay the premium therefor out of the general fund of such county, and the insured shall be such county officer and the county court [county commission] of such county. (1953, c. 41.)

Editor's notes. — The bracketed words were inserted by the editor. See W. Va. Const., art. IX, § 9.

ARTICLE 4.

PROSECUTING ATTORNEY, REWARDS AND LEGAL ADVICE.

Sec.
7-4-1. Duties of prosecuting attorney; further duties upon request of attorney general.
7-4-2. Rewards for apprehension of persons charged with crime and expenditure of money for detection of crime; appointment of investigators of crime.
7-4-3. Employment of counsel for civil matters; compensation of counsel.

§ 7-4-1. Duties of prosecuting attorney; further duties upon request of attorney general.

It shall be the duty of the prosecuting attorney to attend to the criminal business of the State in the county in which he is elected and qualified, and when he has information of the violation of any penal law committed within such county, he shall institute and prosecute all necessary and proper proceedings against the offender, and may in such case issue or cause to be issued a summons for any witness he may deem material. Every public officer shall give him information of the violation of any penal law committed within his county. It shall also be the duty of the prosecuting attorney to attend to civil suits in such county in which the State, or any department, commission or board thereof, is interested, and to advise, attend to, bring, prosecute or defend, as the case may be, all matters, actions, suits and proceedings in which such county or any county board of education is interested.

It shall be the duty of the prosecuting attorney to keep his office open in the charge of a responsible person during the hours polls are open on general, primary and special county-wide election days, and the prosecuting attorney, or his assistant, if any, shall be available for the purpose of advising election

officials. It shall be the further duty of the prosecuting attorney, when requested by the attorney general, to perform or to assist the attorney general in performing, in the county in which he is elected, any legal duties required to be performed by the attorney general, and which are not inconsistent with the duties of the prosecuting attorney as the legal representative of such county. It shall also be the duty of the prosecuting attorney, when requested by the attorney general, to perform or to assist the attorney general in performing, any legal duties required to be performed by the attorney general, in any county other than that in which such prosecuting attorney is elected, and for the performance of any such duties in any county other than that in which such prosecuting attorney is elected he shall be paid his actual expenses.

Upon the request of the attorney general the prosecuting attorney shall make a written report of the state and condition of the several causes in which the State is a party, pending in his county, and upon any matters referred to him by the attorney general as provided by law. (1867, c. 33, § 1; Code 1868, c. 120, §§ 5, 7; 1872-3, c. 54, § 5; 1875, c. 102, § 5; 1881, cc. 5, 24; c. 25, § 49; 1882, c. 125, § 49; c. 133, §§ 6, 8; 1883, c. 47, § 49; 1887, c. 72, § 49; 1895, c. 30, § 49; 1901, c. 36, § 49; 1903, c. 24, § 49; 1909, c. 32, § 49; 1913, c. 32, § 49; Code 1923, c. 39, § 49; c. 120, §§ 6, 8; 1937, c. 68; 1971, c. 26.)

I. In General.
II. Duties.
III. Discretion.
IV. Employment of Private Counsel or Special Prosecutor.

I. IN GENERAL.

Cross references. — Salaries of prosecuting attorneys, § 7-7-4.

Michie's Jurisprudence. — See 2A M.J., Attorney General; 4A M.J., Commonwealth's and State's Attorney.

ALR references. — Duty and discretion of district or prosecuting attorney as regards prosecution for criminal offenses, 155 ALR 10.

Power or duty of prosecuting attorney to proceed with prosecution after change of venue, 60 ALR2d 864.

W. Va. Law Review. — "Legal Ethics and the Prosecuting Attorney," 79 W. Va. L. Rev. 367 (1977).

"Survey of Developments in West Virginia Law: 1984," 87 W. Va. L. Rev. 441 (1985).

"Survey of Developments in West Virginia Law: 1985," 88 W. Va. L. Rev. 396 (1985).

"Federal Prosecution of State and Local Public Officials: The Obstacles to Punishing Breaches of the Public Trust and a Proposal for Reform, Part One," 94 W. Va. L. Rev. 301 (1991-92).

Qualifications of prosecuting attorney. — A person who is not an attorney, duly licensed or authorized to practice law in the courts of this State, is ineligible to hold the office of prosecuting attorney. State ex rel. Summerfield v. Maxwell, 148 W. Va. 535, 135 S.E.2d 741 (1964).

While the legislature has not specifically provided that no one other than a practicing attorney may hold the office of prosecuting attorney, the inference is strong from the language of this section that they must have assumed that such official must be an attorney licensed to practice his profession in this State. State ex rel. Summerfield v. Maxwell, 148 W. Va. 535, 135 S.E.2d 741 (1964).

A person not licensed to practice law in this State could not perform the duties required by this section. State ex rel. Summerfield v. Maxwell, 148 W. Va. 535, 135 S.E.2d 741 (1964).

Filling office of prosecuting attorney. — 49 Op. Att'y Gen. 326 (1962).

Relation to office of attorney general. — The office of prosecuting attorney has been carved out of that of attorney general and made an independent office, having exclusive control, to some extent, of business of the State, arising within the county. No doubt the attorney general may assist the prosecuting attorney in the prosecution of such business, or perform it himself, in case of the nonaction of the prosecuting attorney, but he cannot displace that officer. State v. Ehrlick, 65 W. Va. 700, 64 S.E. 935, 23 L.R.A. (n.s.) 691 (1909).

The attorney general has neither power of

WEST VIRGINIA CODE

ANNOTATED

VOLUME 2A

1993 Replacement

1997 Supplement

Including Acts passed during the 1997 Regular and First Extraordinary Sessions

Prepared by the Editorial Staff of the Publishers

Under the Supervision of

RICHARD W. WALTER, JR.
PETER R. ROANE
RUTH P. KNIGHT
LYNN P. SEUFFERT

Place in pocket of corresponding bound volume

MICHIE
CHARLOTTESVILLE, VIRGINIA
1997

most recent address of the landowner on file in the office of the county assessor of the county in which the subject property is located. If, for any reason, the certified mail is returned without evidence of proper receipt thereof, then in such event, a Class III-0 legal advertisement shall be published in a newspaper of general circulation in the county wherein the subject land is situated in order to render proper notice in accordance with this section. In addition, the commission or health officer shall post the notice on the front door or other conspicuous location on the subject property: Provided, That if the commission or health officer determines, after notice and inquiry as provided herein, that the refuse or debris was created by someone other than the present landowner, without the landowner's expressed or implied permission, the commission or health officer shall remove any such refuse or debris and shall apply to and be eligible to receive from the solid waste reclamation and environmental response fund created under section eleven [§ 22-15-11], article fifteen, chapter twenty-two of this code for reimbursement for all reasonable costs incurred for removal.

(e) The county commission of every county shall have plenary power and authority to adopt an ordinance requiring the owner or owners of any nonfarm dwelling or building, under order of the county commission or county health officer or determination by the state fire marshal as provided for in subsection (a) of this section, to pay for the costs of clearing any refuse or debris or of repairing, vacating, closing, removing, demolishing or otherwise altering any dwelling or nonfarm building. The county commission shall also have the power and authority to seek reimbursement for such costs by filing a lien against the real property in question for an amount not to exceed the assessed value of the property as recorded in the office of the county assessor, or to institute a civil action in a court of competent jurisdiction against the landowner or other responsible party for all costs incurred by the county with respect to the property and for reasonable attorney fees and court costs incurred in the prosecution of the action.

(f) Not less than ten days prior to instituting a civil action as provided for in this section, the county commission shall send notice to the landowner by certified mail, return receipt requested, advising the landowner of the county commission's intention to institute such action. The notice shall be sent to the most recent address of the landowner of record in the office of the assessor of the county where the subject property is located. If, for any reason, such certified mail is returned without evidence of proper receipt thereof, then in such event, the county commission shall cause a Class III-0 legal advertisement to be published in a newspaper of general circulation in the county wherein the subject property is located and post notice on the front door or other conspicuous location on the subject property.

(g) In the event any landowner desires to contest any demand brought forth pursuant to this section, the landowner shall do so in accordance with article three [§ 58-3-1 et seq.], chapter fifty-eight of this code. (1989, c. 41; 1994, c. 61; 1996, c. 95.)

Effect of amendment of 1994. — The amendment rewrote the first paragraph; added the second paragraph; and substituted "section eleven, article fifteen, chapter twenty-two" for "section five-a, article five-f, chapter twenty" near the end of the second to last paragraph.

Effect of amendment of 1996. — The amendment rewrote the section.

§ 7-1-4. County commission authority to enact ordinance; ordinance provisions defining terms; restricting certain activities in relation to obscene matter; and establishing penalties for violations.

Constitutionality. — This section is substantially overbroad, and thus invalid as violating the first amendment, because it (1) condemns material as obscene by impermissibly considering how children would react to it, and (2) fails to indicate that "value" is to be judged in reference to a reasonable person standard and not in reference to the local community. West Virginia Pride, Inc. v. Wood County, 811 F. Supp. 1142 (1993).

Authorizing county commissions to enact the obscenity ordinance contained in this section is not an unconstitutional delegation of legislative power. Butler v. Tucker, 187 W. Va. 145, 416 S.E.2d 262 (1992).

The limited power given county commissions to adopt the obscenity ordinance in subsection (b) and to delete some of the language in subdivision (b)(4)(A) does not render this section unconstitutional. Butler v. Tucker, 187 W. Va. 145, 416 S.E.2d 262 (1992).

Construction. — The Supreme Court of Appeals of West Virginia, in Butler v. Tucker, 187 W. Va. 145, 416 S.E.2d 262 (1992), did not authoritatively construe this section to comply with Pope v. Illinois, 481 U.S. 497, 107 S. Ct. 1918, 95 L. Ed. 2d 439 (1987). West Virginia Pride, Inc. v. Wood County, 811 F. Supp. 1142 (S.D.W. Va. 1993).

ARTICLE 3.

COUNTY PROPERTY.

Sec.
7-3-3. Sale of county or district property.

§ 7-3-3. Sale of county or district property.

Except as may be prohibited by law or otherwise, the county commission of a county is authorized by law to sell or dispose of any property, either real or personal, belonging to the county or held by it for the use of any district thereof. The property shall be sold at public auction, at the front door of the courthouse of the county, and such sale shall be conducted by the president of the county commission, but before making any such sale, notice of the time, terms and place of sale, together with a brief description of the property to be sold, shall be published as a Class II legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be the county: Provided, That this section shall not apply to the sale of any one item of property of less value than one thousand dollars: Provided, however, That the provisions of this section concerning sale at public auction shall not apply to a county commission selling or disposing of its property for a public use to the United States of America, its instrumentalities, agencies or political subdivisions or to the state of West Virginia, or its political subdivisions, including county boards of

education, volunteer fire departments and volunteer ambulance services, for an adequate consideration without considering alone the present commercial or market value of the property: Provided further, That all real property conveyed or sold by a county commission to a volunteer fire department or volunteer ambulance service under this provision shall revert back to the county commission if the volunteer fire department or volunteer ambulance service ceases to use it for the purpose for which the real property was conveyed or sold. (1929, c. 80; 1947, c. 49; 1962, c. 10; 1967, c. 105; 1989, c. 42; 1994, c. 32.)

Effect of amendment of 1994. — The amendment substituted "Except as may be prohibited by law or otherwise," for "In all instances where" at the beginning of the first sentence; and substituted "The property" for ", the same" at the beginning of the second sentence.

ARTICLE 4.

PROSECUTING ATTORNEY, REWARDS AND LEGAL ADVICE.

Sec.
7-4-4. Prosecutor's advisory council; victim advocates; participation in multidisciplinary planning process.
7-4-5. Multidisciplinary investigative teams.
7-4-6. West Virginia prosecuting attorneys institute.

§ 7-4-1. Duties of prosecuting attorney; further duties upon request of attorney general.

I. In General.
II. Duties.
IV. Employment of Private Counsel or Special Prosecutor.

I. IN GENERAL.

W. Va. Law Review. — Caryl, "The Illusion of Due Process in West Virginia's Property Tax Appeals System: Making the Constitution's Promise a Reality," 98 W. Va. L. Rev. 301 (1995).

Constitutional authority. — The prosecuting attorney is the constitutional officer charged with the responsibility of instituting prosecutions and securing convictions on behalf of the state for those who violate the criminal law. Harman v. Frye, 188 W. Va. 611, 425 S.E.2d 566 (1992).

Prosecutor required. — The circuit court erred in ordering the case to proceed without a prosecutor and in refusing to appoint a special prosecutor. Harman v. Frye, 188 W. Va. 611, 425 S.E.2d 566 (1992).

Appearance before grand jury.

In accord with second paragraph in bound volume. State v. Knotts, 187 W. Va. 795, 421 S.E.2d 917 (1992).

II. DUTIES.

Duty to prosecute.

In accord with first paragraph in bound volume. Peyatt v. Kopp, 189 W. Va. 114, 428 S.E.2d 535 (1993).

IV. EMPLOYMENT OF PRIVATE COUNSEL OR SPECIAL PROSECUTOR.

Prosecution of cross-warrants. — Criminal cases involving the issuance of cross-warrants must be prosecuted by the prosecuting attorney, who is charged with the duty under this section of instituting and prosecuting all necessary and proper criminal proceedings against offenders, and, in cases where it would be improper for the prosecuting attorney or his assistants to act, by a competent attorney who is appointed to act under § 7-7-8. Harman v. Frye, 188 W. Va. 611, 425 S.E.2d 566 (1992).

§ 7-4-4. Prosecutor's advisory council; victim advocates; participation in multidisciplinary planning process.

There is hereby created the prosecutor's advisory council composed of elected prosecuting attorneys of each county of the state or a designated member of their staff. The prosecutor's advisory council shall conduct an initial meeting of all members not later than the first day of September, one thousand nine hundred ninety-four, and shall meet not less than one time each year. At the initial meeting and annually thereafter, the council shall elect from among its membership a chairman of the council who shall set the agenda for the council's meetings and shall appoint necessary committees and direct the work of the council in carrying out its duties under the provisions of this section.

The council shall provide advice, assistance, training and leadership to the offices of the various county prosecuting attorneys of this state in criminal and civil cases which involve child abuse or neglect or sexual assault or sexual abuse of children. The council shall also provide advice and assistance to the secretary of the department of health and human resources in the implementation of a multidisciplinary planning process as set forth in article five-d [§ 49-5D-1 et seq.], chapter forty-nine of this code.

The council may seek funds and programs to provide each prosecuting attorney's office with a staff person to assist children who are crime victims to obtain services and assistance from other agencies and programs in the community. Prosecuting attorneys shall be reimbursed by their respective county commissions for necessary expenses actually incurred when attending meetings of the council.

The council may apply for and receive funds from any grant program of any agency or institution in the United States, public or private, to be used for carrying out the purposes of this section. (1994, 1st Ex. Sess., c. 16.)

§ 7-4-5. Multidisciplinary investigative teams.

On or before the first day of January, one thousand nine hundred ninety-five, the prosecuting attorney of each county in the state shall establish a multidisciplinary investigative team, in accordance with the provisions of section three [§ 49-5D-3], article five-d, chapter forty-nine of this code. (1994, 1st Ex. Sess., c. 16.)

§ 7-4-6. West Virginia prosecuting attorneys institute.

(a) There is hereby created the West Virginia prosecuting attorneys institute, a public body whose membership shall consist of the fifty-five elected county prosecuting attorneys in the state. The institute shall meet at least once each calendar year and the presence of twenty-eight of the fifty-five prosecutors at any meeting constitutes a quorum for the conduct of the institute's business.

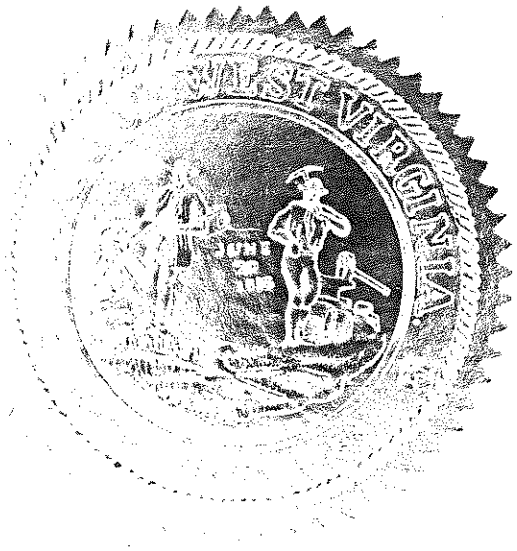
(b) There is hereby created the executive council of the West Virginia prosecuting attorneys institute which shall consist of five prosecuting attor-

State of West Virginia

Certificate

I, Ken Hechler, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 13 ARTICLE 2e OF THE WEST VIRGINIA CODE AS INDICATED BY THE RECORDS OF THIS OFFICE.



Given under my hand and the Great Seal of the State of West Virginia on this

Twenty-Seventh *day of*

May *19* **98**

Secretary of State

§ 13-2D-15. No notice, consent or publication required.

No notice to or consent or approval by any other county court, other governmental body or public officer shall be required as a prerequisite to the issuance or sale of any bonds or the making of any agreement, mortgage or deed of trust under the authority of this article. No publication or notice shall be necessary to the validity of any resolution or proceeding had under this article. (1967, c. 157.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

§ 13-2D-16. Severability.

If any section, clause, provision or portion of this article shall be held to be invalid or unconstitutional by any court of competent jurisdiction, such holding shall not affect any other section, clause or provision of this article which is not in and of itself unconstitutional. (1967, c. 157.)

§ 13-2D-17. Public officials exempt from personal liability.

No official or member of a county court shall be personally liable on any contract or obligation executed pursuant to the authority herein contained, nor shall the issuance of bonds hereunder be considered as misfeasance in office. (1967, c. 157.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

§ 13-2D-18. Prohibition of financial interest of public officials.

No member of a county court issuing revenue bonds under the provisions of this article shall have any financial interest, directly or indirectly, in an airport acquired or constructed pursuant to this article. (1967, c. 157.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

ARTICLE 2E.

REVENUE BOND REFUNDING ACT.

Sec.
13-2E-1. How article cited.
13-2E-2. Definitions.
13-2E-3. Authority to refund.
13-2E-4. Terms, form and execution of refunding bonds.
13-2E-5. Issuance of refunding bonds; application of proceeds.
13-2E-6. Determination of governing body to be conclusive.
13-2E-7. Authorization for issuance.

Sec.
13-2E-8. Authority for escrow agreement.
13-2E-9. Call of revenue bonds for redemption.
13-2E-10. Security provisions.
13-2E-11. Bonds payable solely from revenues of enterprise.
13-2E-12. Tax exemption; exceptions.
13-2E-13. Validity of bonds.
13-2E-14. Article complete authority for refunding bonds; effect on other laws; liberal construction.
13-2E-15. Severability.

§ 13-2E-1. How article cited.

This article may be cited as "Revenue Bond Refunding Act." (1969, c. 12.)

§ 13-2E-2. Definitions.

The following terms or words, wherever used or referred to in this article, shall have the following meaning, unless a different meaning plainly appears from the context:

The term "public body" means any city, town, village, county, public service district, sanitary district, political subdivision or any other similar public entity now or hereafter created, and the state of West Virginia acting through any of its agencies, boards, commissions or departments, having power to issue revenue bonds.

The term "governing body" means a board, council or other body having power to borrow money on behalf of a public body.

The term "law" means any act or statutes, general, special or local, of this state, including, without being limited to, the charter of any public body.

The term "enterprise" means any work, undertaking, or project which the public body is or may hereafter be authorized to acquire or construct and from which the public body has heretofore derived or may hereafter derive revenues, for the refinancing of which enterprise refunding bonds are issued under this article, and such enterprise shall include all improvements, betterments, extensions and replacements thereto, and all appurtenances, facilities, lands, rights in land, water rights, franchises, and structures in connection therewith or incidental thereto; and for the purposes of this article "enterprise" includes the waterworks system or the sewerage system, or both said systems, resulting from the severance of a combined waterworks and sewerage system pursuant to section one-b [§ 8-20-1b] article twenty, chapter eight of this code, all as the governing body shall authorize in the ordinance authorizing said severance.

The term "revenues" means all fees, tolls, rates, rentals and charges to be levied and collected in connection with and all other income and receipts of whatever kind or character derived by the public body from the operation of any enterprise or arising from any enterprise, and including earnings derived from investments and bank deposits.

The term "revenue bonds" means notes, bonds, certificates or other obligations of a public body heretofore or hereafter issued and outstanding under any law and which by their terms are payable from the revenues derived by such public body from the operation of an enterprise.

The term "refunding bonds" means notes, bonds, certificates or other obligations of a public body issued pursuant to this article.

The term "holder of bonds" or "bondholder" or any similar term means any person who shall be the bearer of any outstanding refunding bond or refunding bonds registered to bearer or not registered, or the registered owner of any such outstanding refunding bond or refunding bonds which shall at the time be registered other than to bearer.

The words "net interest cost" when referring to an outstanding issue of revenue bonds to be refunded, means the total amount of interest which would accrue on such revenue bonds from the date of the refunding bonds to the respective maturity dates of the outstanding revenue bonds to be refunded, without regard to any retained options of redemption.

The words "net interest cost" when referring to a proposed issue of refunding bonds, means the total amount of interest to accrue on the refunding bonds from their date to their respective maturities, without regard to any retained options of redemption, plus the amount of any discount below par or less the amount of any premium above par at which the bonds may be sold.

The words "net effective interest rate" when referring to a proposed issue of refunding bonds, means the net interest cost of said refunding bonds divided by the product obtained by multiplying the aggregate principal amount of such refunding bonds maturing on each maturity date by the number of years from the date of the refunding bonds to their respective maturities, without regard to any retained options of redemption.

The term "certified public accountant" means an independent certified public accountant or firm of certified public accountants licensed to practice in this state.

Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. (1969, c. 12; 1986, c. 118.)

§ 13-2E-3. Authority to refund.

Any public body may issue refunding bonds for the purpose of refunding all or any part of its revenue bonds now or hereafter outstanding, whether or not such revenue bonds are at the time of the refunding due or optional for redemption, under the circumstances and restrictions set forth in this article. Refunding bonds shall be payable from revenues derived from the same enterprise as the revenue bonds to be refunded except where the public body has outstanding revenue bonds payable from the revenues of an enterprise and is authorized under any other law to combine and consolidate such enterprise with another enterprise and issue revenue bonds payable from the revenues of the combined and consolidated enterprises. An issue of refunding bonds may refund part or all of one or more issues of outstanding revenue bonds: Provided, That part or all of two or more issues of outstanding revenue bonds may not be refunded under this article unless either (a) all of the issues of outstanding revenue bonds to be refunded are payable from revenues derived from the same enterprise, or (b) the public body is authorized under any other law to combine or consolidate the enterprises in question and issue revenue bonds payable from the revenues of the combined or consolidated enterprises.

Refunding bonds may be issued hereunder whenever the governing body of the public body deems it expedient and, notwithstanding any provision in this article to the contrary, may be issued as part of a series of revenue bonds issued for the purpose, in addition to such refunding, of financing the acquisition or construction of improvements, betterments, extensions or replacements to the particular enterprise, as provided by other articles of this Code. (1969, c. 12; 1981, 1st Ex. Sess., c. 2.)

§ 13-2E-4. Terms, form and execution of refunding bonds.

Refunding bonds authorized under this article may be issued in one or more series; may bear such date or dates; may mature at such time or times, not exceeding the period of usefulness of the enterprise, as determined by the governing body in its discretion, not exceeding forty years from their respective dates; may bear interest at such rate or rates; may be in such denomination or denominations; may be in such form either coupon or registered; may carry such registration and conversion privileges; may be executed in such manner; may be payable in such medium of payment, at such place or places; may be subject to such terms of redemption, with or without a premium; may be declared or become due before the maturity date; may provide for the replacement of mutilated, destroyed, stolen or lost bonds; may be authenticated in such manner and upon compliance with such conditions; and may contain such other terms and covenants, as may be determined by the governing body in the proceedings authorizing the refunding bonds. Notwithstanding the form or tenor thereof, and in the absence of an express recital on the face thereof that the bond is nonnegotiable, all refunding bonds shall at all times be, and shall be treated as, negotiable instruments for all purposes. (1969, c. 12; 1981, 1st Ex. Sess., c. 2.)

§ 13-2E-5. Issuance of refunding bonds; application of proceeds.

Refunding bonds issued under this article may be exchanged for not less than a like principal amount of the revenue bonds to be refunded, or may be sold at public or private sale, or may be exchanged in part and sold in part, in such manner and upon such terms as may be determined by the governing body to be for the best interests of the public body: Provided, That such refunding bonds shall not be sold or exchanged at a price lower than a price which will show a net saving to the issuer after deducting all expenses of the refunding: Provided, however, That if the governing body determines that one of the purposes of issuing such refunding bonds is to effect the release, termination or modification of liens, restrictions, conditions or limitations imposed in connection with the bonds which are to be refunded, then such refunding bonds may be issued without the necessity of showing a net saving to the issuer, in which event such refunding bonds shall bear interest at such rate or rates as the governing body may determine, but such rate or rates shall not exceed the maximum stated rate of interest which the revenue bonds to be

refunded thereby could bear if they were being issued as of the date of issuance of such refunding bonds, and such refunding bonds may not be sold or exchanged at a price which would result in a net interest cost in excess of the maximum net interest cost which the revenue bonds to be refunded could be sold or exchanged for if they were being issued as of the date of issuance of such refunding bonds.

If any such refunding bonds are to be sold, they may be issued in such principal amount as may be determined advisable by the governing body including, without limitation, the aggregate principal amount of the revenue bonds to be refunded, interest accrued and to accrue to the date or dates on which the revenue bonds being refunded are scheduled to mature or to be redeemed prior to maturity, any redemption premiums which must be paid in order to refund such outstanding revenue bonds and any costs and expenses of issuing the refunding bonds and providing for retirement of revenue bonds to be refunded. If sold, the net proceeds shall either be immediately applied to the payment or redemption and retirement of the revenue bonds to be refunded, or the net proceeds of the refunding bonds may be invested at the discretion and under the supervision of the escrow agent in whole, or in part, (a) in direct obligations issued by the United States of America or one of its agencies, (b) in obligations unconditionally guaranteed by the United States of America as to principal and interest, or (c) in certificates of deposit of a banking corporation or association which is a member of the federal deposit insurance corporation, or successor; but any such certificates of deposit must be fully secured as to both principal and interest by pledged collateral consisting of direct obligations of or obligations guaranteed by the United States of America having a market value, excluding accrued interest, at all times at least equal to the amount of the principal of an accrued interest on such certificates of deposit. Any such investments must mature, or be payable in advance of maturity at the option of the holder, and must bear interest in such manner as to provide funds which, together with uninvested money placed in the hereinafter mentioned escrow, will be sufficient to pay when due or called for redemption the revenue bonds refunded, together with interest accrued and to accrue thereon and redemption premiums, if any, and such refunding bond proceeds or obligations so purchased therewith shall, and with other funds legally available to the public body for such purpose may, be deposited in escrow with the West Virginia municipal bond commission or a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the state of West Virginia, to be selected by the issuer to be held in trust for the payment and redemption of the revenue bonds refunded, and such money and obligations and any reinvestment thereof shall be held in trust by such escrow agent for the payment of interest on the refunded bonds when due, and principal thereof and applicable redemption premiums, if any, when due, or upon the date or dates for which they shall have been called for redemption, or upon an earlier voluntary surrender at the option of the escrow agent; provided if interest earned by any investment in such escrow is shown to be in excess of the amounts required from time to time for the payment of interest on and principal of the refunded revenue bonds, including applicable redemption

premium, then such excess may be withdrawn from escrow and disbursed by the public body as are other revenues of the enterprise. Any moneys in the sinking or reserve funds or other funds maintained for the outstanding revenue bonds to be refunded may be applied in the same manner and for the same purpose as are the net proceeds of refunding bonds or may be deposited in the special fund or any reserve funds established for account of the refunding bonds. The term "net proceeds" as used above shall mean the gross proceeds of the refunding bonds after the deduction therefrom of all accrued interest, costs and expenses incurred in connection with the authorization and issuance of the refunding bonds and the retirement of the outstanding revenue bonds, and including all costs and expenses resulting from price variations to par or otherwise incurred in the purchase of obligations for escrow and in the disposition of the refunding bonds. (1969, c. 12; 1973, c. 115; 1986, c. 118.)

§ 13-2E-6. Determination of governing body to be conclusive.

The determination by the governing body of any public body issuing refunding bonds under this article that the limitations herein imposed upon the issuance of refunding bonds have been met, shall be conclusive: Provided, however, That such public body shall have obtained from an independent certified public accountant a certification that the amount of saving stated to be achieved by the refunding shall in fact be served, based upon his review, comparison and analysis of the net interest cost in dollars of the refunding bonds and the net interest cost in dollars of the bonds to be refunded. (1969, c. 12.)

§ 13-2E-7. Authorization for issuance.

Refunding bonds and all acts required to be authorized hereunder shall be authorized in the manner in which the bonds to be refunded were authorized and issued: Provided, That refunding bonds of a system resulting from the severance of a combined municipal waterworks and sewerage system shall to the extent applicable be authorized and issued under the terms and provisions of law, including, but not limited to, interest rates and net interest costs, under which revenue bonds of such resulting system would be authorized and issued. (1969, c. 12; 1986, c. 118.)

§ 13-2E-8. Authority for escrow agreement.

The governing body of any public body shall have power to enter into such escrow agreements and to insert therein such protective and other covenants and provisions as it may consider necessary to permit the carrying out of the provisions of this article and to insure the prompt payment of principal of and interest and redemption premiums on the revenue bonds refunded. (1969, c. 12.)

§ 13-2E-9. Call of revenue bonds for redemption.

Where any revenue bonds to be refunded are not to be surrendered for exchange or payment and are not to be paid at maturity with escrowed obligations, but are to be paid from such source prior to maturity pursuant to call for redemption exercised under a right of redemption reserved in such revenue bonds, the governing body of the public body shall, prior to the issuance of the refunding bonds, determine which redemption date or dates shall be used, call such revenue bonds for redemption and provide for the giving of the notice of redemption required by the proceedings authorizing such revenue bonds. Where such notice is to be given at a time subsequent to the issuance of the refunding bonds, the necessary notices may be deposited with the state sinking fund commission or the bank acting as escrow agent of the refunding bond proceeds and the escrow agent appropriately instructed and authorized to give the required notices at the prescribed time or times. If any officer of the public body signing any such notice shall no longer be in office at the time of the utilization of the notice, the notice shall nevertheless be valid and effective for its intended purpose. (1969, c. 12.)

§ 13-2E-10. Security provisions.

Refunding bonds shall be special obligations of the public body and shall be payable solely from and secured by a lien upon the gross revenues or net revenues of the enterprise, as shall be more fully described in the ordinance or resolution authorizing the issuance of refunding bonds, and the ordinance or resolution authorizing such refunding bonds shall provide for a special fund into which there shall be pledged a fixed amount or a fixed proportion of such revenues which shall be sufficient to pay the principal of and interest on the refunding bonds as the same become due.

In order to assure payment of the principal and interest on any refunding bonds it shall be the duty of the governing body of the public body to establish, levy, maintain and collect such fees, tolls, rentals, rates and other charges for the services of such enterprise as shall be necessary to produce revenues sufficient, after making due and reasonable allowance for contingencies and for a margin of error in estimates, to pay at all times principal of and interest on the refunding bonds as the same become due, to pay current expenses of operation and maintenance, to provide for depreciation, to provide for reserves for any of the foregoing, to comply in all respects with any contract or agreement with bondholders set forth in the ordinance or resolution authorizing such refunding bonds, and to meet any other obligations of the public body which by their terms are charges, liens, or encumbrances upon the revenues of such enterprise.

The ordinance or resolution authorizing any refunding bonds may contain such covenants with the holders of the refunding bonds as to the efficient management and operation of the enterprise; the collection, keeping and disposition of the revenues of the enterprise; the issuance of additional refunding bonds or revenue bonds; the carrying of insurance on such enterprise and the disposition of insurance proceeds; the keeping of books and

B1-32-06-7096-WVA 95 RV5

records and the auditing thereof; the inspection by bondholders at reasonable times of the enterprise and the records, accounts and data of the public body relating thereto; limitations upon the sale or other disposition of integral parts of the enterprise; the discontinuance of the services and facilities of the enterprise upon failure to pay for such services and facilities; the appointment and duties of a trustee; the rights, liabilities, powers and duties arising upon the breach by the public body of any covenants, conditions or obligations contained in the ordinance or resolution authorizing the issuance of such refunding bonds; remedies of bondholders upon default in the payment of the principal of or interest on any refunding bonds, including the appointment by a court of competent jurisdiction of a receiver for the operation and management of the enterprise and the collection and disbursement of the revenues thereof, but such receiver or any court having jurisdiction in the matter shall not be permitted to sell, mortgage or otherwise dispose of any assets of the enterprise and useful in its operation or cause any of such assets to be sold, mortgaged or otherwise disposed of; and any other conditions, acts or pertinent matters as may be deemed necessary or proper by the governing body of the public body to assure efficient operation of the enterprise, payment of the refunding bonds and marketability of the refunding bonds upon favorable terms. Any agreement or covenant contained in the ordinance or resolution authorizing such refunding bonds shall constitute a contract with the holders of such refunding bonds.

All refunding bonds of the same issue shall be equally and ratably secured, without priority by reason of number, date or time of sale, execution or delivery, by a lien upon the revenues of the enterprise in accordance with the provisions of this section and the ordinance or resolution authorizing the issuance of such refunding bonds.

Nothing in this section or in any other section of this article shall be deemed in any way to alter the terms of any agreements made with the holders of any outstanding revenue bonds of the public body, or to authorize the public body to alter the terms of any such agreements, or to impair, or authorize the public body to impair, the rights and remedies of any creditors of the public body.

Nothing in this section or in any other section of this article shall be deemed in any way to authorize any public body to do anything in any manner or for any purpose which would result in the creation or incurring of a debt or indebtedness or the issuance of any instrument which would constitute a bond or debt within the meaning of any provision, limitation, or restriction of the Constitution relating to the creation or incurring of a debt or indebtedness or the issuance of an instrument constituting a bond or a debt. (1969, c. 12.)

§ 13-2E-11. Bonds payable solely from revenues of enterprise.

No recourse shall be had for the payment of the refunding bonds, or interest thereon, or any part thereof, against the general fund of any public body, nor shall the credit or taxing power of any public body be deemed to be pledged thereto.

The refunding bonds, and interest thereon, shall not be a debt of the public body, nor a charge, lien or encumbrance, legal or equitable, upon any property of the public body, nor upon any income, receipts, or revenues of the public body other than such of the revenues of the enterprise as shall have been pledged to the payment thereof, and every refunding bond shall recite in substance that said bond, including interest thereon, is payable solely from the revenues pledged to the payment thereof and that the public body is under no obligation to pay the same, except from said revenues. (1969, c. 12.)

§ 13-2E-12. Tax exemption; exceptions.

The refunding bonds and the income therefrom shall be exempt from taxation, except inheritance, estate and transfer taxes. (1969, c. 12.)

§ 13-2E-13. Validity of bonds.

Refunding bonds bearing the signatures of officers of the public body in office on the date of the signing thereof shall be valid and binding obligations of the public body for all purposes, notwithstanding that before the delivery thereof any or all the persons whose signatures appear thereon shall have ceased to be officers of the public body, the same as if such persons had continued to be officers of the public body until after the delivery thereof. The ordinance or resolution authorizing any refunding bonds may provide that such refunding bond may contain a recital that such refunding bond is issued pursuant to this article, and any refunding bond containing such recital under authority of any such ordinance or resolution shall be conclusively deemed to be valid and to have been issued in conformity with the provisions of this article.

Where any refunding bonds have been heretofore authorized by any public body which would have been valid under and in compliance with the provisions of this article had this article been in existence at the time of the authorization of such refunding bonds, such refunding bonds if heretofore issued, and if not yet issued then such refunding bonds when they shall have been issued, and the proceedings authorizing their issuance, are hereby validated, ratified and confirmed and declared to be binding and enforceable obligations in accordance with their terms. (1969, c. 12.)

§ 13-2E-14. Article complete authority for refunding bonds; effect on other laws; liberal construction.

This article constitutes full and complete authority for the issuance of refunding bonds. No procedure or proceedings, publications, notices, consents, approvals, orders, acts or things by any governing body of any public body, or any board, officer, commission, department, agency, or instrumentality of the State or any public body shall be required to issue any refunding bonds or to do any act or perform anything under this article, except as may be prescribed in this article. The powers conferred by this article shall be in addition and supplemental to, and not in substitution for, and the limitations imposed by

this article shall not affect, the powers conferred by any other law. This article is remedial in nature and shall be liberally construed. (1969, c. 12.)

§ 13-2E-15. Severability.

If any one or more provisions of this article or the applicability thereof to any persons or circumstances are ever held by a final decision of a court of competent jurisdiction to be invalid, such invalidity shall not affect any other provision or provisions, application or applications of this article, and to this end, the provisions of this article are declared to be severable. (1969, c. 12.)

ARTICLE 2F.

PUBLIC OBLIGATIONS REGISTRATION ACT.

Sec.
13-2F-1. How article cited.
13-2F-2. Purposes; article governs over charter provisions.
13-2F-3. Definitions.
13-2F-4. Authority to issue public obligations in registered and book entry forms.
13-2F-5. Powers of official registrar; designee.
13-2F-6. Confidentiality.
13-2F-7. Application to public obligations approved by voters.

§ 13-2F-1. How article cited.

This article may be cited as "Public Obligations Registration Act." (1986, c. 118.)

§ 13-2F-2. Purposes; article governs over charter provisions.

The purpose of this article is to provide a mechanism for public bodies in the state to issue public obligations in compliance with section 310(b)(1) of the tax equity and fiscal responsibility act of one thousand nine hundred eighty-two, United States Internal Revenue Code section 103(j) [26 U.S.C. § 103(j)], as amended.

To fulfill the purpose, this article shall govern notwithstanding any charter provisions. (1986, c. 118.)

Editor's notes. — The bracketed U.S.C. reference was inserted by the editor.

§ 13-2F-3. Definitions.

The following terms wherever used or referred to in this article shall have the following meanings, unless a different meaning plainly appears from the context:

The term "public body" means any city, town, county commission, building commission, board of education, public service district, political subdivision or any other public entity, whether created before, on or after the effective date of

AT A REGULAR SESSION OF THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA, CONTINUED AND HELD FOR SAID COUNTY AT THE COURTHOUSE THEREOF ON WEDNESDAY, FEBRUARY 11, 1998.

PRESENT: DAVID L. JONES, JANE KITE KEELING AND ROBERT F. SITES, HONORABLE COMMISSIONERS OF THE COUNTY.

RE: AUTHORIZATION OF THE ADVANCE REFUNDING OF $1,800,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1994A, OUTSTANDING IN THE PRINCIPAL AMOUNT OF $1,705,000, AND THE ADVANCE REFUNDING OF $3,150,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1994C, OUTSTANDING IN THE PRINCIPAL AMOUNT OF $3,090,000; THE ISSUANCE FOR SUCH PURPOSES, RESPECTIVELY, OF NOT TO EXCEED $2,050,000 IN AGGREGATE PRINCIPAL AMOUNT OF THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION REFUNDING BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1998A, AND NOT TO EXCEED $3,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE REFUNDING BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1998C; THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO SUCH REFUNDING BONDS; AND CERTAIN OTHER ACTIONS WITH RESPECT TO SAID OUTSTANDING GENERAL OBLIGATION BONDS AND HOSPITAL REVENUE BONDS AND SAID REFUNDING BONDS.

WHEREAS, Grant Memorial Hospital (the "Hospital") is a county-owned hospital administered and managed by a Board of Trustees (the "Board") appointed by The County Commission of Grant County, West Virginia (this "County Commission"), all pursuant to the authority of Chapter 7, Article 3, of the Code of West Virginia, 1931, as amended (the "Hospital Act"); and

WHEREAS, on November 30, 1994, this County Commission issued on behalf of the Hospital $1,800,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A (the "1994 G.O. Bonds"), and $3,150,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds") (the 1994 G.O. Bonds and the 1994 Revenue Bonds are hereinafter referred to collectively as the "1994 Bonds"); and

WHEREAS, Chapter 13, Article 2, of the Code of West Virginia, 1931, as amended (the "G.O. Refunding Act"), authorizes, in the manner and subject to the limitations and conditions contained in the G.O. Refunding Act, the issuance and sale of bonds by this County Commission to provide for the payment of the 1994 G.O. Bonds in advance of the

maturity thereof through the deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") of moneys or specified governmental obligations, or both, sufficient to pay, when and as due, including by redemption prior to the maturity thereof, all principal of and redemption premium, if any, and interest on the 1994 G.O. Bonds (the "G.O. Bond Advance Refunding"); and

WHEREAS, the 1994 G.O. Bonds may be called for redemption prior to maturity on April 1, 2002, at the price of 102% of the principal amount thereof; and

WHEREAS, the Hospital Act and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Revenue Refunding Act"; the Hospital Act and the Revenue Refunding Act are hereinafter referred to together as the "Hospital Refunding Act"), likewise authorize, in the manner and subject to the limitations contained in the Hospital Refunding Act, the issuance and sale of bonds by this County Commission to provide for the payment of the 1994 Revenue Bonds in advance of the maturity thereof through the deposit with an escrow agent of moneys or specified governmental obligations, or both, sufficient to pay, when and as due, including by redemption prior to the maturity thereof, all principal of and redemption premium, if any, and interest on the 1994 Revenue Bonds (the "Revenue Bond Advance Refunding"; the G.O. Bond Advance Refunding and the Revenue Bond Advance Refunding are hereinafter referred to together as the "Advance Refunding"); and

WHEREAS, the 1994 Revenue Bonds may be called for redemption prior to maturity on October 1, 2000, at the price of 102% of the principal amount thereof; and

WHEREAS, the Hospital has advised this County Commission that the Advance Refunding may result in significant debt service savings for this County Commission and the Hospital and has requested this County Commission to undertake the Advance Refunding; and

WHEREAS, accordingly, it is in the best interests of the Hospital and the citizens of Grant County, West Virginia (the "County"), that the 1994 Bonds be advance refunded pursuant to the G.O. Refunding Act and the Hospital Refunding Act, respectively; that the 1994 G.O. Bonds be called for optional redemption on April 1, 2002; that the 1994 Revenue Bonds be called for optional redemption on October 1, 2000; and that this County Commission issue not more than $2,050,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital Project), Series 1998A (the "G.O. Refunding Bonds"), and not more than $3,600,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital Project), Series 1998C (the "Revenue Refunding Bonds"; the G.O. Refunding Bonds and the Revenue Refunding Bonds are hereinafter referred to together as the "Refunding Bonds"), under the terms and conditions to be set out in an order supplemental hereto; and

WHEREAS, this County Commission by order duly entered on December 17, 1996, conditionally authorized the Advance Refunding; and

WHEREAS, this County Commission desires by this Order to reaffirm its conditional authorization of the Advance Refunding, the issuance of the Refunding Bonds and certain actions in connection therewith; and

WHEREAS, this County Commission desires to take certain actions, and to delegate to its President and Clerk certain actions, all in connection with the Advance Refunding and the authorization and offering for sale of the Refunding Bonds, all as further described herein;

NOW, THEREFORE, BE IT ORDERED AND ENTERED BY THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA, A PUBLIC CORPORATION ACTING ON BEHALF OF GRANT COUNTY, WEST VIRGINIA, AS FOLLOWS:

1. There is hereby authorized and directed the G.O. Bond Advance Refunding and the optional redemption of the 1994 G.O. Bonds on April 1, 2002, as hereinafter provided, which 1994 G.O. Bonds mature on such dates and in such principal amounts, bear interest at such rates, and require such debt service, all as set forth in Exhibit A attached hereto and incorporated herein by reference.

2. There is hereby authorized and directed the Revenue Bond Advance Refunding and the optional redemption of the 1994 Revenue Bonds on October 1, 2000, as hereinafter provided, which 1994 Revenue Bonds mature on such dates and in such principal amounts, bear interest at such rates, and require such debt service, all as set forth in Exhibit B attached hereto and incorporated herein by reference.

3. For the purpose of the G.O. Bond Advance Refunding, there is hereby authorized the issuance of, and this County Commission shall issue, the G.O. Refunding Bonds in an aggregate principal amount not to exceed $2,050,000.

4. For the purpose of the Revenue Bond Advance Refunding, there is hereby authorized the issuance of, and this County Commission shall issue, the Revenue Refunding Bonds in an aggregate principal amount not to exceed $3,600,000.

5. This County Commission hereby ratifies, approves and confirms the selection by the Hospital of Ferris, Baker Watts, Incorporated, as underwriter (the "Underwriter") for the Refunding Bonds; Jackson & Kelly as bond counsel for the Refunding Bonds; and Doak, Cuppett & Poling as the independent certified public accountant for the purpose of verifying debt service savings and other purposes of the Advance Refunding (the "Verification Agent"). This County Commission hereby recognizes and agrees that Jackson & Kelly also serves as counsel to the Underwriter. This County Commission further hereby ratifies, approves and confirms any actions taken prior hereto in connection therewith and hereby authorizes and directs its President and Clerk to execute and deliver any documents and take any actions as may be required of this County Commission with respect thereto.

6. This County Commission hereby authorizes the Board, on its behalf, to negotiate with Asset Guaranty Insurance Company for insurance on either the G.O. Refunding Bonds or the Revenue Refunding Bonds, or both, or, in the alternative, to solicit proposals for bond insurance from various municipal bond insurers. This County Commission further hereby authorizes the Board, on its behalf, to apply to rating agencies for ratings on the Refunding Bonds. This County Commission hereby authorizes and directs its President and Clerk to execute and deliver any documents and take any actions as may be required of this County Commission with respect thereto.

7. The Board is hereby authorized and directed, on behalf of this County Commission, to solicit proposals for trustee and other professional services necessary for the issuance of the Refunding Bonds or the Advance Refunding and not otherwise provided for in this Order.

8. The distribution of the Preliminary Official Statement relating to the Refunding Bonds, the draft form of which is attached as Exhibit C hereto, with such changes therein as the President of this County Commission or the Board, on behalf of this County Commission, may deem necessary or desirable (the "Preliminary Official Statement"), is hereby approved.

9. This County Commission hereby authorizes and directs its President and Clerk, or either thereof, when appropriate, to execute and deliver the following documents, agreements and instruments on behalf of this County Commission with respect to the 1994 Bonds and the Refunding Bonds, as may be requested by the Board and as said President determines to be necessary and appropriate to effect the transactions hereby approved by this County Commission, in such form as may be or as was agreed to by said President upon advice and approval of counsel or Bond Counsel; provided, that the Refunding Bonds shall not be issued without prior approval by this County Commission:

(a) The Preliminary Official Statement, including specifically information set forth therein concerning the County, this County Commission and the Hospital;

(b) A 15c2-12 Certificate;

(c) DTC Letters of Representation;

(d) A notice of refunding to the Bond Commission;

(e) A request to the State Tax Commissioner for certification of the amount of taxes available for debt service on the G.O. Refunding Bonds; and

(f) All other documents, instruments and papers necessary or desirable in the opinion of counsel or Bond Counsel to effect this Order.

10. This County Commission hereby authorizes its President and Clerk to execute and deliver all instruments, documents or other papers and to do such other acts and things that in their discretion they may deem necessary or desirable to carry into effect this Order, and all such acts and things done prior to the date hereof are hereby ratified, approved and confirmed.

11. Anything to the contrary in this Order notwithstanding, the G.O. Refunding Bonds shall not be issued unless the amount of taxes expected to be available in each year for the payment of debt service on the G.O. Refunding Bonds, based upon the rates of levy stipulated in the order directing the election at which the issuance of the 1994 G.O. Bonds was approved by the voters of the County and upon the most recent assessed valuation of the property in the County prior to such election, and certified by the State Tax Commissioner, is sufficient to pay the debt service on the G.O. Refunding Bonds as it comes due.

12. Anything to the contrary in this Order notwithstanding, the Revenue Refunding Bonds shall not be issued unless this County Commission determines that the issuance of the Revenue Refunding Bonds is expedient and that, based upon the principal amount, maturity schedule and interest rates for the Revenue Refunding Bonds and based upon certain representations to be made by or on behalf of the Board, the Revenue Refunding Bonds will show a net savings to the Hospital, after deducting all expenses of the Revenue Refunding Bonds, as a result of the Revenue Bond Advance Refunding. Prior to issuing the Revenue Refunding Bonds, this County Commission will obtain from the Verification Agent a certification that the amount of savings stated to be achieved by the Revenue Bond Advance Refunding shall in fact be served, based upon such review, comparison and analysis of the net interest cost in dollars of the Revenue Refunding Bonds and the net interest cost in dollars of the 1994 Revenue Bonds, all in accordance with the Hospital Refunding Act.

13. This Order shall be effective immediately upon its adoption.

ENTERED this 11th day of February 1998.

THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA

By: _____
President

_____
Commissioner

Commissioner

APPROVED:

Prosecuting Attorney

(SEAL)

ATTEST:

Clerk

EXHIBIT A

1994 G.O. BONDS

EXHIBIT A

G.O. BONDS MATURITY SCHEDULE

Maturing April 1	Amount	Interest Rate	Reoffering Yield	Maturing April 1	Principal Amount	Interest Rate	Reoffering Yield
Pd. 1995	$ 30,000	7.00%	4.20%	2008	$ 70,000	7.00%	6.70%
Pd. 1996	30,000	7.00%	4.60%	2009	75,000	7.00%	6.80%
Pd. 1997	35,000	7.00%	4.90%	2010	85,000	7.00%	6.90%
1998	35,000	7.00%	5.15%	2011	90,000	7.00%	6.95%
1999	40,000	7.00%	5.35%	2012	95,000	7.00%	7.00%
2000	40,000	7.00%	5.55%	2013	100,000	7.00%	7.00%
2001	45,000	7.00%	5.75%	2014	110,000	7.00%	7.05%
2002	50,000	7.00%	5.90%	2015	115,000	7.00%	7.10%
2003	50,000	7.00%	6.00%	2016	115,000	7.00%	7.15%
2004	55,000	7.00%	6.15%	2017	115,000	7.00%	7.20%
2005	60,000	7.00%	6.30%	2018	115,000	7.00%	7.20%
2006	65,000	7.00%	6.45%	2019	115,000	7.00%	7.20%
2007	65,000	7.00%	6.60%				

(Accrued interest to be added.)

Debt Service Requirements

Bond Year Ending April 1	Principal	Interest	Total	
1995	$ 30,000	$ 52,500.00	$ 82,500.00	Paid
1996	30,000	123,900.00	153,900.00	Paid
1997	35,000	121,800.00	156,800.00	Paid
1998	35,000	119,350.00	154,350.00	
1999	40,000	116,900.00	156,900.00	
2000	40,000	114,100.00	154,100.00	
2001	45,000	111,300.00	156,300.00	
2002	50,000	108,150.00	158,150.00	
2003	50,000	104,650.00	154,650.00	
2004	55,000	101,150.00	156,150.00	
2005	60,000	97,300.00	157,300.00	
2006	65,000	93,100.00	158,100.00	
2007	65,000	88,550.00	153,550.00	
2008	70,000	84,000.00	154,000.00	
2009	75,000	79,100.00	154,100.00	
2010	85,000	73,850.00	158,850.00	
2011	90,000	67,900.00	157,900.00	
2012	95,000	61,600.00	156,600.00	
2013	100,000	54,950.00	154,950.00	
2014	110,000	47,950.00	157,950.00	
2015	115,000	40,250.00	155,250.00	
2016	115,000	32,200.00	147,200.00	
2017	115,000	24,150.00	139,150.00	
2018	115,000	16,100.00	131,100.00	
2019	115,000	8,050.00	123,050.00	
Total	$1,800,000	$1,942,850.00	$3,742,850.00	

EXHIBIT B

1994 REVENUE BONDS

EXHIBIT B

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

Serial Bonds

Maturity (October 1)	Amount	Interest Rate	Yield	Maturity (October 1)	Amount	Interest Rate	Yield
Pd 1997	$ 60,000	5.000%	5.000%	2004	$ 95,000	6.100%	6.150%
1998	70,000	5.250	5.250	2005	105,000	6.300	6.300
1999	70,000	5.450	5.450	2006	110,000	6.450	6.450
2000	75,000	5.650	5.650	2007	115,000	6.600	6.600
2001	80,000	5.800	5.800	2008	125,000	6.700	6.700
2002	85,000	5.950	5.950	2009	135,000	6.800	6.800
2003	90,000	6.000	6.050				

$810,000 7.0% Term Bonds Due October 1, 2014—Price 98.931%
$1,125,000 7.3% Term Bonds Due October 1, 2019—Price 100%
(Plus Accrued Interest)

Year	1994 Series C Bonds Principal or Sinking Fund Requirements	1994 Series C Bonds Interest Requirements	Total Debt Service Requirements
1995	$ -	$ 195,525.00	$ 195,525.00 Paid
1996	-	213,300.00	213,300.00 Paid
1997	60,000.00	213,300.00	273,300.00 Paid
1998	70,000.00	210,300.00	280,300.00
1999	70,000.00	206,625.00	276,625.00
2000	75,000.00	202,810.00	277,810.00
2001	80,000.00	198,572.50	278,572.50
2002	85,000.00	193,932.50	278,932.50
2003	90,000.00	188,875.00	278,875.00
2004	95,000.00	183,475.00	278,475.00
2005	105,000.00	177,680.00	282,680.00
2006	110,000.00	171,065.00	281,065.00
2007	115,000.00	163,970.00	278,970.00
2008	125,000.00	156,380.00	281,380.00
2009	135,000.00	148,005.00	283,005.00
2010	140,000.00	138,825.00	278,825.00
2011	150,000.00	129,025.00	279,025.00
2012	160,000.00	118,525.00	278,525.00
2013	175,000.00	107,325.00	282,325.00
2014	185,000.00	95,075.00	280,075.00
2015	195,000.00	82,125.00	277,125.00
2016	210,000.00	67,890.00	277,890.00
2017	225,000.00	52,560.00	277,560.00
2018	240,000.00	36,135.00	276,135.00
2019	255,000.00	18,615.00	273,615.00
TOTAL	$3,150,000.00	$3,669,915.00	$6,819,915.00

EXHIBIT C

PRELIMINARY OFFICIAL STATEMENT

AT A REGULAR SESSION OF THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA, CONTINUED AND HELD FOR SAID COUNTY AT THE COURTHOUSE THEREOF ON WEDNESDAY, MAY 13, 1998.

PRESENT: ROBERT F. SITES, PRESIDENT, DAVID L. JONES AND JANE KITE KEELING, HONORABLE COMMISSIONERS OF THE COUNTY.

RE: AUTHORIZATION OF THE ADVANCE REFUNDING OF $1,800,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1994A, OUTSTANDING IN THE PRINCIPAL AMOUNT OF $1,670,000, AND THE ADVANCE REFUNDING OF $3,150,000 THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE BONDS (GRANT MEMORIAL HOSPITAL PROJECT), SERIES 1994C, OUTSTANDING IN THE PRINCIPAL AMOUNT OF $3,090,000; THE ISSUANCE FOR SUCH PURPOSES, RESPECTIVELY, OF THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] GENERAL OBLIGATION REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998A, AND THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998C; THE SALE OF SUCH REFUNDING BONDS PURSUANT TO A BOND PURCHASE AGREEMENT; THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT WITH RESPECT TO SUCH REFUNDING BONDS; AND CERTAIN OTHER ACTIONS WITH RESPECT TO SAID OUTSTANDING GENERAL OBLIGATION BONDS AND HOSPITAL REVENUE BONDS AND SAID REFUNDING BONDS.

WHEREAS, Grant Memorial Hospital (the "Hospital") is a county-owned hospital administered and managed by a Board of Trustees (the "Board") appointed by The County Commission of Grant County, West Virginia (this "County Commission"), all pursuant to the authority of Chapter 7, Article 3, of the Code of West Virginia, 1931, as amended (the "Hospital Act"); and

WHEREAS, on November 30, 1994, this County Commission issued on behalf of the Hospital $1,800,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A (the "1994 G.O. Bonds"), and $3,150,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds") (the 1994 G.O. Bonds and the 1994 Revenue Bonds are hereinafter referred to collectively as the "1994 Bonds"); and

WHEREAS, Chapter 13, Article 2, of the Code of West Virginia, 1931, as amended (the "G.O. Refunding Act"), authorizes, in the manner and subject to the limitations and conditions contained in the G.O. Refunding Act, the issuance and sale of bonds by this County Commission to provide for the payment of the 1994 G.O. Bonds in advance of the maturity thereof through the deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") of moneys or specified governmental obligations, or both, sufficient to pay, when and as due, including by redemption prior to the maturity thereof, all principal of and redemption premium, if any, and interest on the 1994 G.O. Bonds (the "G.O. Bond Advance Refunding"); and

WHEREAS, the 1994 G.O. Bonds may be called for redemption prior to maturity on April 1, 2002, at the price of 102% of the principal amount thereof; and

WHEREAS, the Hospital Act and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Revenue Refunding Act"; the Hospital Act and the Revenue Refunding Act are hereinafter referred to together as the "Hospital Refunding Act"), likewise authorize, in the manner and subject to the limitations contained in the Hospital Refunding Act, the issuance and sale of bonds by this County Commission to provide for the payment of the 1994 Revenue Bonds in advance of the maturity thereof through the deposit with an escrow agent of moneys or specified governmental obligations, or both, sufficient to pay, when and as due, including by redemption prior to the maturity thereof, all principal of and redemption premium, if any, and interest on the 1994 Revenue Bonds (the "Revenue Bond Advance Refunding"; the G.O. Bond Advance Refunding and the Revenue Bond Advance Refunding are hereinafter referred to together as the "Advance Refunding"); and

WHEREAS, the 1994 Revenue Bonds may be called for redemption prior to maturity on October 1, 2000, at the price of 102% of the principal amount thereof; and

WHEREAS, this County Commission has previously determined, based upon advice of the Board, that the Advance Refunding may result in significant debt service savings for this County Commission and the Hospital and, accordingly, that it is in the best interests of the Hospital and the citizens of Grant County, West Virginia (the "County"), that the 1994 Bonds be advance refunded pursuant to the G.O. Refunding Act and the Hospital Refunding Act, respectively; that the 1994 G.O. Bonds be called for optional redemption on April 1, 2002; that the 1994 Revenue Bonds be called for optional redemption on October 1, 2000; and that this County Commission issue not more than $2,050,000 in aggregate

principal amount of The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G.O. Refunding Bonds"), and not more than $3,600,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C (the "Revenue Refunding Bonds"; the G.O. Refunding Bonds and the Revenue Refunding Bonds are hereinafter referred to together as the "Refunding Bonds"); and

WHEREAS, this County Commission finds that the amount of taxes expected to be available in each year for the payment of debt service on the G.O. Refunding Bonds, based upon the rates of levy stipulated in the order directing the election at which the issuance of the 1994 G.O. Bonds was approved by the voters of the County and upon the most recent assessed valuation of the property in the County prior to such election, as certified by the State Tax Commissioner, is sufficient to pay the debt service on the G.O. Refunding Bonds as it comes due; and

WHEREAS, this County Commission determines that the issuance of the Revenue Refunding Bonds is expedient and that, based upon the principal amount, maturity schedule and interest rates for the Revenue Refunding Bonds and based upon certain representations made by or on behalf of the Board, the Revenue Refunding Bonds will show a net savings to the Hospital, after deducting all expenses of the Revenue Refunding Bonds, as a result of the Revenue Bond Advance Refunding; and

WHEREAS, this County Commission will prior to the issuance of the Revenue Refunding Bonds obtain from a verification agent a certification that the amount of savings stated to be achieved by the Revenue Bond Advance Refunding shall in fact be

served, based upon such review, comparison and analysis of the net interest cost in dollars of the Revenue Refunding Bonds and the net interest cost in dollars of the 1994 Revenue Bonds, all in accordance with the Hospital Refunding Act; and

WHEREAS, this County Commission has been presented with a Bond Purchase Agreement by Ferris, Baker Watts, Incorporated, as the Underwriter for the Refunding Bonds (the "Underwriter"); and

WHEREAS, this County Commission has been presented with a Preliminary Official Statement, an Official Statement, a Bond Trust Indenture, Escrow Agreements, Tax Regulatory Agreements and various other documents relating to the Refunding Bonds and the Advance Refunding; and

WHEREAS, this County Commission desires to take certain actions, and to delegate to its President and Clerk certain actions, all in connection with the Advance Refunding and the authorization, issuance and sale of the Refunding Bonds, all as further described herein;

NOW, THEREFORE, BE IT ORDERED AND ENTERED BY THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA, A PUBLIC CORPORATION ACTING ON BEHALF OF GRANT COUNTY, WEST VIRGINIA, AS FOLLOWS:

1. There are hereby authorized and directed the G.O. Bond Advance Refunding and the optional redemption of the 1994 G.O. Bonds on April 1, 2002, and the issuance for such purpose of The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A, in such

amount as set forth in Exhibit A hereto and upon such terms and with such provisions as are hereinafter set forth.

2. There are hereby authorized and directed the Revenue Bond Advance Refunding and the optional redemption of the 1994 Revenue Bonds on October 1, 2000, and the issuance for such purpose of The County Commission of Grant County [West Virginia] Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C, in such amount as set forth in Exhibit B hereto and upon such terms and with such provisions as are hereinafter set forth.

3. The G.O. Refunding Bonds shall be dated as of May 1, 1998. The G.O. Refunding Bonds shall bear interest at such respective rates, payable on such dates, mature on such respective dates, in such amounts, be subject to such redemption, and be in such form and denominations, all as follows:

(a) The G.O. Refunding Bonds shall bear interest from the date thereof until the respective dates of maturity, payable on April 1 and October 1 of each year, commencing October 1, 1998, at such rates as are set forth in **Exhibit A**.

(b) The G.O. Refunding Bonds shall mature on April 1 of such years and in such principal amounts as set forth in **Exhibit A**.

(c) The G.O. Refunding Bonds shall be subject to redemption as described in the Official Statement (hereinafter defined).

(d) The G.O. Refunding Bonds shall be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. The G.O. Refunding Bonds shall be in the denomination of one bond for each maturity and shall be numbered consecutively from A-1 upward.

(e) Each G.O. Refunding Bond shall be signed by and on behalf of the County Commission by the President thereof and attested to by the Clerk thereof, either or both of which signatures may be a facsimile signature (provided that the Certificate of Authentication thereon shall be manually signed by the State Treasurer or the Paying Agent, as registrar), and the seal of the County Commission shall be affixed to or a facsimile of the seal shall be imprinted on each G.O. Refunding Bond. The G.O. Refunding Bonds shall have such terms and be in the form or effect as are described in the Official Statement, in compliance with the G.O. Refunding Act and as may be approved by the President upon the advice of counsel or Bond Counsel.

4. In accordance with the Bond Act, the G.O. Refunding Bonds shall be exempt from all taxation by the State of West Virginia or any political subdivision thereof and shall contain the following recital: "It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia."

5. The Revenue Refunding Bonds shall be dated as of May 1, 1998. The Revenue Refunding Bonds shall bear interest at such respective rates, payable on such dates, mature on such respective dates, in such amounts, be subject to such redemption, and be in such form and denominations, all as follows:

(a) The Revenue Refunding Bonds shall bear interest from the date thereof until the respective dates of maturity, payable on April 1and October 1 of each year, commencing October 1, 1998, at such rates as are set forth in **Exhibit B**.

(b) The Revenue Refunding Bonds shall mature on October 1 of such years and in such principal amounts as set forth in **Exhibit B**.

(c) The Revenue Refunding Bonds shall be subject to redemption as redemption as described in the Official Statement.

(d) The Revenue Refunding Bonds shall be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. The Revenue Refunding Bonds shall be in the denomination of one bond for each maturity and shall be numbered consecutively from C-1 upward.

(e) Each Revenue Refunding Bond shall be signed by and on behalf of the County Commission by the President thereof and attested to by the Clerk thereof, either or both of which signatures may be a facsimile signature (provided that the Certificate of Authentication thereon shall be manually signed by the Bond Trustee, as registrar), and the seal of the County Commission shall be affixed to or a facsimile of the seal shall be imprinted on each Revenue Refunding Bond. The Revenue Refunding Bonds shall have such terms and be in the form or effect as are described in the Official Statement, in compliance with the Hospital Refunding Act and as may be approved by the President upon the advice of counsel or Bond Counsel.

(f) The Revenue Refunding Bonds shall be further executed in accordance with the provisions of the Bond Indenture and shall be delivered to the Underwriter in accordance with the provisions of the Bond Purchase Agreement.

6. This County Commission hereby ratifies, approves and confirms the solicitation of insurance proposals from various municipal bond insurers made prior hereto and hereby approves and accepts the commitment of Asset Guaranty Insurance Company (the "Insurer") and hereby authorizes and directs its President and Clerk to execute and

deliver any documents and take any actions as may be required of the County Commission with respect thereto, including but not limited to the payment from the proceeds of the Refunding Bonds of the premiums charged by the Insurer.

7. This County Commission hereby ratifies, approves and confirms the appointment of Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as an additional paying agent for the G.O. Refunding Bonds (the "Paying Agent"). Accordingly, the principal of the G.O. Refunding Bonds is payable at the office of the Paying Agent in Parkersburg, West Virginia; provided, that such principal is also payable at the office of the West Virginia State Treasurer in Charleston, West Virginia (the "State Treasurer"; also included as "Paying Agent" when applicable). Interest on the G.O. Refunding Bonds shall be paid as described in the Official Statement. The Paying Agent shall signify its acceptance of the duties and obligations set forth herein and in the G.O. Refunding Bonds, and as described in the Official Statement hereinafter described, by executing and delivering to the County Commission a written acceptance thereof. The Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered and all advances, counsel fees and other expenses reasonably necessarily incurred by the Paying Agent in connection with such services. This County Commission hereby authorizes and directs its President and Clerk to execute any documents and take any actions as may be required of the County Commission with respect to the Paying Agent.

8. The distribution of the Preliminary Official Statement relating to the Refunding Bonds, which is attached as **Exhibit C** hereto (the "Preliminary Official Statement"), is hereby ratified, approved and confirmed. The Official Statement, in substantially the form attached as **Exhibit D** hereto, is hereby approved and its execution by

the President of this County Commission and its distribution is hereby authorized and directed.

9. The Refunding Bonds are hereby sold to the Underwriter at the purchase prices set forth in, and on the terms and conditions described in, the Bond Purchase Agreement attached as **Exhibit E** hereto and incorporated herein by reference, among the County Commission, the Hospital and the Underwriter. The County Commission hereby approves the Bond Purchase Agreement in substantially the form attached and authorizes the President of the County Commission to execute and deliver the Bond Purchase Agreement to the Underwriter, with such changes as the President may deem necessary or desirable, with the President's execution of the Bond Purchase Agreement to be conclusive evidence of approval of such changes. The respective purchase prices shall be as set forth in the Bond Purchase Agreement plus accrued interest on the Refunding Bonds from their dated date to the date of delivery and payment for the Refunding Bonds. The President and Clerk of the County Commission are hereby authorized and directed to execute and deliver the G.O. Refunding Bonds to the Paying Agent and the Revenue Refunding Bonds to the Bond Trustee for authentication and to instruct the Paying Agent and the Bond Trustee to deliver the Refunding Bonds to the Underwriter upon receipt of the purchase prices thereof, and to execute and deliver all documents and instruments required in connection therewith.

10. Wesbanco Bank Parkersburg, Parkersburg, West Virginia, is hereby appointed as Bond Trustee for the Revenue Refunding Bonds.

11. This County Commission hereby authorizes and directs its President and Clerk, or either thereof, when appropriate, to execute and deliver, and hereby ratifies, approves and confirms any previous execution and delivery of, the following documents,

agreements and instruments on behalf of the County Commission with respect to the Refunding Bonds or the 1994 Bonds, as said President determines or determined to be necessary and appropriate to effect the transactions hereby approved by this County Commission, in such form as may be or as was agreed to by said President upon advice and approval of counsel or Bond Counsel:

(a) A Preliminary and a final Official Statement, including specifically information set forth therein concerning the County, the County Commission and the Hospital;

(b) A Bond Purchase Agreement with the Underwriter;

(c) A Bond Trust Indenture securing the Revenue Refunding Bonds;

(d) Tax Regulatory Agreements relating to the G.O. Refunding Bonds and the Revenue Refunding Bonds;

(e) A 15C2-12 Certificate;

(f) DTC Letters of Representation;

(g) A notice of refunding to the Bond Commission;

(h) A request to the State Tax Commissioner for certification of the amount of taxes available for debt service on the G.O. Refunding Bonds;

(i) Escrow Agreements relating to the 1994 G.O. Bonds and the 1994 Revenue Bonds; and

(j) All other documents, instruments and papers necessary or desirable in the opinion of counsel or Bond Counsel to effect this Order.

12. This County Commission has laid for the Fiscal Year ending June 30, 1998, and for the Fiscal Year ending June 30, 1999, and shall for each subsequent fiscal year make up and lay a levy on all the taxable property within the County sufficient to provide funds for paying the annual interest on the G.O. Refunding Bonds, as it accrues and becomes payable semiannually, and the principal of the G.O. Refunding Bonds as it matures.

13. The G.O. Refunding Bonds, together with any other general obligation bonds heretofore issued, shall not exceed in the aggregate two and one-half percent (2.5%) of the value of the taxable property in the County ascertained in accordance with Section 8, Article X of the Constitution of the State of West Virginia, and, as provided in Section 16 hereof, shall be payable from a direct annual tax levied and collected on all taxable property in the County, in the ratio as between the several classes or types of such taxable property specified in Section 1, Article X of the Constitution, sufficient to pay annually the interest on and principal of the G.O. Refunding Bonds falling due in each year, within and not exceeding 34 years, which tax levy shall be laid separate and apart from levies laid for the current general expenses of the County, such tax to be levied and collected by the same officers, at the same time and in the same manner as the general taxes of the County. Said tax shall be levied within the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia; and, in the levy, collection and disbursement of taxes within Constitutional and statutory limits, the levy for the interest on and the principal of the G.O. Refunding Bonds shall have preference over all other taxes collected by the County Commission for any purpose whatsoever except the payment of interest or the sinking fund requirements on bonds which may hereafter be authorized and issued, there being no such

bonds previously authorized and issued and there being no outstanding indebtedness of the County Commission created prior to October 1, 1938.

14. It is hereby found and determined by the County Commission that the aggregate amount of the G.O. Refunding Bonds does not exceed or violate any provisions or limitations in any manner provided by the Constitution or statutory provisions of the State of West Virginia, and that the County Commission does further find herein that, after laying and allocating all the levies for payment for both principal and interest requirements of the G.O. Refunding Bonds, there will be out of the levies authorized by law and apportioned for current expenses a sufficient levy authorized by law which, when added to other income, will be sufficient to carry on the proper and requisite functions of the County Commission.

15. So long as the G.O. Refunding Bonds are insured by Asset Guaranty Insurance Company, the following terms, provisions and covenants of this Section 15 shall apply:

(a) Definitions

"Bonds" means the G.O. Refunding Bonds.

"Insurance Trustee" means the United States Trust Company of New York.

"Insurer" means Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York or any successor thereto.

"Permitted Investments" means, to the extent permitted by applicable law:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the timely payment of principal and interest;

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development;

(iii) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the West Virginia Municipal Bond Commission (the "Commission") or the Paying Agent, as the case may be, or an affiliate of the West Virginia Municipal Bond Commission or the Paying Agent, as the case may be, acts as an advisor, and rated in the highest category by Standard and Poor's Corporation and Moody's Investors Service, Inc.; and

(iv) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc. and A-1+ by Standard & Poor's Corporation.

"Policy" means each of the separate financial guaranty insurance policies issued by the Insurer, insuring the payment when due of the principal of and interest on the G.O. Refunding Bonds as provided therein.

(b) Payment Procedure

The Paying Agent must covenant and agree in its acceptance described above that it shall not make a claim for payment on the Policy until any and all funds held by the Municipal Bond Commission for the Bonds insured by such Policy have been fully drawn to pay debt service on the Bonds.

As long as the Policy shall be in full force and effect, the County Commission, the Paying Agent and the Municipal Bond Commission agree to comply with the following provisions:

(i) At least three (3) days prior to all interest payment dates, the Municipal Bond Commission will determine whether there will be sufficient funds to pay the principal of or interest on the Bonds on such interest payment date. If the Municipal Bond Commission determines that there will be insufficient funds, the Municipal Bond Commission shall so notify the Paying Agent and the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. The Insurer will make payments of principal or interest due on the Bonds on or before the first day next following the date on which the Insurance Trustee shall have received such notice of non-payment from the Municipal Bond Commission.

(ii) The Paying Agent shall, after receiving notice as provided in (i) above, make available to the Insurer and the Insurance Trustee the registration books of the County Commission maintained by the Paying Agent. The Municipal Bond Commission shall, after giving notice as provided in (i) above, make available to the

Insurer and the Insurance Trustee all records relating to the funds maintained for the Bonds by the Municipal Bond Commission.

(iii) The Paying Agent shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (x) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer and (y) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.

(iv) The Paying Agent shall, immediately after receiving notice pursuant to (i) above, notify registered owners of Bonds entitled to receive the payment of principal thereof or interest thereon from the Insurer (w) as to the fact of such entitlement, (x) that the Insurer will remit to them all or part of the interest payments next coming due upon proof of owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Insurer, of an appropriate assignment of the registered owner's right to payment, (y) that, should they be entitled to receive full payment of principal from the Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurer to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Paying Agent, and (z) that, should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Bonds for payment thereon first to the

Paying Agent, who shall note on such Bonds the portion of the principal paid by the Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(v) In the event that the Paying Agent has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a registered owner by or on behalf of the County Commission has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall immediately notify the Insurance Trustee of such fact and shall at the same time notify all registered owners that, in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments are made.

(vi) In addition to those rights granted the Insurer under this Order, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (x) in the case of subrogation as to claims for past due interest, the Paying Agent shall note the Insurer's rights as

subrogee on the registration books of the County Commission maintained by the Paying Agent upon receipt from the Insurer of proof of the payment of interest thereon to the registered owners of the Bonds and (y) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the Insurer's rights as subrogee on the registration books of the County Commission maintained by the Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(c) Consent Requirements

Unless otherwise provided herein, the Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to this Order or any other document executed in connection with the issuance of the Bonds; (ii) removal of the Paying Agent; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires Bond owner consent.

(d) Control

Anything in this Order to the contrary notwithstanding, upon the occurrence and continuance of an event of default on the Bonds, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds or any trustee appointed for the benefit of the owners under applicable law.

(e) Reporting Requirements

While the Policy is in effect, the Issuer shall furnish to Insurer:

(i) annual audited financial statements within thirty (30) days of such statements being made available to the Issuer;

(ii) a copy of any audit, budget, or other material report of the Issuer within twenty (20) days of completion of such audit, budget or report and thereafter as updated;

(iii) a copy of any notice or report required to be given to the Municipal Bond Commission, the Insurance Trustee, the Paying Agent, the registered owners of the Bonds or any other party to any of the documents executed in connection with the issuance of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant hereto relating to the security for the Bonds; and

(iv) such additional information as the Insurer may reasonably request.

The County Commission will permit the Insurer and the Insurance Trustee, or either thereof, to discuss the affairs, finances and accounts of the County Commission or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the County Commission. The County Commission will permit the Insurer and the Insurance Trustee, or either thereof, to have access to and make copies of all books and records relating to the Bonds, and the security therefor at any reasonable time.

(f) Subrogation

Notwithstanding anything herein to the contrary, in the event that the principal and interest, or either thereof, due on the Bonds shall be paid by the Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the County Commission, and all covenants, agreements and other obligations of the County Commission to the registered owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of such registered owners.

(g) Defeasance

The insured Bonds may be defeased only in accordance with Chapter 13, Article 3, of the Code of West Virginia, 1931, as amended, and with other applicable provisions of law, and only if the following conditions are complied with:

(i) only non-redeemable obligations set forth in (i) of the definition of Permitted Investments may be used to defease the Bonds;

(ii) a verification report by a verifier acceptable to the Insurer shall be rendered to the Issuer in form and substance satisfactory to the Insurer; and

(iii) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of this Order and said statute and laws for defeasance of the Bonds have been complied with.

(h) Party in Interest

The Insurer shall be included as a party in interest (third party beneficiary) with respect to this Order and any other documents relating to the Bonds.

(i) Interpretation

Notwithstanding any other provision of this Order, in determining whether the rights of the registered owners of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Order, the Paying Agent shall consider the effect on the registered owners without regard to the Policy.

(j) Law Governing Insurance Policy

The rights and obligations of the parties under the Policy shall be construed, enforced, and interpreted according to the laws of the State of New York. Unless the context otherwise requires, all terms used in the Policy shall have the meanings specified in the Uniform Commercial Code as in effect in the State of New York from time to time.

(k) Default Rate

Amounts due from the County Commission in respect of the principal and/or interest on the Bonds, or either thereof, shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%) (the "Default Rate"). To the extent the Default Rate exceeds the rate on the G.O. Refunding Bonds, it shall be payable from the Net Revenues of the Hospital, as defined in the hereinafter described Bond Indenture. Payments at the Default Rate on account of principal shall be credited against payment of interest that would otherwise be due on the outstanding principal of the Bonds.

(l) Redemptions

Redemption of the G.O. Refunding Bonds shall be permitted at any time without the Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Municipal Bond Commission, a trustee or the Paying Agent prior to rendering notice of redemption to the registered owners of the Bonds or, in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the County Commission.

(m) Investments

All funds on deposit in connection with the G.O. Refunding Bonds, including the proceeds thereof and the sinking funds established therefor, shall be invested only in Permitted Investments, and the County Commission shall so instruct the sheriff of the County (the "Sheriff") and the Municipal Bond Commission.

(n) Defaults

The County Commission shall cure a default of any covenant set forth herein with respect to the Bonds within 30 days after notice of the default, and failure to pay interest on the Bonds shall be an immediate event of default.

No waivers shall be granted by any party with respect to the Bonds without the prior written consent of the Insurer.

Prior to an event of default the Insurer shall have the right to remove the Paying Agent for cause, and, after an event of default, the Insurer shall have the right to remove the Paying Agent for any reason.

To the extent allowable under applicable law, upon the occurrence of an event of default, the Insurer may direct the appointment of a trustee to preserve the assets of the trust estate and to seek all legally available remedies.

(o) Amendments

Any rating agency rating the Bonds must receive notice of each amendment to this Order and any other documents relating to the Bonds and a copy thereof at least fifteen (15) business days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings rating to the execution of any such amendment.

Anything to the contrary in this Section 15 notwithstanding, the County Commission hereby adopts and incorporates by reference those provisions of the Insurance Commitment attached as Exhibit G hereto and incorporated herein by reference.

16. The County Commission shall request the Sheriff to make regular deposits of the tax revenues received for the G.O. Refunding Bonds to the Municipal Bond

Commission and, specifically, to transfer all such monies received by the County to the Municipal Bond Commission at least 20 days prior to each April 1 and October 1.

17. The Revenue Refunding Bonds shall be secured in the manner and to the extent provided in the Bond Trust Indenture (the "Bond Indenture") dated as of May 1, 1998, among the County Commission, the Hospital and the Bond Trustee, in substantially the form attached as **Exhibit H** hereto and incorporated herein by reference. The Revenue Refunding Bonds shall be of such tenor and effect and shall be in substantially the form set forth in the Bond Indenture.

18. The Revenue Refunding Bonds shall be secured by the pledge effected by the Bond Indenture and shall be payable from and secured by a pledge of the Net Revenues as defined in the Bond Indenture and the funds and accounts established in the Bond Indenture. The Revenue Refunding Bonds and the premium, if any, and interest thereon are special obligations of the County Commission and, except to the extent payment with respect to the Revenue Refunding Bonds shall be made from the proceeds of the sale of the Revenue Refunding Bonds or the income, if any, derived from the investment thereof, are payable solely from the Net Revenues and such funds and accounts described above, all at the times and subject to the conditions set forth in the Bond Indenture. The Revenue Refunding Bonds and the premium, if any, and interest thereon shall not constitute or be deemed to constitute a debt or a pledge of the faith and credit or taxing power of the State or of any county or municipality or political subdivision thereof but are special obligations of the County Commission, payable solely from the Net Revenues and such funds and accounts. The owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the County Commission or the taxing authority

of any county or municipality or any other political subdivision of the State for the payment of principal of or the premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

19. The County Commission hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Refunding Bonds or any other funds of the County Commission or the Hospital to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Refunding Bonds to be "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

20. The President and Clerk of the County Commission and any employees of the County Commission are hereby authorized, empowered and directed to do any and all things proper and necessary to cause valid Refunding Bonds to be issued and delivered to the Underwriter, all as heretofore and herein authorized and to otherwise facilitate the transactions contemplated by this Order, the Official Statement, the Bond Purchase Agreement and the Bond Indenture, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required. This County Commission hereby authorizes its President and Clerk to execute and deliver all instruments, documents or other papers and to do such other acts and things that in their discretion they may deem necessary or desirable to carry into effect this Order, and all such acts and things done prior to the date hereof are hereby ratified, approved and confirmed.

21. This County Commission hereby finds and represents that it has full power and authority to issue the Refunding Bonds and to make the pledges for the payment

thereof as are more particularly set forth in this Order, and to enter into the Bond Indenture and the other agreements relating to the Refunding Bonds and to execute the other documents relating thereto, all pursuant to the Bond Act and the Hospital Act, and that the County Commission has taken or will take by the enactment of this Order all actions necessary to authorize its President and Clerk to sign, seal and deliver the Refunding Bonds, the Bond Indenture and the other agreements and documents relating to the financings authorized hereby.

22. Any action taken or document executed or consent given by the President or Clerk in his capacity as an officer of the County Commission shall be deemed to be an act by the County Commission, and any such action, execution or consent shall be conclusive evidence that the same is authorized by this Order.

23. If any section, paragraph or provision of this Order shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Order.

24. This County Commission hereby finds and determines that all formal actions relative to the entry of this Order were taken in an open meeting of this County Commission, and that all deliberations of this County Commission and of its committees, if any, which resulted in formal action, were in meetings open to the public and in full compliance with the law, including Chapter 6, Article 9A of the Code of West Virginia, 1931, as amended.

25. This County Commission hereby certifies that the Refunding Bonds are not private activity bonds (other than qualified 501(c)(3) bonds) and that it reasonably anticipates to issue, together with all its subordinate entities, not more than $10,000,000 in

aggregate principal amount of tax-exempt obligations (other than private activity bonds as described above) during calendar year 1998. This County Commission hereby designates the Refunding Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

26. The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public, as further described in the Official Statement.

27. This Order shall constitute a contract between the County Commission and the registered owners of the Refunding Bonds and shall be valid and binding and enforceable against the County Commission.

28. This Order shall be effective immediately upon its adoption.

ENTERED this 13th day of May, 1998.

THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA

By: _____
President

_____
Commissioner

_____
Commissioner

APPROVED:

Prosecuting Attorney

(SEAL)

ATTEST:

Clerk

CHASFS3:32615
5/11/98

EXHIBIT A
~~A-3~~

The County Commision of Grant County
Grant Memorial Hospital Project
Series 1998A (GO Bonds)

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
4/01/1999	65,000.00	3.850%	78,012.92	143,012.92
4/01/2000	55,000.00	4.000%	82,602.50	137,602.50
4/01/2001	60,000.00	4.100%	80,402.50	140,402.50
4/01/2002	65,000.00	4.150%	77,942.50	142,942.50
4/01/2003	65,000.00	4.200%	75,245.00	140,245.00
4/01/2004	70,000.00	4.250%	72,515.00	142,515.00
4/01/2005	70,000.00	4.300%	69,540.00	139,540.00
4/01/2006	75,000.00	4.400%	66,530.00	141,530.00
4/01/2007	75,000.00	4.500%	63,230.00	138,230.00
4/01/2008	80,000.00	4.600%	59,855.00	139,855.00
4/01/2009	80,000.00	4.700%	56,175.00	136,175.00
4/01/2010	90,000.00	4.800%	52,415.00	142,415.00
4/01/2011	95,000.00	4.900%	48,095.00	143,095.00
4/01/2012	95,000.00	5.000%	43,440.00	138,440.00
4/01/2013	100,000.00	5.100%	38,690.00	138,690.00
4/01/2014	110,000.00	5.150%	33,590.00	143,590.00
4/01/2015	110,000.00	5.200%	27,925.00	137,925.00
4/01/2016	110,000.00	5.250%	22,205.00	132,205.00
4/01/2017	105,000.00	5.300%	16,430.00	121,430.00
4/01/2018	105,000.00	5.300%	10,865.00	115,865.00
4/01/2019	100,000.00	5.300%	5,300.00	105,300.00
TOTAL	1,780,000.00	-	1,081,005.42	2,861,005.42

YIELD STATISTICS

Accrued Interest from 05/01/1998 to 05/28/1998....	6,382.88
Bond Year Dollars.....	$21,606.67
Average Life.....	12.139 Years
Average Coupon.....	5.0031106%
Net Interest Cost (NIC).....	5.1507121%
True Interest Cost (TIC).....	5.1799604%
Bond Yield for Arbitrage Purposes.....	5.1004152%
All Inclusive Cost (AIC).....	5.4968978%
IRS FORM 8038	
Net Interest Cost.....	5.0044903%
Weighted Average Maturity.....	12.064 Years

EXHIBIT B
C3

The County Commision of Grant County
Grant Memorial Hospital Project
Series 1998C (Hospital Revenue Bonds)

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1998	-	-	-	-
10/01/1999	35,000.00	3.850%	222,815.11	257,815.11
10/01/2000	100,000.00	4.000%	155,933.76	255,933.76
10/01/2001	105,000.00	4.100%	151,933.76	256,933.76
10/01/2002	110,000.00	4.150%	147,628.76	257,628.76
10/01/2003	115,000.00	4.200%	143,063.76	258,063.76
10/01/2004	120,000.00	4.250%	138,233.76	258,233.76
10/01/2005	130,000.00	4.300%	133,133.76	263,133.76
10/01/2006	135,000.00	4.400%	127,543.76	262,543.76
10/01/2007	135,000.00	4.500%	121,603.76	256,603.76
10/01/2008	145,000.00	4.625%	115,528.76	260,528.76
10/01/2009	155,000.00	4.750%	108,822.50	263,822.50
10/01/2010	155,000.00	4.850%	101,460.00	256,460.00
10/01/2011	165,000.00	4.950%	93,942.50	258,942.50
10/01/2012	175,000.00	5.050%	85,775.00	260,775.00
10/01/2013	185,000.00	5.150%	76,937.50	261,937.50
10/01/2014	190,000.00	5.350%	67,410.00	257,410.00
10/01/2015	200,000.00	5.350%	57,245.00	257,245.00
10/01/2016	210,000.00	5.350%	46,545.00	256,545.00
10/01/2017	220,000.00	5.350%	35,310.00	255,310.00
10/01/2018	230,000.00	5.350%	23,540.00	253,540.00
10/01/2019	210,000.00	5.350%	11,235.00	221,235.00
TOTAL	3,225,000.00	-	2,165,641.45	5,390,641.45

YIELD STATISTICS

Accrued Interest from 05/01/1998 to 05/28/1998....	11,796.09
Bond Year Dollars.....	$42,628.75
Average Life.....	13.218 Years
Average Coupon.....	5.0802368%
Net Interest Cost (NIC).....	5.2156841%
True Interest Cost (TIC).....	5.2343624%
Bond Yield for Arbitrage Purposes.....	5.1652371%
All Inclusive Cost (AIC).....	5.5340598%
IRS FORM 8038	
Net Interest Cost.....	5.0813969%
Weighted Average Maturity.....	13.143 Years

EXHIBIT G

Asset Guaranty Insurance Company
335 Madison Avenue
25th Floor
New York, New York 10017-4605
212 983 5859
Telex: 5106003897
Fax: 212 682 5377

April 21, 1998

The County Commission of Grant County
5 Highland Avenue
Petersburg, West Virginia 26847

**Re: The County Commission of Grant County, West Virginia
Not to Exceed $1,950,000 Aggregate Principal Amount of
General Obligations Refunding Bonds, Series 1998A (the "A Bonds")**

**The County Commission of Grant County, West Virginia
Not to Exceed $3,200,000 Aggregate Principal Amount of
Hospital Revenue Refunding Bonds (Grant Memorial Hospital Project)
Series 1998C (the "C Bonds")**

Ladies and Gentlemen:

Subject to the following terms and conditions, and upon compliance with the terms and conditions of this commitment letter including all Exhibits attached hereto and incorporated herein by reference (the "Commitment"), Asset Guaranty Insurance Company ("AGIC") hereby offers to issue a Financial Guaranty Insurance Policy (the "Policy") to The United States Trust Company of New York, as Insurance Trustee (the "Insurance Trustee"), for the benefit of the holders of the above-captioned A Bonds and C Bonds (together, the "Bonds"). The A Bonds are being delivered pursuant to an Order (the "Order") of The County Commission of Grant County, West Virginia (the "Issuer"). The C Bonds are being issued pursuant to a Bond Trust Indenture (the "Indenture") between the Issuer and a commercial bank or trust company as trustee thereunder (the "Trustee"). A portion of the proceeds of the Bonds will be deposited in escrow pursuant to an Escrow Agreement (the "Escrow Agreement") and applied to the refunding of the Issuer's outstanding bonds issued in 1994 in respect of the Hospital (the "Refunded Bonds"). The Order, the Indenture and the Escrow Agreement are referred to herein as the "Bond Issuing Documentation". The Policy will be in substantially the form of Schedule 6 to Exhibit B attached hereto. The Policy will be issued and delivered in New York, New York, to the Insurance Trustee, concurrently with the closing relating to the Bonds (the "Closing").

In addition to the terms and conditions set forth herein, this Commitment is conditioned upon the following: between now and the Closing there shall not have occurred or come to the attention of AGIC,

the Insurance Trustee, any underwriter/placement agent of the sale of the Bonds (an "Underwriter"), or the Issuer (i) any material omission or change of fact that would cause information or documents supplied to AGIC heretofore or hereafter to be untrue or misleading, (ii) any change of law adverse to the interests of AGIC, (iii) any other omission or change that would entitle any Underwriter to decline to underwrite or offer the Bonds, (iv) any legal impediment to the knowledge of AGIC arising after the date hereof to the issuance of the Policy by AGIC, or (v) any material adverse change in the security for the Bonds.

In consideration of and as a condition precedent to the issuance of the Policy, (i) AGIC shall receive a premium (the "Premium") equal to .70% of the aggregate principal amount of, and interest accruing to maturity on, the A Bonds and the C Bonds, (ii) AGIC's legal counsel shall receive a fee of $7,000 plus disbursements and (iii) Standard & Poor's shall receive a rating fee (presently estimated but not binding) of $2,500 for the A Bonds and $8,000 for the C Bonds.

This Commitment will expire if the terms and conditions set forth herein are not satisfied or fulfilled or the Closing does not occur by June 30, 1998, unless AGIC, in its sole discretion, extends this Commitment. Any such expiration shall be without liability to AGIC, its affiliates or their officers, directors, employees, attorneys or agents.

Terms not defined in this Commitment shall have the meaning set forth in the Indenture.

Very truly yours,

ASSET GUARANTY INSURANCE COMPANY

Clare M. Curley

Clare Curley
Vice President

Received and Accepted
this ____ day of _____, 1998:

THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA

By: _____
Name: _____
Title: _____

EXHIBIT A

TERMS AND CONDITIONS TO THE DELIVERY OF THE POLICY

If the following conditions are not met, AGIC reserves the right to cancel this Commitment without further obligation.

I. Premium; Fees and Closing Transcripts:

The Premium for the Policy shall be paid by The United States Trust Company of New York to AGIC. AGIC shall receive the Premium prior to the release of the Policy, which Premium should be sent by wire transfer to:

Chase Manhattan Bank
ABA# 021-000-021
CTR/BBK = United States Trust Company of New York
Account #: 920-1-073195
Further Credit: Asset Guaranty Insurance Company
Account #: 09379400

The above Premium shall be the total Premium required to be paid on the Policy issued pursuant to this Commitment. The Rating Fees shall be remitted to Standard & Poor's and the Legal Fee to our counsel by certified or cashier's check delivered at the Closing or by wire transfer to our counsel before the release of the Policy. Bond Counsel shall confirm prior to the release of the Policy that three final transcripts of the proceedings (one unbound original and two copies) have been assembled and are prepared for delivery to AGIC.

II. Legal Opinions:

1. All legal opinions must be in form and substance satisfactory to AGIC. All legal opinions from counsel to each party to the financing (except counsel to the Underwriter) must be addressed to AGIC (or reliance letters in lieu thereof provided). Legal opinions will be acceptable if delivered in substantially the forms prepared in connection with the Refunded Bonds.

2. Bond Counsel, Counsel to the Hospital Board and Counsel to the Issuer shall have issued opinions regarding the due authorization, validity and enforceability of the hereinafter defined Bond Documents. Bond Counsel shall also opine that (i) the A Bonds are secured by a pledge of the full faith, credit and the taxing power (upon all taxable real property within the corporate limits of the Issuer in

amounts sufficient to pay the principal of and interest on the A Bonds when due within the limits prescribed by the Constitution and statutes of the State of West Virginia) of the Issuer; and (ii) the C Bonds are secured by a first lien and pledge of the Gross Revenues of the Hospital. Bond Counsel shall also opine as to the exemption of interest on the Bonds from federal income taxation. Bond counsel or other counsel acceptable to AGIC shall have issued an unqualified legal opinion that the Bonds are exempt from registration pursuant to the Securities Act of 1933 and that each of the Order and the Indenture is exempt from qualification under the Trust Indenture Act of 1939.

3. Bond Counsel, Counsel to the Hospital Board and Counsel to the Issuer shall deliver satisfactory SEC Rule 10b-5 opinions regarding the completeness and accuracy of the Official Statement.

4. Counsel to the Underwriter shall deliver a SEC Rule 10b-5 opinion regarding the completeness and accuracy of the Official Statement.

5. Counsel to the Issuer shall render an opinion that there is no action, suit, proceeding or investigation pending or threatened relating to the Bond Documents or which would have a material adverse impact on the financial condition of the Issuer, the security for the Bonds or the transactions contemplated by the Official Statement.

6. Counsel, if any, to the Trustee shall render an opinion as to the Trustee's due authorization to carry out its responsibilities.

7. A defeasance opinion shall be rendered by Bond Counsel with regard to the Refunded Bonds of the Issuer paid or deemed to be paid from the proceeds of the Bonds.

8. An opinion as to title to the Hospital property subject to the negative mortgage pledge shall be in form and substance acceptable to AGIC. All permitted encumbrances shall be subject to the approval of AGIC.

III. Bond Documents:

1. The maturity schedule of the Bonds shall be acceptable to AGIC in all respects.

2. The Bond Issuing Documentation and all other documents relating to the offering, execution, delivery and sale of the Bonds (collectively the "Bond Documents") must be in form and substance satisfactory to AGIC. AGIC may request any other documentation as it deems necessary to assure itself that the terms and conditions of the Commitment have been met and as to other matters.

3. The Bond Documents must evidence adoption of all of the conditions, terms and agreements contained in this Commitment, and the Standard Provisions for Insurance contained in Exhibits A and B attached hereto. Documents conforming to the foregoing must be provided to AGIC not later than

five (5) business days before the date of their release or the Closing, as the case may be, for review and approval by AGIC and its counsel.

4. The A Bonds shall be secured by a pledge of the Issuer's full faith, credit and the taxing power (upon all taxable real property within the corporate limits of the Issuer in amounts sufficient to pay the principal of and interest on the A Bonds when due within the limits prescribed by the Constitution and statutes of the State of West Virginia). The Issuer must unconditionally pledge the revenues of the Hospital to the full and prompt payment of principal of and interest on the C Bonds.

5. A verification report or reports for the Refunded Bonds in form and substance satisfactory to AGIC shall be provided to AGIC not less than five (5) business days prior to the Closing. The verifier shall be acceptable to AGIC.

6. The terms of the Order and the Indenture shall be identical in all material respects to the Order and the Indenture adopted or executed and delivered, as the case may be, in connection with the Refunded Bonds, provided, however, that AGIC agrees to the following modifications:

(i) The provision of the Indenture corresponding to Section 7.10 (ii) of the indenture for the 1994 Hospital revenue bonds may delete the reference to "other material report". The Issuer and the Board, however, shall agree to deliver to AGIC (a) a report on the disposition of certain contested funds in connection with the ongoing construction; and (b) the final construction report of the Issuer and the Board and the major construction project and the cosmetic improvements, together with an architect's certification of completion of the primary construction project.

(ii) The provision of the Indenture corresponding to Section 7.11 of the indenture for the 1994 Hospital revenue bonds may provide for a biennial review of an Independent insurance consultant;

(iii) The provision of the Indenture corresponding to Section 7.06(f) of the indenture for the 1994 Hospital revenue bonds may increase the percentage from 20 to 25;

(iv) The provision of the Indenture corresponding to Section 7.06(j) of the indenture for the 1994 Hospital revenue bonds may increase the percentage from 15 to 25; and

(v) The Indenture or Order, as the case may be, may provide that consent or waiver of AGIC given under the Indenture shall be deemed to be consent or waiver for the holders of the A Bonds or the C Bonds, as the case may be.

EXHIBIT A-1

Definitions

"Insurance Trustee" shall mean the United States Trust Company of New York.

"Insurer" shall mean Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York or any successor thereto.

"Policy" shall mean the financial guaranty insurance policy issued by Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Payment Procedure

The Trustee or Paying Agent must covenant and agree that it shall not make a claim for payment on the Policy until any and all funds held pursuant to the Bond Documents have been fully drawn to pay Debt Service on the Bonds.

As long as the Policy shall be in full force and effect, the Issuer, the Trustee and the Paying Agent agree to comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds, the Trustee or Paying Agent, if any, shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. The Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, and all records relating to the funds maintained under this [Bond Document].

(c) The Trustee or the Paying Agent, if any, shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer and (ii) to pay principal upon Bonds surrendered to the

Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.

(d) The Trustee or the Paying Agent, if any, shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered Owners of Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurer to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee and Paying Agent, if any, have notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a registered Owner by or on behalf of the [Issuer] has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered Owners and the dates on which such payments are made.

(f) In addition to those rights granted the Insurer under this [Bond Document], the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note the Insurer's rights as subrogee on the registration books of the [Issuer] maintained by the Trustee or Paying Agent, if any, upon receipt from the Insurer of proof of the payment of interest thereon to the registered Owners of the Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note

the Insurer's rights as subrogee on the registration books of the [Issuer] maintained by the Trustee or Paying Agent, if any, upon surrender of the Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Redemption

Redemption of the Bonds shall be permitted at any time without AGIC's prior written consent so long as funds for such redemption are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Bondholders, or in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer.

Investments and Valuation

All funds shall be invested only in Permitted Investments. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Bonds without the prior written consent of AGIC.

Reporting Requirements

The Issuer must covenant and agree with AGIC to provide a copy of any information filed by the Institution with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR.

Acceleration

To the extent the Bonds are subject to acceleration, upon the occurrence of an Event of Default, the indebtedness evidenced by the Bonds shall not be accelerated without AGIC's prior written consent. At that time, the Insurer may, in its discretion, either direct the Trustee to accelerate payment of the Bonds or continue to pay principal and interest on the originally scheduled due dates of the Bonds.

Control

Anything in this [Bond Document] to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined above [reference applicable section in the Bond Document], Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or any trustee appointed for the benefit of the Owners under this [Bond Document].

Subrogation

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the registered Owners shall continue to exist and shall run to the benefit of Insurer and Insurer shall be subrogated to the rights of such registered Owners.

Reimbursement

The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this [Bond Document] whether or not executed or completed, (iv) the violation by the Issuer of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with this [Bond Document] or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this [Bond Document].

Payments required to be made to the Insurer shall be payable solely from legally available moneys of the Issuer, but in no event shall they be deemed or construed to be debt or multiple fiscal year obligations of any kind. The obligations of the Issuer to the Insurer shall survive discharge and termination of this [Bond Document].

EXHIBIT B

STANDARD PROVISIONS FOR INSURANCE

To Issuer, Underwriter, Issuer Counsel, Bond Counsel, Board Counsel, Counsel to the Underwriter

Re: Preparation of Financing Documents for AGIC Insured Bonds

Distribution of all drafts of the Bond Documents, offering documents, closing papers and opinions shall be made to the parties listed on the attached Distribution List.

The schedules attached hereto and made a part hereof are provided to assist you in the preparation of the financing documents. Unless specifically waived or modified in writing by AGIC, these items are to be incorporated into the Official Statement, the underlying documentation and the related materials. No changes are to be made to any of these materials without the prior written consent of AGIC.

REGARDING THE DELIVERY OF THE POLICY:

Schedule 1 Items to be delivered by AGIC in connection with the delivery of the Policy
Schedule 2 Items to be delivered by or at the direction of Bond Counsel

REGARDING THE OFFICIAL STATEMENT AND CERTAIN FORMS:

Schedule 3 Description of Financial Guaranty Insurance Policy and Insurer
Schedule 4 Legend for Bonds
Schedule 5 Cover Page of Official Statement
Schedule 6 Specimen Policy
Schedule 7 Form of Opinion of AGIC's Counsel
Schedule 8 Form of AGIC Certificate
Schedule 9 Form of Issuer Certificate

DISTRIBUTION LIST

David Beidler
Tracy Winn
Clare Curley
Asset Guaranty Insurance Company
335 Madison Avenue
New York, New York 10017
(212) 983-3100
(212) 682-5377 (FAX)

William M. Russell
Sullivan & Donovan, LLP
415 Madison Avenue
New York, New York 10017
(212) 935-5100
(212) 935-5106 (Fax)

SCHEDULE 1

ITEMS TO BE DELIVERED BY AGIC IN CONNECTION WITH THE DELIVERY OF THE POLICY

- Executed Policy in the form attached hereto as Schedule 6
- Opinion of AGIC's Counsel
- Certificate from an officer of AGIC
- Invoice for premium
- Standard & Poor's Rating Letter (to be delivered by S&P)

SCHEDULE 2

ITEMS TO BE DELIVERED BY OR AT THE DIRECTION OF BOND COUNSEL

- CUSIP number(s) for the Bonds.
- Three sets of the Final Transcript (one original and two copies).
- Four copies of the Official Statement.

SCHEDULE 3

NO DISCLOSURE WITH REGARD TO AGIC IS PERMITTED PRIOR TO (i) A RECEIPT BY AGIC OF THIS COMMITMENT SIGNED BY AN AUTHORIZED OFFICER OF THE ISSUER, AND (ii) REVIEW BY AGIC OF THE FOLLOWING INFORMATION IN DRAFT FORM OF THE DISCLOSURE DOCUMENT.

DESCRIPTION OF FINANCIAL GUARANTY INSURANCE POLICY

A financial guaranty insurance policy (the "Policy") will be issued by Asset Guaranty Insurance Company (the "Insurer") simultaneously with the issuance and delivery of the Bonds. The Policy is noncancelable during its term and provides for the prompt payment of principal of and interest on the Bonds to the extent that [ ], as Trustee (the "Trustee"), has not received sufficient funds from [ ] (the "Issuer") for payment of the Bonds on the "due date." The Insurer is obligated to make the required payment on the later of the due date or the first business day after which the Insurer has received notice from The United States Trust Company of New York, as Insurance Trustee (the "Insurance Trustee"), that the Issuer has failed to pay amounts due on the Bonds. Under the Policy, the "due date" of the Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Insurer. With respect to interest on the Bonds, the "due date" means the stated date for payment of interest. The Policy guarantees reimbursement of any recovery of any such payment from a Holder or the Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

[Upon the occurrence and continuance of an Event of Default, the Insurer, may, in its discretion, direct the acceleration of the Bonds at a price equal to the principal amount thereof plus accrued interest, or the Insurer may elect to continue to pay principal and interest on the originally scheduled due dates of the Bonds.[1]] For specific information on the coverage provided, reference should be made to the Policy that has been reproduced in specimen form in [Appendix ___] hereto. The Policy does not insure against nonpayment of principal or interest on the Bonds due to the insolvency, misconduct or negligence of the Trustee. The Policy does not insure the payment of any redemption premium.

---

1 Insert only if acceleration is a remedy.

DESCRIPTION OF INSURER

ASSET GUARANTY INSURANCE COMPANY

Asset Guaranty Insurance Company (the "Insurer") is a financial guaranty insurance company, regulated by the Insurance Department of the State of New York and domiciled in the State of New York. As of September 30, 1997, the Insurer had total shareholders' equity of approximately $142,919,000 (unaudited) and total assets of approximately $262,824,000 (unaudited). The financial information relating to the Insurer presented in this Official Statement was prepared internally by the Insurer, based on generally accepted accounting principles, and has not been audited by independent certified public accountants. The address of the Insurer's administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is 212-983-5859.

The Insurer has filed the following information with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934:

(i) the Insurer's financial statements as of December 31, 1996 and 1995 prepared in accordance with generally accepted accounting principles and an independent auditor's report relating to those statements;

(ii) the Insurer's quarterly unaudited balance sheet as of March 31, 1997 and unaudited income statement for the three month period then ended, prepared in accordance with generally accepted accounting principles;

(iii) the Insurer's quarterly unaudited balance sheet as of June 30, 1997 and unaudited income statement for the six month period then ended, prepared in accordance with generally accepted accounting principles; and

(iv) the Insurer's quarterly unaudited balance sheet as of September 30, 1997 and unaudited income statement for the nine month period then ended, prepared in accordance with generally accepted accounting principles.

The Insurer is a wholly owned subsidiary of Enhance Financial Services Group Inc. A complete copy of the December 31, 1997 audited financial statements and additional information of Enhance Financial Services Group Inc., together with the accompanying report of independent auditors, is available from the Insurer upon written request. Enhance Financial Services Group Inc. is a publicly-owned corporation, and its shares are listed on the New York Stock Exchange. Neither Enhance Financial Services Group Inc. nor any of its investors is obligated to pay the debts of or claims against the Insurer.

Neither the Insurer nor any of its affiliates makes any representation regarding the Bonds or the advisability of purchasing the Bonds and makes no representation regarding this Official Statement other than as to the information supplied by the Insurer and presented under the heading ["FINANCIAL GUARANTY INSURANCE"] and as set forth in [Appendix ___] of this Official Statement. The Insurer's role is limited to providing the coverage set forth in the Policy.

SCHEDULE 4

LEGEND FOR BONDS

Asset Guaranty Insurance Company ("AGIC"), a New York corporation, has issued its Policy (the "Policy") insuring the payment of principal of and interest on this Bond on the "due date," as defined in the Policy. Reference is made to the Policy for the complete provisions thereof. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation and transfer rights of AGIC as more fully set forth in the Policy.

[The above text is to be printed on each Bond.]

SCHEDULE 5

Cover page of Official Statement

INFORMATION CONCERNING THE FINANCIAL GUARANTY INSURANCE POLICY

Payment of principal of and interest on the Bonds will be insured in accordance with the terms of an insurance policy to be issued simultaneously with the delivery of the Bonds by

ASSET GUARANTY INSURANCE COMPANY

[LOGO]

[The above title line and text is to be printed on the face of the Official Statement.]

INSIDE COVER PAGE OF OFFICIAL STATEMENT

[The following language should be printed in bold face with all caps and placed on the table of contents page and [or under the caption entitled "Introduction":]

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY CONTAINED UNDER THE CAPTION "[ ]" HEREIN AND IN APPENDIX "[ ]" HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE BONDS.

SCHEDULE 6

[SPECIMEN POLICY ATTACHED]

SCHEDULE 7

FORM OF OPINION OF COUNSEL - ASSET GUARANTY INSURANCE COMPANY

[Date]

[Addressees]

RE: LEGAL OPINION
[Caption of the Bonds]

Ladies and Gentlemen:

We have acted as special counsel to Asset Guaranty Insurance Company, a stock insurance company incorporated in the State of New York ("AGIC"), in connection with the issuance by AGIC on the date hereof of Policy Number _____ (the "Policy") insuring the payment of the principal of and interest on the [caption of Bonds] (the "Bonds"). This opinion is being furnished to you in connection with the issuance of the Policy.

As such counsel, we have examined such documents, records and matters of law as we deemed necessary or appropriate for purposes of this opinion and based thereon, we are of the opinion that:

(1) AGIC is a stock insurance corporation, validly existing and in good standing under the laws of the State of New York, and is licensed to issue the Policy under the laws of the State of West Virginia.

(2) The Policy was duly executed and delivered by AGIC and constitutes the legal, valid and binding obligation of AGIC enforceable against AGIC in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors' and/or claimants' rights against insurance companies and further subject to the application of general principles of equity and the discretion of the court, authority or body before which any proceeding may be brought.

(3) The statements set forth under the heading ["FINANCIAL GUARANTY INSURANCE"] and in Appendix ___ in the Official Statement dated _____, 19__, relating to the Bonds, insofar as such statements constitute a description of the Policy, accurately summarize the Policy.

This opinion is intended solely for your benefit and is not to be relied upon by any person other than you without our prior written consent.

Very truly yours,

SCHEDULE 8

FORM OF CERTIFICATE OF ASSET GUARANTY INSURANCE COMPANY

Reference is made to (i) that certain Policy dated the date hereof (the "Policy") issued by Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York ("AGIC"), insuring the payment of the principal of and the interest on [caption of bonds] (the "Bonds") and (ii) that certain Official Statement dated _____, 1998 (the "Official Statement"), relating to the sale of the Bonds.

Having examined the Policy and certain statements contained in the Official Statement under the caption "FINANCIAL GUARANTY INSURANCE," in Appendix _____, and the cover page of the Official Statement, insofar as such statements relate to AGIC such statements accurately and fairly present the information purported to be shown and, insofar as such statements describe AGIC and the Policy, such statements accurately and fairly describe AGIC and the Policy.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the ____ day of _____, 1998.

ASSET GUARANTY INSURANCE COMPANY

By:_____

Title:_____

SCHEDULE 9

FORM OF CERTIFICATE OF ISSUER

We, the undersigned, [Authorized Officer] and [Authorized Officer], acting in our capacities as [Chief Executive Officer] and [Chief Financial Officer], respectively, of [ ] (the "Issuer"), do hereby certify to Asset Guaranty Insurance Company ("Asset Guaranty") that (i) we have reviewed the Official Statement dated _____, 1998 (the "Official Statement") issued in connection with the sale of [ ] (the "Bonds"); (ii) we acknowledge that Asset Guaranty has relied upon the information contained in the Official Statement in connection with the issuance of its Financial Guaranty Insurance Policy (the "Policy"); (iii) the information contained in the Official Statement is true and correct, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances (which circumstances do not include the guaranty of principal of and interest on the Bonds pursuant to the Policy) under which they were made, not misleading; (iv) there are no facts known to us that the Issuer has failed to disclose to Asset Guaranty, that, in our opinion, individually or in the aggregate, do or might materially adversely affect the operations, affairs, properties, conditions (financial or otherwise) or prospects of the Issuer; (v) no event has occurred and is continuing, or would result directly or indirectly from the issuance of the Bonds or the Policy, which constitutes or would, with the giving of notice or lapse of time, or both, constitute a payment default or other event of default with respect to the Bonds when issued; (vi) there is no action, suit, proceeding or investigation pending or threatened relating to the Bond Documents or which would have a material adverse impact on the financial condition of the Issuer, the security for the Bonds or the transactions contemplated by the Official Statement; and (vii) no material adverse change has occurred since _____, 1998, the date of the Financial Guaranty Insurance Commitment delivered by Asset Guaranty which would (A) affect the security or credit of, or the validity of, the Bonds; (B) cause any of the documentation or information previously submitted to Asset Guaranty by or on behalf of the Issuer to be untrue or misleading; or (C) give cause to allow any purchaser or underwriter of the Bonds the right not to purchase such Bonds (notwithstanding that such event might be waived by the purchaser or underwriter).

IN WITNESS WHEREOF, we have reviewed, executed and delivered this Certificate on this ___ day of _____, 1998.

_____

Name:
Title:

_____

Name:
Title:

FINANCIAL GUARANTY INSURANCE POLICY

Obligor:

Bonds:

Bond Trustee:

SPECIMEN

Insurance Trustee:

Policy Number:

Premium:

Asset Guaranty Insurance Company ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the holders from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the due date, the Insurer shall, not later than such due date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this policy, in full. When referring to interest on the Obligation, "due date" means the stated date for payment of interest.

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This policy is non-cancelable for any reason. Premiums paid on this policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this policy to be issued to the Insurance Trustee for the benefit of the holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this __day of _____, 19__.

ASSET GUARANTY INSURANCE COMPANY

By: _____
Name:
Title:

SPECIMEN

This policy is not covered by the property/casualty insurance security fund established by Article 76 of the New York Insurance Law.

Form FMLI-0101

AT A REGULAR SESSION OF THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA, CONTINUED AND HELD FOR SAID COUNTY AT THE COURTHOUSE THEREOF ON TUESDAY, MAY 26, 1998.

PRESENT: ROBERT F. SITES, PRESIDENT, DAVID L. JONES AND JANE KITE KEELING, HONORABLE COMMISSIONERS OF THE COUNTY.

RE: THE COUNTY COMMISSION OF GRANT COUNTY [WEST VIRGINIA] HOSPITAL REVENUE REFUNDING BONDS (GRANT MEMORIAL HOSPITAL), SERIES 1998C.

WHEREAS, by Order entered on May 13, 1998 (the "Prior Order"), this County Commission authorized the issuance of the above-referenced bonds (the "Revenue Refunding Bonds"); and

WHEREAS, this County Commission scheduled the first interest payment date for the Revenue Refunding Bonds on October 1, 1998; and

WHEREAS, this County Commission has been requested and is willing to schedule the first interest payment date for April 1, 1999, rather than October 1, 1998;

NOW, THEREFORE, BE IT RESOLVED, BY THE COUNTY COMMISSION OF GRANT COUNTY, WEST VIRGINIA:

That the first interest payment date on the Revenue Refunding Bonds shall be April 1, 1999, and that Section 5(a) and any other applicable sections of the Prior Order shall be, and hereby are, amended to reflect such first interest payment date and that the Prior Order, as so amended, shall remain in full force and effect.

ENTERED this 26th day of May, 1998.

THE COUNTY COMMISSION OF
GRANT COUNTY, WEST VIRGINIA

By Robert F. Sites

By David L. Jones III

By Jane Kite Keeling

CHASFS3:122602

BOND TRUST INDENTURE

THE COUNTY COMMISSION OF GRANT COUNTY

and

GRANT MEMORIAL HOSPITAL

and

WESBANCO BANK PARKERSBURG, as Bond Trustee

May 1, 1998

TABLE OF CONTENTS

PAGE

ARTICLE I. DEFINITIONS AND OTHER GENERAL PROVISIONS

Section 1.01. Definitions of Terms 3
Section 1.02. All Revenue Refunding Bonds Equally and Ratably Secured 15

ARTICLE II. THE REVENUE REFUNDING BONDS

Section 2.01. Authorization 16
Section 2.02. Terms of Revenue Refunding Bonds 16
Section 2.03. Book-Entry Bonds 18
Section 2.04. Execution 19
Section 2.05. Authentication and Registration 19
Section 2.06. Issuance and Delivery of Revenue Refunding Bonds 20
Section 2.07. Form of Revenue Refunding Bonds 21
Section 2.08. Bond Register 21
Section 2.09. Transfer, Registration of Transfer and Exchange 21
Section 2.10. Fees 21
Section 2.11. Mutilated, Lost, Stolen or Destroyed Bonds 22
Section 2.12. Persons Treated as Owners 22
Section 2.13. Cancellation 22
Section 2.14. Additional Bonds 22
Section 2.15. Default Rate 23

ARTICLE III. REDEMPTION OF REVENUE REFUNDING BONDS

Section 3.01. Limitation on Redemption 24
Section 3.02. Mandatory Redemption of Revenue Refunding Bonds 24
Section 3.03. Optional Redemption of Revenue Refunding Bonds 24
Section 3.04. Extraordinary Optional Redemption 25
Section 3.05. Redemption Requests 25
Section 3.06. Selection of Revenue Refunding Bonds To Be Redeemed 25
Section 3.07. Notice of Redemption 26
Section 3.08. Partial Redemption of Revenue Refunding Bonds 27
Section 3.09. Effect of Call for Redemption 27

ARTICLE IV. GENERAL COVENANTS AND PROVISIONS

Section 4.01. Payment of Bonds 28
Section 4.02. Performance of Covenants 28
Section 4.03. Covenants and Representations Regarding Section 148 of the Code 28

Section 4.04. Instruments of Further Assurance..... 28
Section 4.05. Recordation of Indenture and Security Instruments..... 29
Section 4.06. Special Obligations..... 29
Section 4.07. Bonds Secured by Pledge of Net Revenues..... 29

ARTICLE V. BOND FUND, DEBT SERVICE RESERVE FUND

Section 5.01. Bond Fund..... 30
Section 5.02. Debt Service Reserve Fund..... 32
Section 5.03. Nonpresentment of Revenue Refunding Bonds..... 32
Section 5.04. Moneys To Be Held in Trust..... 33
Section 5.05. Repayment to the Board..... 33
Section 5.06. Payment Procedures Pursuant to the Policy..... 33
Section 5.07. Deposit of Revenues upon an Event of Default..... 35
Section 5.08. Continuing Disclosure..... 36

ARTICLE VI. REVENUE REFUNDING BONDS PROCEEDS

Section 6.01. Costs of Issuance Account..... 38
Section 6.02. Application of Revenue Refunding Bond Proceeds..... 38

ARTICLE VII. ADDITIONAL COVENANTS OF ISSUER AND BOARD

Section 7.01. Maintenance of the Hospital Facilities..... 39
Section 7.02. Operation of the Facilities..... 39
Section 7.03. Maintenance of Tax Exemption..... 40
Section 7.04. Sale of Hospital Facilities..... 40
Section 7.05. Permitted Encumbrances..... 40
Section 7.06. Permitted Indebtedness..... 41
Section 7.07. Rates and Charges..... 45
Section 7.08. Transfers of Property..... 45
Section 7.09. Cash on Hand Requirement..... 46
Section 7.10. Reporting Requirements..... 46
Section 7.11. Insurance..... 47
Section 7.12. Environmental Covenants..... 48

ARTICLE VIII. SECURITY; INVESTMENTS

Section 8.01. Security for Deposits..... 49
Section 8.02. Investment of Moneys..... 49

ARTICLE IX. SATISFACTION AND DISCHARGE

Section 9.01. Satisfaction and Discharge 51
Section 9.02. Application of Trust Moneys 52
Section 9.03. Subrogation 52

ARTICLE X. DEFAULTS AND REMEDIES

Section 10.01. Events of Default 54
Section 10.02. Notice of Default; Opportunity to Cure Such Default 54
Section 10.03. Acceleration; Cure 54
Section 10.04. Powers of Bond Trustee 55
Section 10.05. Powers of Owners 56
Section 10.06. Limitations on Owners 56
Section 10.07. Remedies Not Exclusive 57
Section 10.08. Delay or Omission of Bond Trustee 57
Section 10.09. Application of Moneys 57
Section 10.10. Severability of Remedies 58
Section 10.11. Board's Right of Possession and Use of Hospital Facilities 58
Section 10.12. Notice of Default 58
Section 10.13. Consent and Control of the Bond Insurer 58

ARTICLE XI. CONCERNING THE BOND TRUSTEE

Section 11.01. Acceptance of Trust 60
Section 11.02. Notice of Potential Default to Owners; Presumed Knowledge 62
Section 11.03. Rights and Powers During Default 63
Section 11.04. Right to Rely Upon Documents 63
Section 11.05. Right to Own and Deal in Revenue Refunding Bonds 63
Section 11.06. Interest Upon Moneys Received 63
Section 11.07. Construction of Provisions of Indenture 63
Section 11.08. Co-Trustee 63
Section 11.09. Resignation by Bond Trustee 64
Section 11.10. Removal of Bond Trustee 64
Section 11.11. Acceptance and Transfer of Trust 65
Section 11.12. Successor Bond Trustee by Merger 65
Section 11.13. Bond Trustee's Right To Make Advances 65
Section 11.14. Intervention by Bond Trustee 66
Section 11.15. Fees, Charges and Expenses of Bond Trustee 66
Section 11.16. Policy Not to be Considered 66

ARTICLE XII. EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF REVENUE REFUNDING BONDS; LISTS OF OWNERS

Section 12.01. Execution of Instruments..... 67
Section 12.02. Preservation of Information; Communications to Owners.. 67

ARTICLE XIII. SUPPLEMENTAL INDENTURES; MODIFICATION OF THE INDENTURE; BOND INSURER'S CONSENT

Section 13.01. Supplemental Indentures Without Consent of Owners..... 69
Section 13.02. Modification of the Indenture with Consent of Owners..... 69
Section 13.03. Consent of Bond Insurer Required..... 70
Section 13.04. Notice..... 70

ARTICLE XIV. MISCELLANEOUS

Section 14.01. Sole Benefit of Parties and Owners; Bond Insurer..... 71
Section 14.02. Severability of Provisions..... 71
Section 14.03. Notices..... 71
Section 14.04. Successors and Assigns..... 72
Section 14.05. Counterparts..... 72
Section 14.06. Governing Law..... 72
Section 14.07. Payments Due on Other than a Business Day..... 72
Section 14.08. No Liability of Members..... 73

Signatures..... 74

EXHIBIT A -- Revenue Refunding Bond Form

EXHIBIT B -- Permitted Encumbrances under Subsection 7.05(i)

EXHIBIT C -- Existing Indebtedness

EXHIBIT D -- Environmental Covenants and Representations

EXHIBIT E -- NMRSIRs

CHASFS3:116369

BOND TRUST INDENTURE

THIS BOND TRUST INDENTURE made and entered into as of the 1st day of May, 1998, by and among The County Commission of Grant County, West Virginia, a body corporate and governmental instrumentality organized and existing under the constitution and laws of the State of West Virginia (the "Issuer") and acting on behalf of Grant County, a political subdivision of the State of West Virginia (the "County"), Grant Memorial Hospital (as hereinafter described, the "Hospital") and Wesbanco Bank Parkersburg, a banking institution with trust powers, duly organized and existing under the laws of the State of West Virginia, as bond trustee (the "Bond Trustee"):

W I T N E S S E T H:

WHEREAS, the Issuer owns and, through the Board described below, operates a public hospital and other related facilities and appurtenances thereto (the "Hospital"); and

WHEREAS, administration and management of the Hospital is vested in a Board of Trustees appointed by the Issuer (the "Board"); and

WHEREAS, pursuant to Chapter 7, Article 3, Sections 14 through 17 of the Code of West Virginia, 1931, as amended (the "Hospital Act"), the Issuer is authorized to acquire and construct improvements to the Hospital and to finance the cost thereof through the issuance of revenue bonds; and

WHEREAS, on November 30, 1994, the Issuer issued on behalf of the Hospital $3,150,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds"); and

WHEREAS, Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (the "Revenue Refunding Act"; the Hospital Act and the Revenue Refunding Act are hereinafter referred to together as the "Hospital Refunding Act"), authorize, in the manner and subject to the limitations contained in the Hospital Refunding Act, the issuance and sale of bonds by the Issuer to provide for the payment of the 1994 Revenue Bonds in advance of the maturity thereof through the deposit with an escrow agent of moneys or specified governmental obligations, or both, sufficient to pay, when and as due, including by redemption prior to the maturity thereof, all principal of and redemption premium, if any, and interest on the 1994 Revenue Bonds (the "Revenue Bond Advance Refunding"); and

WHEREAS, the 1994 Revenue Bonds may be called for redemption prior to maturity on October 1, 2000, at the price of 102% of the principal amount thereof; and

WHEREAS, pursuant to and in accordance with the provisions of the Hospital Refunding Act, the Issuer has determined to issue its Hospital Revenue Refunding Bonds in the aggregate principal amount of $3,225,000 (the "Revenue Refunding Bonds") pursuant to this Indenture to finance the Revenue Bond Advance Refunding, to fund a

reserve fund for the Revenue Refunding Bonds and to pay certain costs of issuance of the Revenue Refunding Bonds; and

WHEREAS, the Revenue Refunding Bonds shall be secured by the Net Revenues, as hereinafter defined, derived from the operation of the Hospital Facilities (as hereinafter defined), which Net Revenues are under the management and supervision of the Board, and from other sources and security as described in this Indenture; and

WHEREAS, the Issuer is entering into this Indenture for the purpose, among other things, of authorizing the Revenue Refunding Bonds and securing the payment thereof by pledging the Net Revenues to the Bond Trustee; and

WHEREAS, the execution and delivery of this Indenture and the issuance of the Revenue Refunding Bonds, as herein provided, have been in all respects duly and validly authorized by proceedings of the Issuer; and

WHEREAS, to evidence its agreement to the pledge made by the Issuer and to the other representations, covenants and agreements made by the Issuer hereunder, and its agreement to comply therewith, the Board has also duly authorized and executed its approval and agreement of and delivered this Indenture; and

WHEREAS, the principal of and interest on the Revenue Refunding Bonds will be insured by a financial guaranty insurance policy issued by Asset Guaranty Insurance Company (the "Bond Insurer"); and

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

NOW, THEREFORE, the Issuer and the Board, in consideration of the premises and the acceptance by the Bond Trustee of the trusts hereby created and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Revenue Refunding Bonds issued hereunder and the performance and observance by the Issuer of all the covenants expressed herein and in the Revenue Refunding Bonds, do hereby irrevocably assign, grant, bargain, sell, convey, mortgage, pledge and grant a security interest in and to the Bond Trustee, and to its successors in trust, as security for the performance of the obligations of the Issuer and the Board under this Indenture, the following: (a) the Net Revenues; (b) all funds and accounts held in trust pursuant to this Indenture; and (c) all of the rights and interests of the Issuer in and to any additional property at any time pledged as security for the Revenue Refunding Bonds, to have and to hold, as herein set forth, for the benefit, security and protection of all Owners of the Revenue Refunding Bonds secured by this Indenture; and the parties hereto, including the Board, mutually covenant and agree, for the equal and proportionate benefit of the Owners of the Revenue Refunding Bonds, as follows:

ARTICLE I

DEFINITIONS AND OTHER GENERAL PROVISIONS

Section 1.01. Definitions of Terms. In addition to the terms defined elsewhere herein (including the recitals hereto), the following terms shall have the following meanings unless the context otherwise requires:

"Hospital Act" means Chapter 7, Article 3, Sections 14 through 17 of the Code of West Virginia, 1931, as amended.

"Adjusted Annual Revenues" means, as of any date of determination thereof, the total Revenues of the Property for a given fiscal year, including, without limitation, patient service revenues, other operating income and nonoperating income and the income therefrom that would in each case be excluded from a statement of revenues and expenses, less contractual adjustments with third-party payors and adjustments for free or reduced services relating to such fiscal year, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Authorized Newspaper" means a financial newspaper, customarily published in the City of New York, New York, on each Business Day, whether or not published on Saturdays, Sundays or holidays, printed in the English language.

"Balloon Debt" means Long-Term Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12-month period if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period.

"Beneficial Owner" means, whenever used with respect to a Revenue Refunding Bonds, the Person in whose name such Revenue Refunding Bonds is recorded as the beneficial owner of such Revenue Refunding Bonds by a Participant on the records of such Participant or such Person's subrogee.

"Board Representative" means the Person or Persons at the time designated to act on behalf of the Board in a written certificate furnished to the Issuer and the Bond Trustee containing the specimen signature or signatures of such Person or Persons and signed by an officer of the Board.

"Bond Counsel" means counsel selected by the Issuer and experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on bonds of states and their political subdivisions.

"Bond Fund" means the Bond Fund created pursuant to Section 5.01, and the terms "Interest Account," "Principal Account" and "Redemption Account" mean the respective accounts established in said fund.

"Bond Insurer" means Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York, or any successor thereto.

"Bond Register" means the registration books maintained pursuant to Section 2.08.

"Bond Trustee" means Wesbanco Bank Parkersburg, a state banking corporation with principal offices in Parkersburg, West Virginia, and any successor to its duties under this Indenture.

"Bond Trust Indenture," "Bond Indenture" or "this Indenture" means this Indenture, as amended or supplemented from time to time.

"Bond Year" means, except as otherwise specifically provided herein, the period from the date of issuance of the Revenue Refunding Bonds through Obtober 1, 1998, and, beginning with October 2, 1998, the period beginning October 2 and extending for each period of 12 months thereafter.

"Book-Entry Bonds" means the Revenue Refunding Bonds, the beneficial ownership of which is not represented by bond certificates and which may be represented by certificates held by and registered to DTC.

"Book Value," when used in connection with any Property, means the value of such Property, net of accumulated depreciation and amortization of capitalized lease assets, determined in accordance with generally accepted accounting principles.

"Business Day" means any day on which the principal corporate trust offices of the Bond Trustee and commercial banks located in New York, New York, are open for the transaction of business.

"Cash on Hand" means the total of unrestricted cash, investments and Board-designated funds of the Hospital on the date of determination.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"Certified Resolution," with respect to the Issuer, means a copy of an order or resolution certified by the Clerk to have been duly entered or adopted by the Issuer at a meeting duly called and convened; and, with respect to the Board, means a copy of a resolution of the Board certified by the Secretary of the Board to have been duly adopted at a meeting duly called and convened.

"Clerk" means the Clerk of the Issuer or any acting Clerk duly appointed or elected to such office.

"Code" means the Internal Revenue Code of 1986, as amended, and any applicable Regulations. Reference herein to any specific provision of the Code is deemed to refer to any successor provision of the Code.

"Commitment Debt" means the indebtedness referred to in Subsection 7.06(e) hereof.

"Completion Debt" means any Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of the Hospital Facilities or any portion thereof with respect to which prior Indebtedness for borrowed money has been incurred by the Issuer or the Board in accordance with the provisions hereof, and (b) in a principal amount not in excess of the amount required to provide a completed and equipped facility of substantially the same type and scope contemplated at the time such prior Indebtedness was originally incurred, to provide for any requisite capitalized interest or reserve funds and to pay the cost and expenses of issuing such Completion Indebtedness, as shown by an Officer's Certificate delivered to the Bond Trustee at the time of issuance thereof, which Officer's Certificate shall be supported, as to the cost of completion of such facility, by a certificate of an Independent Architect.

"Costs of Issuance Account" means the account created pursuant to Section 6.01.

"Covered Debt" means Balloon Debt, Completion Debt, Guaranteed Debt, Letter of Credit Debt and Long-Term Debt and excluding Commitment Debt except to the extent drawn upon as described in Section 7.06(e).

"Current Value," when used in connection with any Property, means the current fair market value of such Property as shown by an appraisal made by an independent appraiser satisfactory to the Bond Trustee.

"Days Cash on Hand" means the amount equal to (i)(x) Cash on Hand as of the last day of the prior Fiscal Year divided by (y) total Operating Expenses for the prior Fiscal Year times (ii) 365.

"Debt Service Reserve Fund" means the fund created pursuant to Section 5.02.

"Debt Service Reserve Fund Requirement" means an amount equal to the lesser of (i) Maximum Annual Debt Service or (ii) 10 percent of the proceeds (as defined by the Code) of the Revenue Refunding Bonds.

"Defaulted Interest" means Defaulted Interest as defined in Section 2.02 of this Indenture.

"Default Rate" means an interest rate per annum equal to the rate from time to time announced by the Insurance Trustee as its base lending rate, plus three percent (3%).

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, or any successor thereto or assign thereof, as securities depository for the Revenue Refunding Bonds.

"Event of Default" means any of the events described as an event of default in Section 10.01.

"Financial Guaranty Insurance Policy" or "Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Revenue Refunding Bonds as provided therein.

"Fiscal Year" or "fiscal year" means the 12-month period ending on June 30 of each year.

"Government Obligations" means certificates or interest-bearing notes or obligations of the United States of America or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

"Hospital Facilities" means the existing Hospital facilities owned by the Issuer and operated under the management and supervision of the Board, together with any replacements thereof, extensions, betterments or improvements thereto, and equipment therefor.

"Indebtedness" means (i) all indebtedness of the Issuer or the Board, as appropriate, for borrowed money relating to the ownership and operation through the Board of the Hospital Facilities, and (ii) all installment sales, guarantees, conditional sales and capital lease obligations, incurred or assumed by the Issuer or the Board, as appropriate, relating to the ownership and operation through the Board of the Hospital Facilities, in each case whether constituting Long-Term Indebtedness or Short-Term Indebtedness, but excluding indebtedness payable from ad valorem property taxes levied by the Issuer.

"Independent" or "independent" means, as regards any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member, director, officer or employee of the Board, the Hospital or the Issuer and, as regards any individual, one who is not a member, director, officer or employee of the Board, the Hospital or the Issuer; provided, in either case, that the fact that a Person is retained regularly by or transacts business with the Board, the Hospital or the Issuer shall not, in and of itself, cause such Person to be deemed an employee of the Board, the Hospital or the Issuer for the purposes hereof.

"Insurance Trustee" means The United States Trust Company of New York.

"Interest Payment Date" means each April 1 and October 1 of each year, commencing April 1, 1999.

"Investment Securities" means and includes, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.

(iii) Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association.

(iv) Repurchase agreements with primary dealers and banks, or either thereof, rated, at all times, AA and AA2 or better by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively, collateralized with the obligations described in (i) or (ii) above, held by a third party custodian, at the levels set forth below, which repurchase agreements have been approved by the Bond Insurer.

(v) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Bond Trustee or an affiliate of the Bond Trustee acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.

(vi) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., provided that such certificates of deposit are fully secured by the obligations described in (i) or (ii) above, at the levels set forth below, the Bond Trustee has a perfected first security interest in the obligations securing the certificates and the Bond Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates.

(vii) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association, which certificates are fully insured by the Federal Deposit Insurance Corporation.

(viii) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc., and A-1+ by Standard & Poor's Corporation.

(ix) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof, which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc., in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

(x) Any other investment approved by the Bond Insurer.

Collateral Levels for United States Government Securities

	Remaining Maturity				
	1 Year or Less	5 Years or Less	10 Years or Less	15 Years or Less	30 Years or Less
Frequency of Valuation					
Daily	102%	105%	106%	107%	113%

Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly . . .	106	118	128	130	135

Further Requirements: (1) On each valuation date the market value of the collateral will be an amount equal to the requisite collateral percentage of the obligation (including unpaid accrued interest) that is being secured. (2) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: One business day for daily valuations, two business days for weekly valuations, and one month for monthly and quarterly valuations. The use of different restoration periods affects the requisite collateral percentage. (3) The Bond Trustee shall terminate the repurchase agreement upon a failure to maintain the required collateral percentage after the restoration period and, if not paid by the counterpart in federal funds against transfer of the repo securities, liquidate the collateral.

No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Revenue Refunding Bonds without the prior written consent of the Bond Insurer.

"Issuer" means The County Commission of Grant County, a body corporate and a governmental instrumentality of the State, acting on behalf of Grant County, a political subdivision of the State of West Virginia.

"Issuer Representative" means the President of the Issuer or such other Person as the Issuer may designate to act on its behalf by written certificate furnished to the Board and the Bond Trustee containing a specimen signature of such Person and signed on behalf of the Issuer by the Clerk, which Person may be the Board Representative.

"Letter of Credit Indebtedness" or "Letter of Credit Debt" means the Indebtedness referred to in Section 7.06(d) hereof.

"Long-Term Indebtedness" or "Long Term Debt" means (i) all Indebtedness for borrowed money or which has been incurred in connection with the acquisition of assets (other than trade accounts payable and accrued employee compensation), and (ii) the capitalized value of liability under any lease of real or personal property which is properly capitalized on a balance sheet, in each case having a final maturity of more than one year from the date of creation thereof (or which is or may be renewable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Management Consultant" means an Independent firm selected by the Board and acceptable to the Bond Trustee and the Bond Insurer, qualified to pass upon questions relating to the financial affairs, conditions and operations of hospitals and having a favorable reputation for skill and experience in the analysis of such financial affairs.

"Mandatory Redemption Dates" means the dates so designated and established as such pursuant to Section 3.02.

"Mandatory Redemption Requirements" means the amounts so designated and established as such pursuant to Section 3.02.

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

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

"Net Income Available for Debt Service" means, for any period of determination thereof, Adjusted Annual Revenues for such period minus total Operating Expenses, as hereinafter defined, for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles, (ii) gain or loss on the extinguishment of indebtedness, and (iii) proceeds of insurance policies owned or held by the Issuer or the Board, as appropriate, other than policies for use and occupancy or business interruption insurance, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Net Revenues" means the balance of the Adjusted Annual Revenues remaining after deduction of Operating Expenses, as hereinafter defined.

"Non-Recourse Indebtedness" or "Non-Recourse Debt" means Long-Term Indebtedness incurred subsequent to the date of execution and delivery of this Indenture for the purpose of financing the purchase or acquisition of tangible personal property secured by a security interest in the property being purchased or acquired and evidenced by an instrument which expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of the Issuer or the Hospital nor to any other Property.

"Officer's Certificate" means a certificate signed by the chief executive officer or the chief financial officer of the Hospital or any other Person duly appointed to act on behalf of the Board by written certificate furnished to the Issuer and the Bond Trustee

containing a specimen signature of such Person and signed on behalf of the Board by its President.

"Official Statement" means the Official Statement dated May 13, 1998, delivered in connection with the sale of the Revenue Refunding Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the Hospital Facilities, paid or accrued, and includes, without limiting the generality of the foregoing, fees and expenses of fiscal agents, and the Bond Trustee, other than those paid from the proceeds of the Revenue Refunding Bonds, salaries, wages, food, supplies, medicines, payments to pension or retirement funds, taxes relating and chargeable solely to the Hospital Facilities, the accumulation of appropriate reserves for charges not annually recurrent but which may reasonably be expected to be incurred, and such other reasonable operating costs and expenses as should normally and regularly be included for a hospital under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Opinion of Counsel" means an opinion of counsel (who may be counsel to the Issuer or to the Board) satisfactory to the Bond Trustee.

"Original Purchaser" means Ferris, Baker Watts, Incorporated, as the purchaser of the Revenue Refunding Bonds from the Issuer.

"Outstanding" or "outstanding," when used with reference to Revenue Refunding Bonds, means, at any date as of which the amount of Outstanding Revenue Refunding Bonds is to be determined, all Revenue Refunding Bonds which have been theretofore authenticated and delivered by the Bond Trustee under this Indenture, except:

(a) Revenue Refunding Bonds cancelled or required to be cancelled by the Bond Trustee at or prior to such date;

(b) Revenue Refunding Bonds for the full payment of the principal of and premium, if any, and interest on which cash shall have been theretofore deposited with the Bond Trustee and which (i) shall have matured by their terms but shall not have been surrendered for payment or (ii) shall have been purchased by the Bond Trustee in lieu of paying such Revenue Refunding Bonds upon presentation thereof;

(c) Revenue Refunding Bonds for the payment of which, at the maturity or redemption date thereof, cash or Government Obligations, or both, shall have been theretofore deposited with the Bond Trustee pursuant to Article III or Article IX; provided that, if such Revenue Refunding Bonds are to be redeemed, (i) notice of redemption

shall have been given as provided in Section 3.07 or waiver of such notice, satisfactory in form to the Bond Trustee, shall have been filed with the Bond Trustee, or (ii) irrevocable instructions to call the Revenue Refunding Bonds for redemption shall have been given to the Bond Trustee as provided herein; and

(d) Revenue Refunding Bonds in lieu of which others have been authenticated and delivered.

Notwithstanding the foregoing, in determining whether the Owners of the requisite principal amount of Outstanding Revenue Refunding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Revenue Refunding Bonds owned by the Issuer or the Board shall be disregarded and deemed not to be Outstanding, except that in determining whether the Bond Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Revenue Refunding Bonds which the Bond Trustee knows to be so owned shall be disregarded. Revenue Refunding Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Bond Trustee the pledgee's right so to act with respect to such Revenue Refunding Bonds and that the pledgee is not the Issuer or the Board.

"Owner," or any similar term, means the Person in whose name a Bond is registered in the Bond Register.

"Participant" means a securities broker or dealer, bank, trust company, clearing corporation or certain other organization for which DTC holds securities, with the Participant's interest in the securities reflected only by the accounts of DTC.

"Permitted Encumbrances" means those Permitted Encumbrances set forth in Section 7.05 of this Indenture.

"Person" means an individual, a corporation or any division thereof, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Principal Installments" means, as of any date of calculation, so long as any Revenue Refunding Bonds are Outstanding, (i) the principal amount of Revenue Refunding Bonds due on a certain future date for which no Mandatory Redemption Requirements have been established or (ii) the unsatisfied balance (determined as provided in Section 3.02) of any such Mandatory Redemption Requirements due on a certain future date for Revenue Refunding Bonds, in a principal amount equal to said unsatisfied balance of such Mandatory Redemption Requirements.

"Principal Payment Date" means any date on which the principal of any Revenue Refunding Bonds shall become due, whether at maturity, by redemption, by acceleration or to satisfy Mandatory Redemption Requirements.

"Projected Long-Term Indebtedness" or "Projected Long Term Debt" means, as of the date of any determination thereof, Long-Term Indebtedness maturing in substantially equal annual payments of principal and interest over a period equal to the remaining term of the underlying Indebtedness, but in no event longer than twenty (20) years from the date of issuance thereof, at the actual rate of interest thereon or, if the interest is at a variable rate, at a rate of interest equal to either (i) the average annual rate of interest attributable to debt securities issued by or for the benefit of entities engaged in operating one or more general acute care hospitals having a comparable credit rating maturing over a comparable period in such substantially equal annual payments then being offered for sale, as shown by a certificate of an underwriting or investment banking firm experienced in marketing such securities, or (ii) if a determination of Projected Long-Term Indebtedness is being made with respect to Indebtedness that has been outstanding for at least 12 months, the average annual rate of interest on such Indebtedness over the most recent 12 months, as shown in an Officer's Certificate.

"Property" means any and all rights, titles and interests of the Issuer, as managed and supervised by the Board, in and to any and all property constituting the Hospital Facilities , whether real or personal, tangible or intangible, and wherever situated.

"Regular Record Date" means the 15th day of the month preceding any Interest Payment Date, regardless of whether such 15th day is a Business Day.

"Regulations" means rules and regulations promulgated by or on behalf of the United States Treasury Department pursuant to the Code or any predecessor thereto.

"Representation Letter" means the Representation Letter from the Issuer and the Bond Trustee to DTC with respect to the Revenue Refunding Bonds.

"Revenue Refunding Bonds" means the $3,225,000 in aggregate principal amount of The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C, issued by the Issuer pursuant to Section 2.06.

"Revenues" means all receipts, revenues, income and other moneys received by or on behalf of the Board or by or on behalf of the Issuer in connection with the Hospital, including, without limitation, contributions, donations and pledges, whether in the form of cash, securities or other personal property, revenues derived from the operation of all facilities of the Hospital, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Board or by the Issuer in connection with the Hospital; provided, however, that gifts, grants, bequests, donations and contributions heretofore and hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, shall be excluded from "Revenues"; and provided,

further, that all rents, income and profits from Property subject to Permitted Encumbrances shall be excluded from "Revenues" to the extent required by such Permitted Encumbrances.

"S&P" means Standard and Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Bond Trustee.

"Short-Term Indebtedness" means all Indebtedness and the current portion of Long-Term Indebtedness, incurred or assumed by the Issuer or the Board, as appropriate, for any of the following:

(i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) years or less; and

(iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

"Subordinated Indebtedness" or "Subordinated Debt" means any Indebtedness evidenced by an instrument or instruments subordinated to the payment of amounts payable under this Indenture.

"Special Record Date" means the date for the payment of any Defaulted Interest on Revenue Refunding Bonds fixed by the Bond Trustee pursuant to Section 2.02.

"State" means the State of West Virginia.

"Supplement" means an indenture supplementing or modifying the provisions of this Indenture entered into by the Issuer and the Bond Trustee in accordance with Article XIII.

"Tax Regulatory Agreement" means that agreement by and among the Board, the Issuer and the Bond Trustee, dated as of the date of issuance of the Revenue Refunding Bonds, relating to federal income tax matters with respect to the Revenue Refunding Bonds.

All references in this Indenture to designated "Articles," "Sections" and other subdivisions are to the designated articles, sections and other subdivisions of this Indenture as originally executed. The words "herein," "hereof" and "hereunder" and other words of

similar import refer to this Indenture as a whole and not to any particular article, section or other subdivision unless the context indicates otherwise.

The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

All accounting terms not otherwise defined herein have the respective meanings assigned to them in accordance with generally accepted accounting principles.

Section 1.02. All Revenue Refunding Bonds Equally and Ratably Secured. All Revenue Refunding Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Revenue Refunding Bonds, so that all Revenue Refunding Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference hereunder, and shall all be equally and ratably secured hereby.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE II

THE REVENUE REFUNDING BONDS

Section 2.01. Authorization. The Issuer hereby authorizes the issuance of the Revenue Refunding Bonds in the aggregate principal amount of $3,225,000 pursuant to the Hospital Refunding Act for the purpose, together with funds on deposit on account of the 1994 Revenue Bonds, of financing the costs of the Advanced Revenue Bond Refunding, funding the Debt Service Reserve Fund, and paying the costs of issuance of the Revenue Refunding Bonds. The Revenue Refunding Bonds so authorized shall be designated "The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C," and shall be issued and sold as directed by the Issuer in accordance herewith.

Section 2.02. Terms of Revenue Refunding Bonds. The Revenue Refunding Bonds issued pursuant to this Indenture shall be issued as fully registered Bonds without coupons in $5,000 denominations or any whole multiple thereof. Each Revenue Refunding Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from May 1, 1998; provided, however, that if at the time of authentication interest on such Revenue Refunding Bonds is in default, such Revenue Refunding Bonds shall bear interest from the date to which interest has been paid or, if no interest has been paid, from May 1, 1998. The Bond Trustee shall insert the date of authentication of each Revenue Refunding Bonds in the place provided for such purpose in the certificate of authentication and registration printed on each Revenue Refunding Bonds.

The principal of and premium, if any, on the Revenue Refunding Bonds shall be payable in lawful money of the United States of America upon presentation and surrender at the office or agency of the Issuer maintained pursuant to Section 2.09 for the purpose of making such payments. The interest on the Revenue Refunding Bonds shall be payable by check or draft mailed to the Owner, as further provided below, at such Owner's address as it appears in the Bond Register created pursuant to Section 2.08.

Interest on the Revenue Refunding Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on any Revenue Refunding Bonds which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Revenue Refunding Bonds is registered on the Bond Register at the close of business on the Regular Record Date for such interest specified in the provisions of this Indenture.

Any interest on any Revenue Refunding Bonds which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted

Interest") shall forthwith cease to be payable to the registered Owner on the relevant Regular Record Date solely by virtue of such registered Owner's having been such registered Owner; and such Defaulted Interest may be paid by the Issuer, at its election in each case, as provided in Subsection A or B below:

(A) The Issuer may elect to make payment of any Defaulted Interest on the Revenue Refunding Bonds to the Persons in whose names such Revenue Refunding Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Issuer shall notify the Bond Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Revenue Refunding Bonds and the date of the proposed payment (which date shall be such as will enable the Bond Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit or cause to be deposited with the Bond Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Bond Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this subsection provided. Thereupon, the Bond Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Bond Trustee of the notice of the proposed payment. The Bond Trustee shall promptly notify the Issuer and the Board of such Special Record Date and, in the name and at the expense of the Board, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each registered Owner at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. The Bond Trustee may, in its discretion, in the name and at the expense of the Board, cause a similar notice to be published at least once in an Authorized Newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Revenue Refunding Bonds are registered on such Special Record Date and shall no longer be payable pursuant to the following subsection B.

(B) The Issuer may make payment of any Defaulted Interest on the Revenue Refunding Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Revenue Refunding Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the Issuer to the Bond Trustee of the proposed payment pursuant to this subsection, such payment shall be deemed practicable by the Bond Trustee.

Subject to the foregoing provisions of this section, each Revenue Refunding Bonds delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Revenue Refunding Bonds shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Revenue Refunding Bonds, and each such

Revenue Refunding Bonds shall bear interest from such date, such that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 2.03. Book-Entry Bonds. The Revenue Refunding Bonds will be issued by means of a book-entry system with no physical distribution of Revenue Refunding Bonds made to the public. One Revenue Refunding Bonds for each maturity will be issued to DTC and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Revenue Refunding Bonds in principal amounts of $5,000 or any integral multiple thereof, with transfers of beneficial ownership effected on the records of DTC and DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant will be credited in the records of DTC with the amount of such DTC Participant's interest in the Revenue Refunding Bonds. Beneficial ownership interests in the Revenue Refunding Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners will not receive Revenue Refunding Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner will be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Revenue Refunding Bonds. Transfers of ownership interests in the Revenue Refunding Bonds will be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. So long as Cede & Co., as nominee for DTC, is the registered Owner of the Revenue Refunding Bonds, the Bond Trustee shall treat Cede & Co. as the only Owner of the Revenue Refunding Bonds for all purposes under the Indenture, including receipt of all payment of principal of, premium, if any, and interest on the Revenue Refunding Bonds, receipt of notices, voting and requesting or directing the Bond Trustee to take or not to take, or consenting to, certain actions under this Indenture.

Payments of principal, interest and redemption premium, if any, with respect to the Revenue Refunding Bonds, so long as DTC is the only Owner of the Revenue Refunding Bonds, will be paid by the Bond Trustee directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation. DTC will remit such payments to DTC Participants, and such payments thereafter will be paid by DTC Participants to the Beneficial Owners. The Issuer and the Bond Trustee shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Revenue Refunding Bonds or (b) the Issuer determines that the continuation of the book-entry system of evidence and transfer of ownership of the Revenue Refunding Bonds would adversely affect the interests of the Issuer or the Beneficial Owners of the Revenue Refunding Bonds, the Issuer shall discontinue the book-entry system with DTC. If the Issuer fails to identify another qualified securities depository to replace DTC, the Issuer will cause the Bond Trustee at the Board's expense to authenticate and deliver

replacement Revenue Refunding Bonds in the form of fully registered Revenue Refunding Bonds to each Beneficial Owner.

The Issuer, the Hospital and the Bond Trustee do not have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (a) the Revenue Refunding Bonds; (b) the accuracy of any records maintained by DTC or any DTC Participant; (c) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Revenue Refunding Bonds; (d) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Owners; (e) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Revenue Refunding Bonds; or (f) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Owner.

In the event that a book-entry system of evidence and transfer of ownership of the Revenue Refunding Bonds is discontinued pursuant to the provisions of this Section, the Revenue Refunding Bonds shall be delivered solely as fully registered Revenue Refunding Bonds without coupons in the denominations of $5,000 and any integral multiple thereof, shall be lettered "CR" and numbered separately from 1 upward, and shall be payable, executed, authenticated, registered, exchanged and cancelled pursuant to the provisions of Article II hereof.

Section 2.04. Execution. The Revenue Refunding Bonds shall be executed on behalf of the Issuer with the manual or facsimile signatures of its President and attested with the manual or facsimile signature of its Clerk and shall have impressed thereon or imprinted thereon a facsimile of the corporate seal of the Issuer. In case any officer whose signature shall appear on the Revenue Refunding Bonds shall cease to be such officer, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

Section 2.05. Authentication and Registration. All Revenue Refunding Bonds shall have endorsed thereon a certificate of authentication and registration duly executed by the Bond Trustee. No Revenue Refunding Bonds shall be valid or entitled to any security or benefit under this Indenture unless and until such certificate of authentication shall have been duly executed manually by the Bond Trustee, and such executed certificate of the Bond Trustee upon any such Revenue Refunding Bonds shall be conclusive evidence that such Revenue Refunding Bonds has been authenticated and delivered under this Indenture. The Bond Trustee's certificate of authentication and registration on any Revenue Refunding Bonds shall be deemed to have been executed by it if signed by an authorized officer of the Bond Trustee, but it shall not be necessary that the same officer sign the certificate of authentication and registration on all of the Revenue Refunding Bonds issued hereunder.

Section 2.06. Issuance and Delivery of Revenue Refunding Bonds.

(A) The Revenue Refunding Bonds shall be in the principal amount of $3,225,000, shall be dated as of May 1, 1998, shall bear interest payable on each Interest Payment Date, commencing April 1, 1999, and shall bear the rate or rates of interest per annum and mature on October 1 in the years and principal amounts as follows:

Year	Amount	Interest Rate
1999	$ 35,000	3.85%
2000	100,000	4.00%
2001	105,000	4.10%
2002	110,000	4.15%
2003	115,000	4.20%
2004	120,000	4.25%
2005	130,000	4.30%
2006	135,000	4.40%
2007	135,000	4.50%
2008	145,000	4.625%
2009	155,000	4.75%
2010	155,000	4.85%
2011	165,000	4.95%
2012	175,000	5.05%
2013	185,000	5.15%

$1,260,000 5.35% Term Bonds due 10/1/19

(B) The Bond Trustee shall authenticate the Revenue Refunding Bonds upon the filing with the Bond Trustee of the following:

(i) A certified copy of an order of the Issuer authorizing the issuance of the Revenue Refunding Bonds and the execution and delivery of the Bond Trust Indenture.

(ii) A certified copy of a resolution of the Board authorizing the execution of its approval of and agreement to the Bond Trust Indenture.

(iii) An executed counterpart of this Bond Trust Indenture.

(iv) An executed counterpart of the Tax Regulatory Agreement.

(v) An executed copy of the Escrow Agreement.

(vi) An approving legal opinion of Bond Counsel.

(vii) The Municipal Bond Insurance Policy.

Section 2.07. Form of Revenue Refunding Bonds. The Revenue Refunding Bonds and the Bond Trustee's certificate of authentication and registration shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

Section 2.08. Bond Register. So long as any of the Revenue Refunding Bonds remain outstanding, the Bond Trustee shall maintain at its principal corporate trust office a register for the registration and transfer of the Revenue Refunding Bonds (herein called the "Bond Register"), whereby such Revenue Refunding Bonds may be registered and may be presented for registration of transfer and for exchange as provided in this Indenture. Except as provided in Section 12.02, the Bond Trustee shall keep the Bond Register confidential, and access may only be given to the Internal Revenue Service, other governmental entities for reasonable purpose, courts, in response to lawful process or others at the direction of the Issuer or the Board.

Section 2.09. Transfer, Registration of Transfer and Exchange. The registration of transfer of each Revenue Refunding Bonds shall be made only on the Bond Register, upon surrender thereof, together with a written instrument of transfer satisfactory to the Bond Trustee duly executed by the registered Owner or his duly authorized attorney or legal representative. In all cases of registration of transfer or exchange of Revenue Refunding Bonds, the Issuer shall execute and the Bond Trustee shall authenticate and deliver new Revenue Refunding Bonds in the same aggregate principal amount, of the same maturity and interest rate, in any authorized denominations and registered in such name or names as may be requested.

The Bond Trustee shall not make any exchange or transfer of any Revenue Refunding Bonds after the date the same is selected by the Bond Trustee for redemption.

Section 2.10. Fees. For every exchange or transfer of Revenue Refunding Bonds, the Bond Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Person requesting such exchange or transfer as a

condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture, the cost of preparing each new Revenue Refunding Bonds upon each exchange or transfer, and any other expenses of the Issuer or the Bond Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Board.

Section 2.11. Mutilated, Lost, Stolen or Destroyed Bonds. In the event that any Revenue Refunding Bonds is mutilated, lost, stolen or destroyed, the Issuer shall execute, and the Bond Trustee shall authenticate and deliver, in lieu of any such mutilated, lost, stolen or destroyed Revenue Refunding Bonds (upon surrender to the Bond Trustee for cancellation of such Revenue Refunding Bonds not lost, stolen or destroyed), a new Revenue Refunding Bonds of like tenor and denomination as the Revenue Refunding Bonds mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Revenue Refunding Bonds, such mutilated Revenue Refunding Bonds shall first be surrendered to the Bond Trustee and cancelled, and, in the case of any lost, stolen or destroyed Revenue Refunding Bonds, there shall be first furnished to the Bond Trustee evidence to its satisfaction of such loss, theft or destruction together with such security or indemnification as may be required by the Issuer and the Bond Trustee to save them and the Hospital harmless; provided, however, if the Owner is an insurance company, its own written agreement of indemnity shall be sufficient. In the event any such Revenue Refunding Bonds shall have matured, the Bond Trustee may, instead of issuing a substitute Revenue Refunding Bonds, pay the same from amounts held in the Bond Fund created with respect to such Revenue Refunding Bonds and available for purposes of such payment. The Bond Trustee may charge the Owner of such Revenue Refunding Bonds with its reasonable fees and expenses in this connection.

Section 2.12. Persons Treated as Owners. Except as otherwise provided in Section 2.03, the Issuer, the Hospital, the Bond Trustee and any agent thereof may treat the Person in whose name any Revenue Refunding Bonds is registered as the Owner of such Revenue Refunding Bonds for the purpose of receiving payment of the principal of and interest on such Revenue Refunding Bonds and for all other purposes.

Section 2.13. Cancellation. All Revenue Refunding Bonds which have been redeemed and all Revenue Refunding Bonds which have been surrendered to the Bond Trustee in an exchange or transfer shall be cancelled by the Bond Trustee and shall not be reissued. Counterparts of the certificate of cancellation shall be furnished by the Bond Trustee to the Issuer.

Section 2.14. Additional Bonds. Bonds issued by the Issuer as Long-Term Indebtedness on a parity with the Revenue Refunding Bonds shall have the same Principal and Interest Payment Dates as the Revenue Refunding Bonds. Refunding bonds may be issued without regard to Section 7.06 or the consent of the Bond Insurer, provided there is no increase in Maximum Annual Debt Service, as certified to the Bond Trustee and the Bond Insurer in an Officer's Certificate. Variable rate bonds issued by the Issuer as Long-Term Indebtedness on a parity with the Revenue Refunding Bonds shall be subject to the prior approval of the Bond Insurer (unless it is in default under the Policy).

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of such parity additional bonds or that requisite debt service savings are available to support the issuance of such refunding bonds shall, in all cases, be evidenced by a certificate of an Independent certified public accountant.

Section 2.15. Default Rate. Amounts paid by the Bond Insurer in respect of the principal of and interest on the Revenue Refunding Bonds, or either thereof, shall bear interest until repaid to the Bond Insurer at the Default Rate. Interest paid on amounts paid by the Bond Insurer in respect of principal of the Revenue Refunding Bonds shall be credited against the interest payments otherwise due on the Bonds, such that the Issuer or the Hospital in its behalf makes only one interest payment on such principal amount.

The Issuer and the Hospital hereby acknowledge that amounts paid by the Bond Insurer in respect of the principal of and interest on the Issuer's $1,780,000 The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G. O. Refunding Bonds"), issued contemporaneously herewith, shall bear interest payable to the Bond Insurer at the Default Rate. To the extent the Default Rate on the G. O. Refunding Bonds exceeds the interest rate per annum thereon, the difference between such specified rate and the Default Rate shall be paid to the Bond Insurer from Net Revenues.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE III

REDEMPTION OF REVENUE REFUNDING BONDS

Section 3.01. Limitation on Redemption. Except as provided in this Article III, the Revenue Refunding Bonds shall not be subject to redemption in whole or in part.

Section 3.02. Mandatory Redemption of Revenue Refunding Bonds. The Revenue Refunding Bonds maturing October 1, 2019 (the "Revenue Term Bonds"), shall be subject to mandatory redemption prior to maturity on October 1 in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Principal Account in the Bond Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
2014	$ 190,000
2015	200,000
2016	210,000
2017	220,000
2018	230,000
2019*	210,000

* Final Maturity

The principal amount of Term Bonds delivered to or purchased by the Bond Trustee shall reduce pro tanto the principal amount of Term Bonds to be redeemed on the Mandatory Redemption Date next following such delivery or purchase.

Section 3.03. Optional Redemption of Revenue Refunding Bonds. The Revenue Refunding Bonds maturing on or after October 1, 2009, shall be subject to redemption prior to maturity, at the option of and in order of maturity selected by the Issuer, in whole at any time or in part in any multiple of $5,000 on April 1 or October 1 of any year, beginning October 1, 2008, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption, but without premium.

Optional redemption of the Revenue Refunding Bonds shall be permitted at any time without the Bond Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Bond Trustee prior to rendering notice of redemption to the Owners of the Revenue Refunding Bonds or, in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer or the Hospital on its behalf.

Section 3.04. Extraordinary Optional Redemption. The Revenue Refunding Bonds shall be subject to optional redemption prior to maturity by the Issuer, as a whole or in part, in order of maturity selected by the Issuer, at any time at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, (i) in the event of damage to or destruction or condemnation of the Hospital Facilities or any portion thereof; or (ii) if the Issuer shall have determined that the continued operation of the Hospital Facilities is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens with respect to the Hospital Facilities or operation thereof, or (B) changes in technology, in environmental standards or legal requirements or in the economic availability of materials, supplies, equipment or labor.

Section 3.05. Redemption Requests. Redemptions of Revenue Refunding Bonds permitted or required by this Article III shall be made as follows, and the Bond Trustee shall give the notice of redemption referred to in Section 3.07 in respect of each such redemption:

(i) Redemption shall be made pursuant to Section 3.02 as and when required by such Section, without any further request, instruction or notice to the Bond Trustee.

(ii) Redemption shall be made pursuant to Section 3.03 at such times and in such principal amounts as the Issuer shall, not later than 45 days prior to the date on which any Revenue Refunding Bonds may be redeemed pursuant to Section 3.03, designate in a certificate of a Issuer Representative delivered to the Bond Trustee.

(iii) Redemption shall be made pursuant to Section 3.04 hereof on a date selected by the Issuer, which date shall be not less than 45 days nor more than 60 days after receipt by the Bond Trustee of the certificate of an Issuer's Representative (1) stating that one or more of the events described in Section 3.04 has occurred and that the Issuer is making an election as to redemption with regard thereto, (2) describing such event and (3) requesting that such Revenue Refunding Bonds be redeemed pursuant to Section 3.04.

Section 3.06. Selection of Revenue Refunding Bonds To Be Redeemed. In the event of redemption of less than all of the Outstanding Revenue Refunding Bonds of like maturity, the Bond Trustee, or DTC and its Participants with respect to Book-Entry Bonds, shall select by lot, using such method of selection as it shall deem proper in its discretion, the Revenue Refunding Bonds to be redeemed. In making such selection the Bond Trustee or DTC shall treat each Revenue Refunding Bonds as representing that number of Revenue Refunding Bonds in $5,000 denominations as is obtained by dividing the principal amount of such Revenue Refunding Bonds by such denomination, provided, however, that no Revenue Refunding Bonds shall be partially redeemed if the effect of such redemption would be to reduce such Revenue Refunding Bonds to a principal amount of less than $5,000.

Section 3.07. Notice of Redemption. When the Bond Trustee shall receive notice from the Issuer of its election or direction to redeem Revenue Refunding Bonds pursuant to Sections 3.03 or 3.04 or when redemption of Revenue Refunding Bonds is required by this Indenture pursuant to Section 3.02, the Bond Trustee shall give notice, in the name of the Issuer, of the redemption of such Revenue Refunding Bonds. Notice of any such redemption shall be given by the Bond Trustee by mailing a copy of the redemption notice by registered or certified mail (postage prepaid) not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered Owner of each Revenue Refunding Bonds to be redeemed in whole or in part at the address shown on the Bond Register. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of Revenue Refunding Bonds with respect to Revenue Refunding Bonds or portions thereof for which no failure has occurred.

All notices of redemption shall be dated and shall state (i) the redemption date; (ii) the redemption price; (iii) the identifying number and CUSIP number (and in the case of partial redemption, the respective principal amounts) of the Revenue Refunding Bonds to be redeemed; (iv) the date of issuance of the Revenue Refunding Bonds; (v) the interest rate or rates and maturity date or dates of the Revenue Refunding Bonds to be redeemed; (vi) that on the redemption date the redemption price will become due and payable on each such Revenue Refunding Bonds and interest thereon will cease to accrue thereon from and after said date; (vii) the agent name, contact person and address where such Revenue Refunding Bonds are to be surrendered for payment; and (viii) any other descriptive information that, in the opinion of the Bond Trustee, is needed to identify accurately the Revenue Refunding Bonds being redeemed. A second notice shall be sent if after 60 days from the redemption date such Revenue Refunding Bonds have not been surrendered for payment.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner of such Revenue Refunding Bonds receives the notice.

In addition to the foregoing notice, further notice (an "Additional Notice") shall be given by the Bond Trustee as set out below, but no defect in said Additional Notice nor any failure to give all or any portion of such Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(a) Each Additional Notice of redemption given hereunder shall contain the information required above for an official notice of redemption.

(b) Each Additional Notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Revenue Refunding Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Revenue Refunding Bonds.

Upon the payment of the redemption price of Revenue Refunding Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Revenue Refunding Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.08. Partial Redemption of Revenue Refunding Bonds. Upon surrender of any Revenue Refunding Bonds for redemption in part only, the Issuer shall execute, and the Bond Trustee shall register, authenticate and deliver to the Owner thereof, a new Revenue Refunding Bonds or Revenue Refunding Bonds of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Revenue Refunding Bonds surrendered.

The Issuer and the Bond Trustee may agree with DTC that DTC may, in lieu of surrendering a partially redeemed Revenue Refunding Bonds for a new Revenue Refunding Bonds, endorse on such Revenue Refunding Bonds a notice of such partial redemption, which notice shall set forth, over the signature on behalf of DTC, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the Owner of any such Revenue Refunding Bonds and the Issuer and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Revenue Refunding Bonds by DTC and irrespective of any error or omission in such endorsement.

Section 3.09. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Revenue Refunding Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Revenue Refunding Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Trustee as provided herein, interest on such Revenue Refunding Bonds so called for redemption shall cease to accrue, such Revenue Refunding Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee and the amount of such Revenue Refunding Bonds so called for redemption shall be deemed paid and no longer Outstanding.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE IV

GENERAL COVENANTS AND PROVISIONS

Section 4.01. Payment of Bonds. The Issuer covenants that it will promptly pay or cause to be paid, but solely out of the Net Revenues derived from, or in connection with, the operation of the Hospital Facilities, or from the Revenue Refunding Bonds proceeds deposited in the Interest Account or the Debt Service Reserve Fund, or from interest thereon, the principal of and premium, if any, and interest on every Revenue Refunding Bonds on the dates and in the manner provided herein and in said Revenue Refunding Bonds according to the true intent and meaning thereof.

Section 4.02. Performance of Covenants. The Issuer covenants that it will at all times comply with all provisions contained in this Indenture, in any Revenue Refunding Bonds and in all proceedings pertaining thereto. The Issuer warrants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue and sell the Revenue Refunding Bonds authorized hereby, to pledge the Net Revenues to the Bond Trustee and to execute and deliver this Indenture; that all action on its part for the issuance of the Revenue Refunding Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Revenue Refunding Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Issuer.

Section 4.03. Covenants and Representations Regarding Section 148 of the Code. The Issuer and the Board recognize that the Revenue Refunding Bonds are being sold on the basis that the interest payable on the Revenue Refunding Bonds is excludable from gross income of the recipients thereof for federal income tax purposes. The Issuer and the Board accordingly hereby covenant and agree with the Bond Trustee and the Owners of the Revenue Refunding Bonds that (a) no use of the proceeds of the Revenue Refunding Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Revenue Refunding Bonds, would have caused the Revenue Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Issuer, the Board and the Bond Trustee shall be obligated to comply with the requirements of Section 148 of the Code, and the applicable Regulations thereunder, through the term of the Revenue Refunding Bonds; and (b) the Issuer and the Board will not take any action or fail to take any action with respect to the investment of the proceeds of any Revenue Refunding Bonds or otherwise which may result in constituting the Revenue Refunding Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

Section 4.04. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Bond Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Bond Trustee the amounts pledged

hereby to the payment of the principal of and the premium, if any, and interest on the Revenue Refunding Bonds. The Issuer covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Hospital Facilities and will not make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Issuer agrees that no obligations the payment of which is secured by the trust estate created by this Indenture will be issued by it except Revenue Refunding Bonds in lieu of, or upon transfer or registration or exchange of, any Revenue Refunding Bonds as provided herein.

Section 4.05. Recordation of Indenture and Security Instruments. The Bond Trustee shall cause this Indenture and all supplements hereto, as well as such other security instruments, financing statements and all supplements thereto and other instruments as may be required from time to time, to be kept, recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Owners of the Revenue Refunding Bonds and the rights of the Bond Trustee hereunder.

Section 4.06. Special Obligations. The Revenue Refunding Bonds and the interest and any premium thereon are special obligations of the Issuer and are payable solely from the Net Revenues, and from the funds maintained hereunder, all at the times and subject to the conditions set forth herein. The principal of the Revenue Refunding Bonds and the premium, if any, and the interest thereon shall not constitute or be deemed to constitute a debt or a pledge of the faith and credit or taxing power of the State, the County or any municipality or any other political subdivision thereof but are special obligations of the Issuer, payable solely from the Net Revenues and other sources pledged by the Issuer therefor. The Owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the Issuer or the taxing authority of any municipality or any other political subdivision of the State for payment of the principal of or premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

Section 4.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Revenue Refunding Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the operation of the Hospital Facilities. Such Net Revenues in an amount sufficient to pay the principal of and premium, if any, and interest on and other payments for the Revenue Refunding Bonds, and to make the payments into the Bond Fund required hereby, are hereby irrevocably pledged to the payment of the principal of and premium, if any, and interest on the Revenue Refunding Bonds as the same become due.

ARTICLE V

BOND FUND, DEBT SERVICE RESERVE FUND

Section 5.01. Bond Fund.

(a) There is hereby created and established with the Bond Trustee a trust fund in respect to the Revenue Refunding Bonds to be designated the "The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C Bond Fund" (the "Bond Fund"). The Bond Fund shall consist of an "Interest Account," a "Principal Account" and a "Redemption Account."

(b) There shall be deposited in the Bond Fund (i) any amount required to be paid thereto pursuant to Sections 5.02, 6.01 or 6.02 hereof; (ii) from the Net Revenues, into the Interest Account, 1/6 of the interest coming due on the Revenue Refunding Bonds on the next Interest Payment Date and not payable from Revenue Refunding Bonds proceeds, or the earnings thereon, deposited pursuant to Subsection 6.02(c), and, into the Principal Account, 1/12 of the principal coming due on the next Principal Payment Date; (iii) except as hereinafter provided, all interest and other income received on investments of the Bond Fund; and (iv) all other moneys received by the Bond Trustee in respect of the Revenue Refunding Bonds unless otherwise provided herein. The amounts described in clause (ii) shall be adjusted as necessary to accommodate more than 6 months prior to the first payment of interest from Net Revenues and more than 12 months prior to the first Principal Payment Date, with the first such deposit being made on July 1998. In each case, and for each Interest and Principal Payment Date thereafter, moneys to make the payments of interest or principal coming due shall be on deposit with the Bond Trustee not less than 30 days prior to the applicable Interest or Principal Payment Date.

(c) The moneys in the Interest Account, the Principal Account and the Redemption Account shall be used solely for the purposes of paying the Principal Installments or redemption price of, and interest on, the Revenue Refunding Bonds and of retiring such Revenue Refunding Bonds at or prior to maturity in the manner provided herein. Moneys set aside from time to time with the Bond Trustee for the payment of such Principal Installments or redemption price of and interest on the Revenue Refunding Bonds shall be held in trust for the Owners of the Revenue Refunding Bonds in respect of which the same shall have been so set aside. Until so set aside for the payment of Principal Installments, redemption price or interest, as aforesaid, all moneys in such accounts shall be held in trust for the benefit of the Owners of all Revenue Refunding Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Revenue Refunding Bonds.

(d) In the event there shall be, on any Interest Payment Date, a deficiency in the Interest Account, or, on any Principal Payment Date, a deficiency in the Interest Account or in the Principal Account or both, the Bond Trustee shall make up such

deficiencies from the Debt Service Reserve Fund by the withdrawal of moneys from the Debt Service Reserve Fund and the deposit thereof into the appropriate account in the Bond Fund for that purpose and by the sale or redemption of securities held in the Debt Service Reserve Fund, if necessary, in such amounts as will, at the respective times, provide moneys in the Interest Account and the Principal Account sufficient to make up any such deficiency or deficiencies.

(e) The Bond Trustee shall deposit in the Interest Account the amounts required by Subsection 6.02(c) and the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Interest Account, including the moneys credited thereto pursuant to this Section, the interest becoming due on the Revenue Refunding Bonds on each Interest Payment Date or the date for the payment of Defaulted Interest. The Bond Trustee shall also pay out of the Interest Account, on or before any redemption date for the Revenue Refunding Bonds, the interest on the Revenue Refunding Bonds then to be redeemed, to the extent not otherwise provided pursuant to this Indenture.

Thirty days prior to any Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, if the balance in the Interest Account is insufficient for the payment of interest becoming due on the Revenue Refunding Bonds on the next ensuing Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(f) The Bond Trustee shall deposit in the Principal Account the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Principal Account, including the moneys credited thereto pursuant to this section, the Principal Installment due on the Revenue Refunding Bonds on each Principal Payment Date.

Thirty days prior to any Principal Payment Date, if the balance in the Principal Account is insufficient for the payment of such principal, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Principal Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(g) The Bond Trustee shall deposit in the Redemption Account the payments made by the Board to the Bond Trustee but not required by Item (b)(ii) above. The Bond Trustee shall use moneys in the Redemption Account in the Bond Fund, as a Issuer Representative may direct, to purchase Revenue Refunding Bonds then Outstanding on the most advantageous terms obtainable with reasonable diligence or in such other manner as the Issuer shall so direct, without regard as to whether the purchase price paid for such Revenue Refunding Bonds so purchased is less than the redemption price of such Revenue Refunding Bonds. The purchase price of such Revenue Refunding Bonds, interest accrued thereon and all expenses in connection with such purchases shall be paid from the Redemption Account in the Bond Fund.

(h) If any installment of the required payments described above should be insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall so notify the Issuer and request that each future installment of the required payments be increased as may be necessary to make up any previous deficiency or any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

Section 5.02. Debt Service Reserve Fund. There is hereby created and established with the Bond Trustee a separate trust fund in respect of the Revenue Refunding Bonds to be known as the "The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C Debt Service Reserve Fund" (herein called the "Debt Service Reserve Fund").

The Debt Service Reserve Fund shall be funded upon the issuance of the Revenue Refunding Bonds in an amount equal to the Debt Service Reserve Fund Requirement as provided by Subsection 6.02(b).

The Bond Trustee shall immediately notify the Issuer in the event that moneys are withdrawn from the Debt Service Reserve Fund. The Issuer shall cause the Board to make up such deficiency through monthly payments beginning in the month following the month in which the withdrawal was made equal to (a) 1/12th of the amount by which the Debt Service Reserve Fund Requirement exceeded the amount on deposit in the Debt Service Reserve Fund on the day that such withdrawal was made or (b) any lesser amount which will result in the amount on deposit in the Debt Service Reserve Fund equaling the Debt Service Reserve Fund Requirement. Any deficiency in the Debt Service Reserve Fund determined upon the quarterly valuation thereof shall be replenished in three equal monthly payments prior to the next succeeding valuation date.

Section 5.03. Nonpresentment of Revenue Refunding Bonds. In the event any Revenue Refunding Bonds shall not be presented for payment when the principal thereof becomes due, or at the date fixed for redemption thereof, if funds sufficient to pay such Revenue Refunding Bonds shall be held by the Bond Trustee for the benefit of the Owner or Owners thereof, all liability of the Issuer and the Hospital to the Owner thereof for the payment of such Revenue Refunding Bonds shall forthwith terminate and be completely

discharged, and thereupon it shall be the duty of the Bond Trustee to hold such fund or funds without liability for interest thereon, for the benefit of the Owner of such Revenue Refunding Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Revenue Refunding Bonds. Such funds shall not be deemed to be part of the Bond Fund after the due date and shall not be subject to investment.

Any moneys held by the Bond Trustee for the payment of the principal of or the premium, if any, or interest on any Bond and remaining unclaimed for two (2) years after such principal, premium, if any, or interest has become due and payable shall, upon the request of a Issuer Representative to the Bond Trustee, be paid to the Board to the extent permitted by the law of the state in which the Bond Trustee is domiciled. After the payment of such unclaimed moneys to the Board, the Owner of such Revenue Refunding Bonds shall thereafter look only to the Board for the payment thereof, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease.

Section 5.04. Moneys To Be Held in Trust. All moneys required to be deposited with or paid to the Bond Trustee for the account of the funds or accounts created under any provision of this Indenture shall be held by the Bond Trustee in trust but need not be segregated from other funds except to the extent required by this Indenture or by the law of the state in which the Bond Trustee is domiciled.

Section 5.05. Repayment to the Board. Any amounts on deposit in any fund or account created under this Indenture on account of the Revenue Refunding Bonds and remaining in such fund or account after payment in full of the principal of and the premium, if any, and interest on such Revenue Refunding Bonds (or provision for the payment thereof as provided in this Indenture) shall be paid to the Board.

Section 5.06. Payment Procedures Pursuant to the Policy. The Bond Trustee or any paying agent shall not make a claim for payment on the Policy until any and all funds held by it pursuant hereto have been fully drawn to pay debt service on the Revenue Refunding Bonds. As long as the Policy shall be in full force and effect, the Issuer, the Hospital, the Bond Trustee and any paying agent agree to comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Bond Trustee or paying agent, if any, will determine whether there will be sufficient funds to pay the principal of or interest on the Revenue Refunding Bonds on such Interest Payment Date. If the Bond Trustee or paying agent, if any, determines that there will be insufficient funds, the Bond Trustee or paying agent, if any, shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Revenue Refunding Bonds to which such deficiency is applicable and whether such Revenue Refunding Bonds will be deficient as to principal or interest, or both. The Bond Insurer will make payments of principal or interest due on the Revenue

Refunding Bonds on or before the first (1st) day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Bond Trustee or paying agent, if any.

(b) The Bond Trustee or paying agent, if any, shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Bond Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, and all records relating to the funds maintained under this Indenture.

(c) The Bond Trustee or the paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of the Revenue Refunding Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered Owners of Revenue Refunding Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Revenue Refunding Bonds surrendered to the Insurance Trustee by the registered Owners of the Revenue Refunding Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Bond Trustee or the paying agent, if any, shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered Owners of Revenue Refunding Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Bond Insurer, of an appropriate assignment of the registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer to permit ownership of such Revenue Refunding Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Bond Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds for payment thereon first to the Bond Trustee or paying agent, if any, who shall note on such Revenue Refunding Bonds the portion of the principal paid by the Bond Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Bond Trustee and paying agent, if any, have notice that any payment of principal of or interest on a Revenue Refunding Bonds which has become due for payment and which is made to a registered Owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Trustee or paying agent, if any, shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Trustee or paying agent, if any, shall furnish to the Insurance Trustee and the Bond Insurer its records evidencing the payments of principal of and interest on the Revenue Refunding Bonds which have been made by the Bond Trustee or paying agent, if any, and subsequently recovered from registered Owners and the dates on which such payments are made.

(f) In addition to those rights granted the Bond Insurer under this Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Revenue Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners of the Revenue Refunding Bonds and (ii) in the case of subrogation as to claims for past due principal, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon surrender of the Revenue Refunding Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Section 5.07. Deposit of Revenues upon Event of Default. Upon the occurrence and continuance of an Event of Default hereunder, the Bond Trustee shall establish a special account, to be designated the "Grant Memorial Hospital Revenue Fund" (the "Revenue Fund"), which shall be held separate and apart from all other funds of the Bond Trustee. All Revenues from or of the Hospital shall be deposited immediately upon receipt in the Revenue Fund and shall be used by the Hospital only to pay the reasonable and necessary Operating Expenses of the Hospital, as shall be set forth in a budget established by the Hospital and, as long as the Policy is in effect, approved by the Insurer, and to make deposits into the Bond Fund and the Debt Service Reserve Fund as set forth in Sections 5.01 and 5.02 hereof.

Section 5.08. Continuing Disclosure. The Issuer and the Hospital agree to an undertaking (the "Undertaking") for the benefit of the registered Owners of the Revenue Refunding Bonds to provide:

(a) within 180 days after the end of the Hospital's 1998 fiscal year and each subsequent fiscal year, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the Hospital's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the Hospital's revenues, expenditures, and financial operations of the type found in the Official Statement under the captions "The Hospital" and "Appendix B - Information Concerning Grant Memorial Hospital"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities Rulemaking Board ("MSRB"), and to any State Depository, notice of any of the following events with respect to the Revenue Refunding Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the Issuer or Hospital to comply with clause (a) above.

With respect to Event (8), the Issuer and Hospital do not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case

of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Revenue Refunding Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Revenue Refunding Bond purchases.

As of the date hereof, there is no State Depository, and the nationally recognized municipal securities information repositories are listed on Exhibit E attached hereto and incorporated herein.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the Issuer and the Hospital to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Issuer and the Hospital have agreed to give notice in a timely manner to each National Repository, or the MSRB, and to the State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Revenue Refunding Bonds. Registered Owners may contact the Administrator of the Hospital at P.O. Box 1019, Petersburg, West Virginia 26847 (Telephone #304-257-1026) for more information.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE VI

REVENUE REFUNDING BONDS PROCEEDS

Section 6.01. Costs of Issuance Account. There is hereby created and established with the Bond Trustee a trust fund to be designated the "The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C Bonds Costs of Issuance Account" (the "Costs of Issuance Account"). The Bond Trustee shall deposit in the Costs of Issuance Account the amount set forth in Section 6.02(c). Upon receipt of an Officer's Certificate requesting the same, the Bond Trustee is hereby authorized and directed to make disbursements from the Costs of Issuance Account to reimburse or pay the Board or any Person designated by the Board for the costs of issuance of the Revenue Refunding Bonds, without further authorization from the Issuer. Ninety days after the issuance of the Revenue Refunding Bonds, all moneys remaining in the Costs of Issuance Account shall be deposited in the Interest Account in the Bond Fund to be used as provided in Section 5.01 hereof, and the Bond Trustee shall thereafter file a statement of receipts and disbursements with respect to the Costs of Issuance Account with the Issuer and the Board.

Section 6.02. Application of Revenue Refunding Bonds Proceeds. Simultaneously with the delivery of the Revenue Refunding Bonds, the Bond Trustee shall apply the proceeds of the Revenue Refunding Bonds, including interest accrued on the Revenue Refunding Bonds from May 1, 1998, to the date of delivery thereof, as follows:

(a) To the Interest Account, all amounts paid as accrued interest on the Revenue Refunding Bonds from their date to the date of delivery of the Revenue Refunding Bonds;

(b) A sum in the amount of $37,734.49 shall be paid to the Bond Insurer;

(c) A sum in the amount of $51,080.31 shall be deposited in the Costs of Issuance Account; and

(d) A sum in the amount of $3,090,241.82 shall be deposited in or credited to the Escrow Fund established under the Escrow Agreement.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE VII

ADDITIONAL COVENANTS OF ISSUER AND BOARD

Section 7.01. Maintenance of the Hospital Facilities. Until all the Revenue Refunding Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Issuer under this Indenture shall have been paid, or sufficient funds as provided herein are held in trust for the payment of all such obligations, the Board shall, at its sole cost and expense, keep and maintain the Hospital Facilities, both inside and outside, in a good state of repair, and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted, and will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times. The Board will not use or permit the use of the Hospital Facilities, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. The Board shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Hospital Facilities in an economical and efficient manner, consistent with generally acceptable medical facilities comparable to the Hospital Facilities. The Board will properly operate and maintain the Hospital Facilities and make all necessary equipment replacements and repairs while the Revenue Refunding Bonds are outstanding.

Section 7.02. Operation of the Facilities. The Issuer will, through the Board, maintain the Hospital Facilities in good condition and faithfully and efficiently administer, maintain and operate the Hospital Facilities primarily as a health care facility, and the Issuer and the Board further covenant and agree that:

(a) they shall use, maintain and operate the Hospital Facilities primarily as a health care facility upon a revenue-producing basis, at a reasonable cost, consistent with the obligations imposed under this Indenture and its status as a public corporation, for the care and treatment of patients and other related purposes, and for the welfare and benefit of the general public;

(b) the Board will at all times use its best efforts to maintain and operate the Hospital Facilities to meet the standards and requirements and provide health care of such quality and in such manner as shall enable the Hospital to participate in, and provide services in connection with, recognized medical insurance programs (including Medicare and Medicaid), unless the Board shall determine by a Certified Resolution filed with the Issuer and the Bond Trustee that it is in the best interest of the Hospital and the Bondholders to not so comply;

(c) the Board will comply with Title VI of the Civil Rights Act enacted by the Congress of the United States in the operation and maintenance of

the Hospital Facilities and otherwise will conform to applicable federal and State laws prohibiting discrimination based on race, religion, creed, color, age, handicap, sex or national origin; and

(d) the Board will use the Hospital Facilities only in furtherance of the lawful corporate purposes of the Issuer, the Board and the Hospital.

Section 7.03. Maintenance of Tax Exemption. Neither the Issuer nor the Board shall take any action that would adversely affect the exclusion of interest on any Revenue Refunding Bonds from the gross income of the recipient thereof for purposes of federal income taxation.

Section 7.04. Sale of Hospital Facilities. Except as permitted by Sections 7.05, 7.06 and 7.08 hereof, the Issuer will not sell, convey or otherwise transfer any portion of the Hospital Facilities.

Section 7.05. Permitted Encumbrances. Neither the Issuer nor the Board will create or suffer or permit to exist any lien, charge, encumbrance or security interest on or in (a) all or any part of the Revenues, or (b) the Hospital Facilities, except in each case for Permitted Encumbrances. Permitted Encumbrances shall include the following as of any particular time:

(i) liens and encumbrances on the Property in existence on the date of the execution and delivery of this Indenture, as described in Exhibit B attached hereto and incorporated herein by reference;

(ii) liens for ad valorem taxes and special assessments not then delinquent or, if delinquent, being in good faith contested in appropriate proceedings;

(iii) utility, access and other easements and rights-of- way, restrictions and exceptions that will not materially interfere with or impair the operations of the Hospital Facilities;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Hospital Facilities and as do not in the aggregate materially impair the Property affected thereby for the purpose for which it was acquired or is held;

(v) leases of portions of the Hospital Facilities to be used as offices for physicians, other providers of health care and other organizations;

(vi) leases of various departments of the Hospital Facilities such as food facilities, the emergency room, the laboratory, the radiology department, a gift shop, the pharmacy and other similar departments;

(vii) zoning laws and similar restrictions and liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith, and such other liens and charges at the time required by law as a condition precedent to the transaction of the health care activities of the Hospital, the Board or the Issuer, as applicable, or the exercise of any privileges or licenses;

(viii) liens or security interests securing Non-Recourse Indebtedness;

(ix) liens on moneys deposited by patients or others with the Hospital, the Board or the Issuer, as applicable, as security for or as prepayment for the cost of patient care;

(x) liens on Property received by the Hospital, the Board or the Issuer, as applicable, through gifts, grants or bequests, due to restrictions on such gifts, grants or bequests of Property or the income thereon, provided the Indebtedness, if any, secured by such lien is not assumed by the Hospital, the Board or the Issuer, as applicable;

(xi) liens on Property due to rights of third-party payors for recoupment of amounts paid to the Hospital, the Board or the Issuer, as applicable;

(xii) rights of the United States of America under Title 42 of the United States Code, Section 291, or by reason of any loan, grant or subsidy made available by the United States of America, and similar rights under state statutes;

(xiii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Hospital, the Board or the Issuer, as applicable, to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit-sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(xiv) any lien granted in connection with a sale of accounts receivable allowed under Subsection 7.08(c); and

(xv) any lien consented to in writing by the Bond Insurer.

Section 7.06. Permitted Indebtedness. Neither the Issuer nor the Board shall incur, assume or guarantee any indebtedness or liability in connection with the Hospital Facilities required by generally accepted accounting principles from time to time in effect to be shown or noted on the liability side of a balance sheet except for:

(a) Indebtedness and liabilities existing on the date of execution and delivery of this Indenture, as described in Exhibit C attached hereto and incorporated herein by reference;

(b) Liabilities (other than for borrowed money) incurred in the regular course of the operations of the Hospital Facilities, including, without limitation, contributions to self-insurance programs, liabilities for accrued and unpaid vacation pay, unfunded pension liabilities, bank overdrafts incurred in the ordinary course of operations, and liabilities as lessee under leases of real or personal property which are not required to be capitalized on the balance sheet of the Hospital in accordance with such accounting principles, or, if such liabilities have not been so incurred, for the payment of which moneys have been deposited in a fund restricted for such purpose;

(c) Long-Term Debt, in addition to any Long-Term Debt included within the foregoing paragraphs (a) and (b); provided that, except as provided in the next succeeding clause (1) and (2), there shall at the time of issuance thereof be delivered to the Bond Trustee either:

(1) Certificate as to Historical Coverage: An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, the annual Net Income Available for Debt Service was not less than 135% of the Maximum Annual Debt Service Requirement on all Covered Debt then outstanding, and the Long-Term Debt then proposed to be issued, adjusted for any rate increases in effect on the date of incurrence of such Long-Term Debt, the appeal period, if any, for which has expired; or

(2) Reports on Historical and Pro-Forma Coverage. The following reports or opinions:

(x) An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, Net Income Available for Debt Service was not less than 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding at the end of such fiscal year including the Long-Term Debt then proposed to be issued; and

(y) a report or opinion of a Management Consultant to the effect that the estimated annual Net Income Available for Debt Service is not less than 135% of the Maximum Annual

Debt Service Requirement on all Covered Debt to be outstanding, after giving effect to the issuance of such Long-Term Debt and the application of the proceeds thereof (i) for each of the two Fiscal Years following the completion of any acquisition, construction, renovation or replacement of any capital assets or improvements being financed with any of the proceeds of such Long-Term Debt or (ii) if none of the proceeds of such Long-Term Debt are being used to finance any such acquisition, construction, renovation or replacement, then for each of the two Fiscal Years following the issuance of such Long-Term Debt, including the then current fiscal year;

provided, however, that notwithstanding the foregoing, the certificate, reports or opinions set forth in the foregoing clauses (1) and (2) need not be delivered if such Long-Term Debt is incurred for refunding or advance refunding purposes and, after giving effect to the issuance of such Long-Term Debt and to the application of the proceeds thereof, the Maximum Annual Debt Service Requirement on all Covered Debt then to be outstanding does not exceed 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding immediately prior to such issuance, as evidenced by an Officer's Certificate delivered to the Bond Trustee concurrently with such issuance;

(d) Letter of Credit Debt consisting of Indebtedness for borrowed money, whether or not constituting Long-Term Debt, secured by a commitment from a foreign or domestic financial institution provided that at the time of issuance of any such indebtedness there shall be delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Letter of Credit Debt were Projected Long-Term Debt;

(e) Commitment Debt consisting of Indebtedness under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the issuance of any Indebtedness; provided, however, if such liquidity or credit facility is used or drawn upon, then the liability represented by such use or draw shall be included in Indebtedness for all other purposes of this Indenture and the Indebtedness paid from the proceeds of the use or draw shall no longer be included in Indebtedness;

(f) Short-Term Indebtedness incurred in the ordinary course of business, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Short-Term Debt plus the current portion of Long-Term Indebtedness does not exceed

twenty-five percent (25%) of the Adjusted Annual Revenues as shown on the most recently available audited financial statements; provided, however, that there shall be a period of at least twenty (20) consecutive calendar days during each Fiscal Year during which all Short-Term Indebtedness shall not exceed five percent (5%) of such Adjusted Annual Revenues;

(g) Non-Recourse Debt; provided, that all the Property which is subject to said Non-Recourse Debt may not produce greater than 25% of the Adjusted Annual Revenues of the Hospital;

(h) Balloon Debt, provided that at the time of issuance thereof there is delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Balloon Debt were Projected Long-Term Debt;

(i) Completion Debt, provided that at the time of issuance thereof the Board shall deliver to the Bond Trustee an Officer's Certificate (x) stating that at the time of the original issuance of the Indebtedness in respect of which such Completion Debt is being issued, the Issuer had reasonably expected such Indebtedness to be adequate to complete the facilities or portion thereof thereby being financed and (y) demonstrating how such Completion Debt would be repaid if it were Projected Long-Term Debt;

(j) Other Long-Term Debt in addition to the Indebtedness permitted by the preceding clauses (a) through (i), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof, the aggregate unpaid principal amount of all such Indebtedness incurred pursuant to this subparagraph (j) then Outstanding shall not exceed 25% of Adjusted Annual Revenue as shown on the most recently available audited financial statements;

(k) Subordinated Debt; provided, that prior to the issuance thereof the Board shall deposit with the Bond Trustee an Officer's Certificate indicating that the Hospital will comply with Section 7.07 hereof for the next two Fiscal Years, assuming issuance of such Subordinated Debt. Any Subordinated Debt shall provide that such Subordinated Debt may not be accelerated without the consent of the Bond Insurer;

(l) Indebtedness repayable from ad valorem or other tax levies; and

(m) Any other Indebtedness approved by the Bond Insurer .

Any Indebtedness issued or guaranteed by the Issuer or the Board, as appropriate, pursuant to any of the preceding paragraphs may at any time and from time to time, if the same shall then be permitted to be issued or guaranteed pursuant to another paragraph, be reclassified as having been issued or guaranteed pursuant to such other paragraph by delivery to the Bond Trustee of an Officers' Certificate setting forth the fact of such reclassification, which Certificate shall be supported by the documents and showings, if any, which would be required if such Indebtedness or guaranty were then being issued pursuant to such other paragraph.

No Indebtedness shall be incurred by the Issuer or the Hospital unless no Event of Default shall have occurred and be continuing with respect to the Revenue Refunding Bonds.

Any Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds shall also be secured by a debt service reserve fund, funded upon the issuance of such Indebtedness and maintained in an amount equal to the maximum annual debt service on such Indebtedness (or, if the Indebtedness is issued with its interest excludable from gross income for federal income tax purposes, such lesser amount as is allowable under the Code).

Section 7.07. Rates and Charges. The Board agrees to fix rates, fees and charges for the services furnished by the Hospital Facilities in amounts sufficient to maintain Net Income Available for Debt Service in an amount not less than 110% (a ratio of 1.1:1) of the Maximum Annual Debt Service Requirement on the Revenue Refunding Bonds and all other Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds and 100% (1:1 ratio) of the Maximum Annual Debt Service Requirement on all Indebtedness and on required deposits to the Debt Service Reserve Fund and other deposits required pursuant hereto. In the event that the annual audit reports for any Fiscal Year shall disclose that the amount required by the preceding sentence is not being maintained, the Board shall, within 30 days following the delivery of such audit report, employ a Management Consultant to prepare a report containing recommendations, if any, as to changes in the operating policies of the Board designed to maintain such amount and the Board shall follow such recommendations, if any, to the extent deemed feasible. A copy of such report shall be delivered to the Bond Trustee.

Section 7.08. Transfers of Property. (A) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), neither the Issuer nor the Board will, in any fiscal year sell, lease, dispose of or otherwise transfer any Property, in excess of the greater of (i) 5% of the Current Value of all Property or (ii) 5% of the Book Value of all property, each determined as of the end of the most recent fiscal year in respect for which audited financial statements are available unless the Issuer or the Board, as appropriate, shall certify to the Bond Trustee that:

(a) the Property in question has, or will within two years of the date of such Certificate, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary; or

(b) the disposition in question consists of an exchange of such Property for other property of equal or greater value than the Property being disposed of; or

(c) such Property consists of assets which may not legally be used or sold to pay Indebtedness; or

(d) such Property consists of charitable contributions previously received which are being transferred to a not-for-profit corporation organized for charitable purposes and has been shown by an Appraisal to be within the limits set forth in (i) and (ii) of this Section 7.08; or

(e) after giving effect to such disposition, the estimated ratio of Net Income Available for Debt Service for the then current and next succeeding fiscal year to the Maximum Annual Debt Service Requirement on all Covered Debt scheduled to be outstanding at the end of each such fiscal year shall not be reduced by more than 20% and shall not be less than 1.75:1.00. Any Officer's Certificate given pursuant to this subparagraph (e) must be supported by a report or opinion of a Management Consultant.

(B) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), the Board shall not, in any Fiscal Year, transfer cash in an amount greater than 10% of its average Cash on Hand for the prior Fiscal Year.

(C) Notwithstanding the foregoing, the Board may sell, lease, dispose of or otherwise transfer Property in the ordinary course of business and may sell, transfer or assign accounts receivable without recourse at a discount of not more than 25% of the face value (being the amount expected to be received by the Board after contractual allowances, discounts and the like) thereof.

Section 7.09. Cash on Hand Requirement. The Hospital shall at all times maintain at least 40 Days Cash on Hand.

Section 7.10. Reporting Requirements. While the Policy is in effect, the Hospital shall furnish to the Bond Insurer:

(i) annual audited financial statements within thirty (30) days of such statements being made available to the Hospital;

(ii) with respect to the project financed with the proceeds of the 1994 Revenue Bonds (the "Project"), a report on the disposition of funds contested with the general contractor in connection with the ongoing construction and completion of the Project, a final construction report with respect to the Project and a copy of the architect's certificate of completion regarding the Project;

(iii) with respect to certain additional improvements being undertaken by the Hospital as of the date hereof, a description of such improvements, together with an estimate of the costs thereof, the source of funding therefor and the estimated timing thereof, a final construction report with respect to such improvements and an architect's certificate or, if no architect is involved with such improvements, an Officer's Certificate regarding completion of such improvements;

(iv) a copy of any notice or report required to be given to the Bond Trustee, the Insurance Trustee, any paying agent, the registered Owners of the Revenue Refunding Bonds or any other party to any of the documents executed in connection with the issuance of the Revenue Refunding Bonds, including, without limitation, notice of any redemption of or defeasance of Revenue Refunding Bonds, and any certificate rendered pursurant to this Indenture relating to the security for the Revenue Refunding Bonds;

(v) a copy of any request to the West Virginia Health Care Authority to change the licensed bed component of the Hospital; and

(vi) a copy of any information filed by the Hospital with any NRMSIR under Sec Rule 15c2-12, simultaneously with the filing with such NRMSIR; and

(vii) such additional information as the Bond Insurer may reasonably request.

The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to discuss the affairs, finances and accounts of the Hospital or any information the Bond Insurer may reasonably request regarding the security for the Revenue Refunding Bonds with appropriate officers of the Issuer or the Hospital. The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to have access to and make copies of all books and records relating to the Revenue Refunding Bonds and the security therefor at any reasonable time.

Section 7.11. Insurance. The Issuer or the Board shall continuously maintain insurance on the Hospital. As long as the Policy is in effect, such insurance shall be against such risks (including casualty, accident and workers' compensation), in such amounts and with such deductibles, as are recommended by the insurance consultant described below; provided that such terms are consistent with customary coverage, as from time to time in

effect, in connection with the operation of a hospital of type and size comparable to the Hospital and as maintained by a political subdivision similar to the Issuer, all as determined by the insurance consultant. All such insurance must be provided by a recognized insurance company or through a self-insurance trust fund acceptable to the insurance consultant.

As long as the Policy is in effect, the Board (i) shall cause an Independent insurance consultant acceptable to the Bond Insurer, which may be the Hospital's Independent insurance broker, to review the Hospital's insurance coverage at least once every two (2) years and to make recommendations; (ii) shall comply with such recommendations; and (iii) shall not self-insure for any risks not self-insured as of the date hereof without the consent of the Bond Insurer.

Section 7.12. Environmental Covenants. The Issuer and the Board represent and, so long as the Policy is in effect, the covenants set forth in Exhibit D attached hereto and incorporated herein by reference.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE VIII

SECURITY; INVESTMENTS

Section 8.01. Security for Deposits. Any and all money deposited with the Bond Trustee under the provisions of this Indenture shall be trust funds under the terms hereof and shall not be subject to any lien or attachment by any creditor of the Issuer or the Board. Such money shall be held in trust and applied in accordance with the provisions of this Indenture.

All money deposited with the Bond Trustee in excess of the amount guaranteed by the Federal Deposit Insurance Board or other federal agency shall be continuously secured, for the benefit of the Issuer and the Owners of Revenue Refunding Bonds, either (a) by lodging with a bank or trust company chosen by the Bond Trustee or custodian or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Bond Trustee to give security for the deposit for any money that shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

All money deposited with the Bond Trustee shall be credited to the particular fund or account to which such money belongs.

Section 8.02. Investment of Moneys. Except as set forth below and as otherwise provided in this Indenture, any moneys held as a part of the funds created pursuant to this Indenture shall be invested or reinvested by the Bond Trustee at the direction of the Board, confirmed by an Officer's Certificate, in any Investment Securities; provided, however, that, in the absence of any direction from the Board, the Bond Trustee shall keep such funds invested in Government Obligations. Moneys on deposit in the Interest Account pursuant to Subsections 6.02(a) and (c) shall be invested only in Government Obligations. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Revenue Refunding Bonds without the prior written consent of the Bond Insurer (so long as the Policy is in effect and the Bond Insurer is not in default thereunder). Moneys on deposit in the Debt Service Reserve Fund shall be invested only in instruments described in Paragraphs (i), (ii) and (v) of the definition of Investment Securities, with maturities of not longer than one year.

Except as otherwise specifically provided herein, any such investment shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund in which such moneys were originally held. Any loss resulting from such investments shall be charged to such fund. Except as otherwise herein provided, any interest or other gain from any fund from any investment or reinvestment shall be allocated and transferred as follows:

(a) Except as provided in (c) below, any interest or other gain realized as a result of any investments or reinvestments of moneys in the Principal Account or the Interest Account of the Bond Fund shall be credited to the Principal Account unless a deficiency exists in the Debt Service Reserve Fund, in which case such interest or other gain shall be paid into the Debt Service Reserve Fund forthwith.

(b) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund if a deficiency exists therein at that time. If a deficiency does not exist in the Debt Service Reserve Fund at that time, such interest or other gain shall be paid into the Principal Account at least semiannually.

(c) Any interest or gain realized as a result of any investments or reinvestments of Revenue Refunding Bonds proceeds deposited in the Interest Account shall be maintained in the Interest Account.

At least quarterly, the Bond Trustee shall value the investments held for any fund at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the owner, including the value of accrued interest and giving effect to the amortization of discount. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient to make the payments required from such fund regardless of the loss on such liquidation. The Bond Trustee may make any and all investments permitted by this Section 8.02 through its own bond department.

In making investments of the moneys held hereunder the Bond Trustee may rely on the direction of the Board and shall not be liable for any investments made in violation of the covenant as to arbitrage contained herein or otherwise, if made pursuant to such direction.

ARTICLE IX

SATISFACTION AND DISCHARGE

Section 9.01. Satisfaction and Discharge. All obligations of the Issuer and the Board under this Indenture shall terminate, and the estate and rights granted shall cease, determine and be void, and the Bond Trustee shall assign and deliver to the Board any moneys and investments in the Bond Fund and Debt Service Reserve Fund when:

(a) all fees and expenses of the Bond Trustee shall have been paid as provided for;

(b) the Issuer and the Board shall have performed all of their agreements in this Indenture;

(c) if, when the Revenue Refunding Bonds (i) shall have become due and payable in accordance with their terms or (ii) shall have been duly called for redemption or (iii) irrevocable instructions to call such Revenue Refunding Bonds for redemption or to pay such Revenue Refunding Bonds at their respective maturities or combination of such payment and redemption shall have been given by the Issuer, the whole amount of the principal and the interest and premium, if any, so due and payable upon all such Revenue Refunding Bonds then Outstanding shall be paid or sufficient moneys, or non-redeemable Government Obligations the principal of and the interest on which when due will provide sufficient moneys, shall be held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, for such purpose under the provisions of this Indenture and provision shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of the Owners of such Revenue Refunding Bonds in the revenues, funds and accounts mentioned in this Indenture shall thereupon cease, determine and become void, the Issuer shall have no obligation with respect to such Revenue Refunding Bonds except for the payment of the principal of, redemption premium, if any, and interest thereon solely from the moneys or Government Obligations deposited pursuant to this Section, otherwise this Indenture shall be, continue and remain in full force and effect; provided, however, that in the event Government Obligations shall be deposited with and held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, as hereinabove provided, in addition to the requirements set forth in Article III of this Indenture, the Issuer shall within thirty (30) days after such Government Obligations shall have been deposited with the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, cause a notice to be mailed by first class mail, postage prepaid, to each Owner of such Revenue Refunding Bonds at the address listed in the Bond Register, of (i) the date, if any, designated for redemption of such Revenue Refunding Bonds or if a portion of such Outstanding Revenue Refunding Bonds are to be redeemed prior to their maturities or mandatory redemption dates, a statement to the effect that designated Revenue Refunding Bonds are being paid at maturity or prior mandatory redemption and

designated Revenue Refunding Bonds are being redeemed in amounts and at a time which will satisfy the Principal Installments therefor, (ii) a description of the non-redeemable Government Obligations so held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, and (iii) that this Indenture has been repealed and cancelled in accordance with the provisions of this Section;

(d) if any portion of the Revenue Refunding Bonds are to be redeemed prior to the stated maturity date thereof, arrangements, satisfactory to the Bond Trustee, shall have been made for the giving of notice of redemption of such Revenue Refunding Bonds on the date required by this Indenture;

(e) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer, a certificate executed by the Issuer Representative and an Opinion of Counsel, each stating that all requirements of this Indenture for defeasance of the Revenue Refunding Bonds have been complied with; and

(f) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer a verification report by a verifier acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer (so long as the Policy is in effect).

Notwithstanding anything herein to the contrary, in the event that the principal and interest, or either thereof, due on the Revenue Refunding Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Revenue Refunding Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners.

Section 9.02. Application of Trust Moneys. All moneys and Government Obligations deposited with or held by the Bond Trustee pursuant to Section 9.01 hereof shall be held in trust for the Owners of the Revenue Refunding Bonds and applied by it, in accordance with the provisions of such Revenue Refunding Bonds and this Indenture, to the payment to the persons entitled thereto, of the principal and interest for the payment of which such moneys and Government Obligations have been deposited with the Bond Trustee; but such moneys and Government Obligations need not be segregated from other funds except to the extent required by law. Such moneys and Government Obligations shall not be deemed to be "available" for purposes of Section 10.09 hereof and shall not be subject to investment.

Section 9.03. Subrogation. Notwithstanding anything herein to the contrary, in the event that the principal and interest, or either thereof, due on the Revenue Refunding Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Revenue Refunding Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer or the Hospital, and all covenants, agreements and other

obligations of the Issuer and the Hospital to the registered Owner shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.01. Events of Default. Each of the following shall be an "Event of Default" hereunder:

(a) Failure to pay the principal of, or the premium, if any, or interest on any of the Revenue Refunding Bonds when the same shall become due and payable at maturity, upon redemption or otherwise; or

(b) Failure by the Issuer or the Board to perform any of its covenants, conditions, agreements and provisions contained in the Revenue Refunding Bonds or in this Indenture other than as specified in (a) above, and such failure shall continue for the period and after the notice specified in Section 10.02 hereof; or

(c) Subject to any grace provisions therefor, failure to pay when due the principal of or interest on any other Indebtedness of or relating to the Hospital.

Section 10.02. Notice of Default; Opportunity to Cure Such Default. No default under Section 10.01(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Issuer and the Board by the Bond Trustee or the Bond Insurer or by the Owners of not less than 25 percent in aggregate principal amount of all Revenue Refunding Bonds Outstanding and until the Issuer and the Board shall have had 30 days after receipt of such notice to correct such default, and shall not have corrected it; provided, however, if said default be such that it cannot be corrected within such 30 day period and with the consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Board within the applicable period and the default is corrected within 120 days after receipt of the notice to correct such default.

The Issuer hereby grants the Board full authority for the account of the Issuer to perform any covenant or obligation alleged to constitute a default in any notice given pursuant to this Section 10.02 in the name of the Issuer and with full power of substitution.

In the event that any payment referred to in Subsection 10.01(a) is not timely made, the Bond Trustee shall immediately notify the Board by the fastest means of communication reasonably available that such payment has not been made and shall confirm such notice by a subsequent telegram.

Section 10.03. Acceleration; Cure. Upon the occurrence and continuance of any Event of Default, the Bond Trustee may, and, upon the written request of the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds

then Outstanding, the Bond Trustee shall, by notice in writing delivered to the Issuer and the Board, declare the principal of all Revenue Refunding Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Indenture or in the Revenue Refunding Bonds to the contrary with respect to such notice notwithstanding.

The above provisions, however, are subject to the condition that if, after the principal of the Revenue Refunding Bonds shall have been so declared to be due and payable, all arrears of interest upon the Revenue Refunding Bonds, and all other sums payable under this Indenture (except the principal of, and interest on, the Revenue Refunding Bonds which by such declaration shall have become due and payable) shall have been paid by or on behalf of the Issuer, and the Issuer and the Board also shall have performed all other things in respect of which they, or either of them may have been in default hereunder, and shall have paid the reasonable charges of the Bond Trustee, its counsel and the Owners of the Revenue Refunding Bonds, including reasonable attorneys' fees paid or incurred, then and in every such case, the Owners of not less than a majority in aggregate principal amount of Revenue Refunding Bonds then Outstanding may, by written notice to the Issuer and to the Bond Trustee, waive such default and rescind and annul such declaration and its consequences, and such waiver shall be binding upon the Bond Trustee and upon all Owners of Revenue Refunding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Section 10.04. Powers of Bond Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Bond Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding hereunder shall, proceed, subject to the provisions of Section 11.01 and Section 11.03 hereof, to protect and enforce its rights and the rights of the Owners under the laws of the State and under this Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Upon the occurrence and continuance of an Event of Default and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Owners under this Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Hospital Facilities and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

The Bond Trustee may maintain any proceedings without the possession of any of the Revenue Refunding Bonds or the production thereof in connection with said proceeding.

If any proceeding taken by the Bond Trustee on account of any Event of Default is discontinued or abandoned for any reason, or determined adversely to the Bond Trustee, then and in every case the Issuer, the Hospital, the Bond Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bond Trustee shall continue as though no such proceeding had been taken.

Section 10.05. Powers of Owners. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee hereunder.

Section 10.06. Limitations on Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or any other remedy hereunder or on the Revenue Refunding Bonds, unless:

(a) such Owner previously shall have given to the Bond Trustee written notice of an Event of Default;

(b) the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have made written request of the Bond Trustee, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name;

(c) there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(d) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time.

Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Bond Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to any other remedy hereunder; its being understood and intended that no Owner shall have any right in any manner whatever by his action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Revenue Refunding Bonds, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the

manner herein provided and for the equal and ratable benefit of all Owners of Outstanding Revenue Refunding Bonds affected thereby, subject to the provisions of this Indenture. Nothing in this Indenture contained shall, however, affect or impair the right of any Owner to institute suit for the enforcement of payment of the principal of and the premium, if any, and interest on such Revenue Refunding Bonds when due and payable in accordance with its terms, upon redemption or otherwise.

Section 10.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or the Owners of the Revenue Refunding Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.08. Delay or Omission of Bond Trustee. No delay or omission of the Bond Trustee or of any Owner of the Revenue Refunding Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Article X to the Bond Trustee and to the Owners of the Revenue Refunding Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.09. Application of Moneys. Any moneys received by the Bond Trustee while an Event of Default is continuing, and any available moneys held in any of the funds created hereunder shall, after first being applied to the payment of the reasonable fees and expenses of the Bond Trustee, be applied in the following order:

(a) Unless the principal of all the Revenue Refunding Bonds shall have been declared due and payable, all such moneys shall be applied to the payment to the Persons entitled thereto of all installments of interest then due on the Revenue Refunding Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

(b) If the principal of all the Revenue Refunding Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid on the Revenue Refunding Bonds, without preference or priority, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto; and

(c) To the extent of the surplus, if any, to the Board, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

For the purpose of this Section 10.09, moneys which, at the time an Event of Default occurs, are held in the Redemption Account in the Bond Fund for the redemption of

any Revenue Refunding Bonds for which a notice of redemption has been given prior to such Event of Default, or in the Interest Account for the payment of interest which shall have become payable prior to such Event of Default, shall not be deemed "available," but shall be applied in accordance with Section 5.01 to such redemption or payment.

Whenever moneys are to be applied pursuant to this Section 10.09, the Bond Trustee shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Revenue Refunding Bonds until such Revenue Refunding Bonds shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.10. Severability of Remedies. It is the purpose and intention of this Article X to provide rights and remedies to the Bond Trustee and Owners which may be lawfully granted under the provision of the Act, but, should any right or remedy herein granted by held to be unlawful, the Bond Trustee and the Owners shall be entitled, as above set forth, to every other right and remedy provided in this Indenture.

Section 10.11. Board's Right of Possession and Use of Hospital Facilities. So long as the Issuer and the Board are in full compliance with the terms and provision hereof, the Board shall be entitled to possess, use, operate and enjoy the properties and appurtenances constituting the Hospital Facilities without interference from, or entry on the Hospital Facilities by, and free from claims of, the Bond Trustee or persons claiming by, through or under it.

Section 10.12. Notice of Default. The Bond Trustee shall mail to all Owners of the Revenue Refunding Bonds, at their addresses as they appear on the Bond Register, written notice of the occurrence of any Event of Default set forth in Section 10.01 hereof within thirty (30) days after the Bond Trustee shall have notice of the same; provided, that, except upon the happening of an Event of Default specified in Subsection 10.01(a) hereof, the Bond Trustee may withhold such notice if in its opinion such withholding is in the interest of the Owners; and provided further, that the Bond Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

Section 10.13. Consent and Control of the Bond Insurer. Notwithstanding anything herein to the contrary, to the extent the Revenue Refunding Bonds are subject to acceleration, upon the occurrence of an Event of Default, the indebtedness evidenced by the Revenue Refunding Bonds shall not be accelerated without the Bond Insurer's prior written consent. At that time, the Bond Insurer may, in its discretion, either direct the Bond Trustee to accelerate payment of the Revenue Refunding Bonds or continue to pay principal and interest on the originally scheduled due dates of the Revenue Refunding Bonds.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in Section 10.01, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or any Trustee appointed for the benefit of the Owners under this Indenture.

No waivers shall be granted by the Bond Trustee or any paying agent without the prior written consent of the Bond Insurer.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE XI

CONCERNING THE BOND TRUSTEE

Section 11.01. Acceptance of Trust. The Bond Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts as a reasonably prudent trustee, but only upon and subject to the following express terms and conditions:

(a) The Bond Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Bond Trustee may act upon the opinion or advice of any attorney approved by the Bond Trustee in the exercise of reasonable care. The Bond Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Bond Trustee shall not be responsible for any recital herein, or in the Revenue Refunding Bonds (except in respect to the certificate of authentication endorsed on the Revenue Refunding Bonds), or for the validity of the execution by the Issuer of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Revenue Refunding Bonds; and the Bond Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Board except as herein set forth, but the Bond Trustee may require of the Issuer or the Board full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of such property. The Bond Trustee shall have no obligation to perform any of the duties of the Issuer or the Board hereunder. The Bond Trustee shall not be responsible for reviewing any financial information of the Hospital which it receives. No provision of this Bond Trust Indenture shall be deemed to require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability (except for its own negligence or willful misconduct) in the performance of any of its duties, or in the exercise of any of its rights or powers. Except during the continuance of an Event of Default, the Bond Trustee shall be obligated to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Bond Trustee.

(c) The Bond Trustee shall not be accountable for the use of any Revenue Refunding Bonds authenticated or delivered hereunder after such Revenue Refunding Bonds shall have been delivered in accordance with instructions of the Issuer.

(d) The Bond Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Bond Trustee, pursuant to this Indenture upon the request, authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Revenue Refunding Bonds, shall be conclusive and binding upon all future Owners of the same Revenue Refunding Bonds and upon Revenue Refunding Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Bond Trustee shall be entitled to rely upon a certificate of the Issuer signed by an Issuer Representative or an Officer's Certificate as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which the Bond Trustee has knowledge as provided in Section 11.02, shall also be at liberty to accept a similar certificate to the effect than any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Bond Trustee may accept a certificate of an Issuer Representative or the Clerk under seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(f) The permissive right of the Bond Trustee (indicated by the word "may" and not by the word "shall") to do things enumerated in this Indenture shall not be construed as a duty, and the Bond Trustee shall not be answerable for other than its negligence or willful misconduct. The Bond Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as Bond Trustee, except as may result from its own negligence or willful misconduct.

(g) The Bond Trustee shall not be personally liable for any debts contracted or for damages to persons or property, or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the real and tangible personal property pursuant to this Indenture.

(h) At any and all reasonable times the Bond Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right to inspect any and all of the property and all books, papers and records of the Issuer pertaining to the Revenue Refunding Bonds and to take such memoranda from and in regard thereto as may be desired.

(i) The Bond Trustee shall not be required to give any bond or security in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere in this Indenture contained, the Bond Trustee shall have the right, but shall not be required, to demand, in respect of

requesting the authentication of any Revenue Refunding Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Bond Trustee deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Revenue Refunding Bonds, the withdrawal of any cash or the taking of any other action by the Bond Trustee.

(k) Except as expressly required herein, the Bond Trustee shall neither be required to institute any suit or action or other proceeding in which it may be a defendant, or to take any steps to enforce its rights and expose it to liability, nor be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees and other reasonable disbursements, including its own fees, and against all liability and damages. The Bond Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Bond Trustee, without prior assurance of indemnity, and in such case the Board shall reimburse the Bond Trustee for all reasonable costs, expenses, outlays, counsel and other fees and other reasonable disbursements, including its own fees, and for all liability and damages suffered by the Bond Trustee in connection therewith, except for the Bond Trustee's negligence or willful misconduct. If the Bond Trustee begins, appears in or defends such a suit, the Bond Trustee shall give reasonably prompt notice of such action to the Issuer and the Board, and shall give such notice prior to taking such action if possible. If the Board shall fail to make such reimbursement, the Bond Trustee may reimburse itself from any surplus money created hereby; provided, however, that if the Bond Trustee shall collect any amounts or obtain a judgment, decree or recovery, by exercising the remedies available to it hereunder, the Bond Trustee shall have a first claim upon the amount recovered for payment of its reasonable costs, expenses and fees incurred.

(l) All moneys received by the Bond Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received.

Section 11.02. Notice of Potential Default to Owners; Presumed Knowledge. Within 30 days after the occurrence of any event which would with the passage of time or giving of notice or both be an Event of Default hereunder of which the Bond Trustee has actual knowledge or has, or is deemed to have, notice, the Bond Trustee shall, unless such event shall no longer exists, mail notice thereof to all Owners in the same manner required by Section 10.12 hereof (with copies of such notice being sent to any other parties set forth in said Section 10.12); provided, however, that, except upon the happening of an Event of Default specified in Subsection 10.01(a), such notice need not be given if the Bond Trustee determines that to give such notice is not in the best interest of the Owners.

For purposes of Articles X and XI, the Bond Trustee shall not be deemed to have actual knowledge of any such event unless a trust officer, assistant trust officer or other person charged with the administration of the obligations of the Bond Trustee hereunder

shall during the course of his duties have actual knowledge thereof. Such person shall be deemed to have actual knowledge if notified in writing of such by the Owners of at least 15 percent in aggregate principal amount of Revenue Refunding Bonds then Outstanding.

Section 11.03. Rights and Powers During Default. Subject to its responsibility to act upon the direction of Owners hereunder, the Bond Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that, if in the opinion of the Bond Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Section 11.04. Right to Rely Upon Documents. The Bond Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine. The Bond Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Section 11.05. Right to Own and Deal in Revenue Refunding Bonds. The Bond Trustee may in good faith buy, sell, own, hold and deal in any of the Revenue Refunding Bonds and may join in any action which any Owner may be entitled to take, with like effect as if the Bond Trustee were not a party to this Indenture. The Bond Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Board and may act as depository, trustee or agent for any committee or body of Owners of the Revenue Refunding Bonds or other obligations of the Issuer, as freely as if it were not Bond Trustee hereunder.

Section 11.06. Interest Upon Moneys Received. The Bond Trustee shall not be under any liability for interest on any moneys received under any of the provisions of this Indenture, except as may be agreed upon between the Bond Trustee and the Board. All interest allowed on any such moneys shall be credited as provided in Article VIII hereof with respect to interest on investments.

Section 11.07. Construction of Provisions of Indenture. The Bond Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision thereof.

Section 11.08. Co-Trustee. The Bond Trustee, with the approval of the Issuer, which approval shall not be unreasonably withheld, may appoint an additional individual or institution as a separate or co-trustee. If the Bond Trustee appoints a separate or co-trustee, each power or right vested in the Bond Trustee hereunder shall be exercisable by and vest in such separate or co-trustee to the extent necessary or desirable to enable the co-trustee to

exercise such powers or rights, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Section 11.09. Resignation by Bond Trustee. The Bond Trustee and any successor Bond Trustee may at any time resign from the trusts hereby created by giving 30 days' written notice to the Issuer, to the Board and by registered or certified mail to each Owner of Revenue Refunding Bonds then Outstanding as shown on the Bond Register, and such resignation shall take effect at the end of such 30 days (so long as successor Bond Trustee has been appointed), or upon the earlier appointment of a successor Bond Trustee by the Owners or by the Issuer. Such notice to the Issuer may be served personally or sent by registered mail.

Section 11.10. Removal of Bond Trustee. The Bond Trustee may be removed at any time by an instrument or instruments in writing signed by the Owners of not less than a majority of the principal amount of Revenue Refunding Bonds then Outstanding. Written notice of such resignation or removal shall be given to the Issuer and the Board, and such removal shall take effect upon the appointment and qualification of a successor Bond Trustee.

Prior to an Event of Default, the Bond Insurer shall have the right to remove the Bond Trustee for cause, and, after an Event of Default, the Bond Insurer shall have the right to remove the Trustee for any reason. In addition, the Bond Trustee may be removed by the Issuer at any time by a supplement hereto signed by the Issuer so long as (i) no Event of Default, or no event which, with the giving of notice or the passage of time or both, would become an Event of Default, shall have occurred and be continuing and (ii) the Issuer determines, in such supplement, that the removal of the Bond Trustee shall not have an adverse effect upon the rights or interests of the Owners.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Issuer shall be entitled to appoint a successor Bond Trustee. In such event, the successor Bond Trustee shall cause notice to be mailed to the Owners of all Revenue Refunding Bonds then Outstanding in such manner deemed appropriate by the Issuer. If the Bond Trustee resigns, the resigning Bond Trustee shall pay for such notice. If the Bond Trustee is removed, is dissolved or otherwise becomes incapable of acting as Bond Trustee, the Board shall pay for such notice.

If the Owners of a majority of the principal amount of Revenue Refunding Bonds then Outstanding object to the successor Bond Trustee so appointed by the Issuer and if such Owners designate another person qualified to act as the Bond Trustee, the Issuer shall then appoint as the Bond Trustee the person so designated by the Owners.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Bond Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust

business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $25,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Bond Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also the Issuer and the Board an instrument in writing, accepting such appointment hereunder, and thereupon such successor Bond Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Bond Trustee all the rights, powers and trusts of such predecessor. The predecessor Bond Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Bond Trustee. The predecessor Bond Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Bond Trustee.

Each successor Bond Trustee, not later than ten days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Owner.

In the event a successor Bond Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Bond Trustee, the Issuer or the Board may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section.

Section 11.11. Acceptance and Transfer of Trust. Any successor Bond Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and the Board an instrument accepting such appointment hereunder, and thereupon such successor Bond Trustee, without any further action, deed or conveyance, shall become duly vested with all the trust estate and the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Bond Trustee herein. Upon request of such Bond Trustee, the Bond Trustee ceasing to act and the Issuer shall execute and deliver an instrument transferring to such successor Bond Trustee all the trust estate and the rights, powers and trusts hereunder of the Bond Trustee so ceasing to act; and the Bond Trustee so ceasing to act shall pay over to the successor Bond Trustee all moneys and other assets at the time held by it hereunder.

Section 11.12. Successor Bond Trustee by Merger. Any corporation into which any Bond Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Bond Trustee hereunder shall be a party, shall be the successor Bond Trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 11.13. Bond Trustee's Right To Make Advances. In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any

part of the Hospital Facilities is not paid as required, the Bond Trustee may pay such tax, assessment or governmental charge or insurance premium, without prejudice, however, to any rights of the Bond Trustee or the Owners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the Default Rate, shall be given a preference in payment over any payment of principal of and premium, if any, and interest on the Revenue Refunding Bonds, and shall be paid out of the proceeds of revenues collected under the Loan Agreement, if not otherwise caused to be paid; provided however, that the Bond Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Owners of at least 25 percent in aggregate principal amount of Revenue Refunding Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 11.14. Intervention by Bond Trustee. The Bond Trustee may intervene on behalf of the Owners in any judicial proceeding to which the Issuer is a party and which, in the opinion of the Bond Trustee and its counsel, has a substantial bearing on the interests of the Owners, and shall intervene if it is requested in writing by the Owners of at least 50 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding and provided indemnity pursuant to Section 11.01. The rights and obligations of the Bond Trustee under this Section 11.14 are subject to the approval of a court of competent jurisdiction.

Section 11.15. Fees, Charges and Expenses of Bond Trustee. The Bond Trustee shall be entitled to payment and/or reimbursement for reasonable fees and charges for its services rendered hereunder, and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Bond Trustee in connection with such services. Upon an Event of Default, but only upon an Event of Default, the Bond Trustee shall have a right of payment prior to payment on account of interest on or principal of, or premium, if any, on, any Revenue Refunding Bonds for the foregoing advances, fees, costs and expenses incurred.

Section 11.16 Policy Not To Be Considered. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Owners of the Revenue Refunding Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Bond Trustee (or any paying agent) shall consider the effect on the Owners of the Revenue Refunding Bonds without regard to the Policy

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE XII

EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF REVENUE REFUNDING BONDS; LISTS OF OWNERS

Section 12.01. Execution of Instruments. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their duly appointed attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Revenue Refunding Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bond Trustee with regard to any action taken by it under such instrument if made in the following manner:

(1) The fact and date of the execution by any person or any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution, and where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such verification or affidavit shall also constitute sufficient proof of this authority.

(2) The ownership of Revenue Refunding Bonds shall be proved by the Bond Register.

Nothing contained in this Section 12.01 shall be construed as limiting the Bond Trustee to such proof, its being intended that the Bond Trustee may accept any other evidence of the matters herein stated which may be sufficient. Any request or consent of the Owner of any Revenue Refunding Bonds shall bind every future Owner of the same Revenue Refunding Bonds or any Revenue Refunding Bonds issued in place thereof in respect of anything done by the Bond Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section 12.01, the Bond Trustee shall not be required to recognize any person as an Owner of any Revenue Refunding Bonds or to take any action at his request unless such Revenue Refunding Bonds shall be deposited with it.

Section 12.02. Preservation of Information; Communications to Owners. (a) The Bond Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Owners received by the Bond Trustee.

(b) If three or more Owners (herein called "applicants") apply in writing to the Bond Trustee and furnish reasonable proof that each such applicant has owned a Revenue Refunding Bonds for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Owners with respect to their rights under this Indenture or under the Revenue Refunding Bonds and is accompanied by a copy of the form of communication which such applicants propose to transmit, then the Bond Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Bond Trustee in accordance with subsection (a) of this Section 12.02, or

(ii) inform such applicants as to the approximate number of Owners whose names and addresses appear in the information preserved at the time by the Bond Trustee in accordance with subsection (a) of this Section 12.02, and as to the approximate cost of mailing to such Owners the form of communication, if any, specified in such application.

If the Bond Trustee shall elect not to afford such applicants access to such information, the Bond Trustee shall, upon the written request of such applicants, mail to each Owner whose name and address appears in the information preserved at the time by the Bond Trustee in accordance with subsection (a) of this Section 12.02 a copy of the form of communication which is specified in such request, with reasonable promptness after a tender to the Bond Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

(c) The Bond Trustee shall also afford the Issuer and the Board with reasonable access to the information described in subsection (a). Every Owner, by receiving and holding one or more Revenue Refunding Bonds, agrees with the Issuer and the Bond Trustee that neither the Issuer nor the Bond Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Owners to the Issuer or to the Board, in accordance with subsection (b) of this Section 12.02 or in accordance with any other provision of this Indenture, regardless of the source from which such information was derived, and that the Bond Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under such subsection (b).

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

ARTICLE XIII

SUPPLEMENTAL INDENTURES; MODIFICATION OF THE INDENTURE; BOND INSURER'S CONSENT

Section 13.01. Supplemental Indentures Without Consent of Owners. The Issuer and the Bond Trustee may without the consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Indenture;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Bond Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new Bond Trustee hereunder;

(e) to provide for the issuance of Revenue Refunding Bonds as other than Book-Entry Bonds;

(f) to preserve the exclusion of interest on the Revenue Refunding Bonds from the gross income of the recipients thereof for federal income tax purposes;

(g) to obtain a favorable credit rating from Duff & Phelps, Moody's and S&P, or any thereof , with respect to the Revenue Refunding Bonds;

(h) to make any other changes approved by the Bond Insurer; or

(i) to make any other change in this Indenture which, in the judgment of the Bond Trustee in reliance upon an Opinion of Counsel, does not materially adversely affect the rights of the Owners of any Revenue Refunding Bonds.

Section 13.02. Modification of the Indenture with Consent of Owners. From time to time the Owners of not less than 67 percent (except in the case of a rescission of acceleration under Section 10.03 hereof) in aggregate principal amount of the Outstanding Revenue Refunding Bonds materially adversely affected by any waiver under, or modification or alteration of, this Indenture may, by an instrument or instruments in writing signed by such Owners and filed with the Bond Trustee, assent to and authorize any such

waiver, modification or alteration that shall be proposed by the Issuer and the Board and consented to by the Bond Trustee; and any action herein authorized to be taken, with the assent or authority given as aforesaid, shall be binding upon the Owners of all of the Revenue Refunding Bonds and upon the Bond Trustee as fully as though such action were specifically and expressly authorized by the terms of this Indenture; provided, that, without the consent of the Owners of all Revenue Refunding Bonds affected thereby, no such waiver, modification or alteration shall permit: (a) the reduction of the portion of the Revenue Refunding Bonds the consent of the Owners of which is required for any waiver, modification or alteration of this Indenture or (b) the extension of the time or times of payment of the principal of or the premium, if any, or interest on the Revenue Refunding Bonds, whether at maturity, upon redemption or otherwise, or the reduction in the principal amount thereof or in the rate of interest or the amount of any premium thereon or any change in the currency for payment thereof. No modification of the rights, duties or immunities of the Bond Trustee shall be made without the written consent of the Bond Trustee.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XIII which affects any rights or obligations of the Board shall not become effective unless and until the Board shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Board at least 15 days prior to the proposed date of execution and delivery of any such supplemental indenture.

Section 13.03. Consent of Bond Insurer. Provided it is not in default under the Financial Guaranty Insurance Policy, the Bond Insurer's consent shall be required for the following purposes; (i) execution and delivery of any supplemental indenture or any amendment of or supplement to any other document executed in connection with the issuance of the Revenue Refunding Bonds; (ii) appointment of a paying agent; (iii) removal of the Bond Trustee or any paying agent; and (iv) initiation or approval of any action not described in (i), (ii) or (iii), above, which requires Revenue Refunding Bond Owner consent. Provided it is not in default under the Financial Guaranty Insurance Policy, the Bond Insurer shall have the sole right to give the consent of the Owners required for any amendment, change, waiver, modification or alteration to the Bond Indenture, except in those instances requiring the consent of the Owners of all Revenue Refunding Bonds affected thereby or the Outstanding, in which case the consent of the Owners shall not be effective unless the consent of the Bond Insurer is also received.

Section 13.04. Notice. Any rating agency rating the Revenue Refunding Bonds must receive notice of each amendment to this Indenture or any other documents relating to the Revenue Refunding Bonds and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Sole Benefit of Parties and Owners; Bond Insurer. Except as herein otherwise provided with respect to the Board and the Bond Insurer, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any Person other than the parties hereto (including the Board) and the Owners of the Revenue Refunding Bonds any right, remedy or claim under or by reason of this Indenture, this Indenture's being intended to be for the sole and exclusive benefit of such parties hereto and the Owners of the Revenue Refunding Bonds.

The Bond Insurer shall be included as a party in interest (third party beneficiary) with respect to this Indenture and as a party entitled to (i) notify the Bond Trustee of the occurrence of an event of default, and (ii) request the Bond Trustee to intervene in judicial proceedings that affect the Revenue Refunding Bonds or the security therefor.

Section 14.02. Severability of Provisions. In case any one or more of the provisions of this Indenture or of the Revenue Refunding Bonds shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Indenture or of said Revenue Refunding Bonds, but this Indenture and the Revenue Refunding Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein.

Section 14.03. Notices. All communications hereunder shall be in writing and, unless otherwise required under this Indenture, shall be deemed sufficiently given or made if delivered personally to the person who is to receive the same, if sent by confirmed facsimile or telecopy or if mailed to such person by first class mail, registered or certified, return receipt requested, postage prepaid, by deposit thereof in a United States Post Office, or branch thereof, within the United States of America addressed

if to the Issuer:	The County Commission of Grant County Grant County Courthouse 5 Highland Avenue Petersburg, WV 26847-0446 Attention: President
if to the Bond Trustee:	Wesbanco Bank Parkersburg P.O. Box 1427 415 Market Street Parkersburg, WV 26101 Attention: Trust Department

if to the Board: Grant Memorial Hospital
P. O. Box 1019
Petersburg, WV 26847
Attention: Administrator
Fax (304) 257-2537

The Bond Trustee, the Issuer and the Board may, by notice given hereunder, designate any further or different addresses to which subsequent communications shall be sent. A duplicate copy of each notice or other communication given hereunder by either the Issuer or Bond Trustee to the other shall also be given to the Board.

All documents received by the Bond Trustee under the provisions of this Indenture, or photographic copies thereof, shall be retained in its possession until this Indenture shall be released in accordance with the provisions of this Indenture, subject at all reasonable times to the inspection of the Issuer and the Owners and the agents and representatives thereof.

The Bond Trustee shall promptly deliver to each Rating Agency then rating the Bonds copies of all communications prepared by it and required by the terms of this Indenture to be sent to either the Owners, the Issuer or the Board.

Section 14.04. Successors and Assigns. None of the covenants, promises and agreements made in this Indenture by or on behalf of the Issuer, the Board or the Bond Trustee shall be assignable by either of them except as expressly provided herein; provided, that the Issuer may delegate to the Board any covenant, promise or agreement delegable under the Act.

Section 14.05. Counterparts. This Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but all such counterparts shall together constitute but one and the same instrument.

Section 14.06. Governing Law. This Indenture and all Revenue Refunding Bonds issued hereunder have been or will be executed and delivered under the laws of the State, and such laws shall govern the construction of this Indenture and of all such Revenue Refunding Bonds. Notwithstanding the foregoing, the rights and obligations of the parties under the Policy shall be construed, enforced, and interpreted according to the laws of the State of New York.

Section 14.07. Payments Due on Other Than a Business Day. In any case where the date for any payment on or with respect to the Revenue Refunding Bonds shall be a day which is not a Business Day, then payment shall be made on the next succeeding Business Day and no interest shall accrue for the intervening period.

Section 14.08. No Liability of Members. No officer, agent, employee or member of the Issuer or the Board shall be personally liable on this Indenture or on any Revenue Refunding Bonds issued hereunder, nor shall the issuance of the Revenue Refunding Bonds under this Indenture be considered a misfeasance in office.

(REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, The County Commission of Grant County has caused these presents to be signed by its President and its corporate seal to be hereunto affixed and attested by its Clerk, and Grant Memorial Hospital has caused these presents to be signed ~~and its seal attested~~ by its Administrator and Secretary of its Board of Trustees, and to evidence its acceptance of the trusts hereby created, Wesbanco Bank Parkersburg has caused these presents to be signed in its name and behalf by of its duly authorized officer and its official seal to be hereunto affixed, and the same to be attested by its ~~Assistant~~ Secretary, all as of the day and year first above written.

THE COUNTY COMMISSION OF GRANT COUNTY

By _____
President

(SEAL)

Attest: _____
Clerk

GRANT MEMORIAL HOSPITAL

By _____
Administrator and Secretary, Board of Trustees

~~(SEAL)~~

WESBANCO BANK PARKERSBURG, as Trustee

By _____
Its Senior Vice President

(SEAL)

Attest: _____
Assistant Secretary

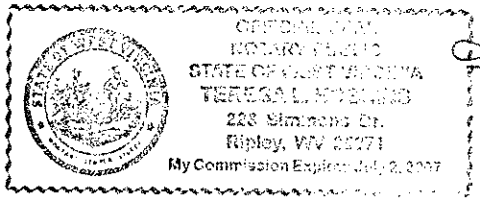
STATE OF WEST VIRGINIA,

COUNTY OF GRANT, to-wit:

The undersigned Notary Public in and for the state and county aforesaid, do hereby certify that Robert F. Sites, as President of The County Commission of Grant County, signed the foregoing writing bearing date the 1st day of May, 1998, and has this day in my said county, before me, acknowledged the said writing to be the act and deed of said County Commission.

Given under my hand and seal this 26th day of May, 1998.

My commission expires July 2, 2007.

[SEAL] 

_____
Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF GRANT, to-wit:

The undersigned Notary Public in and for the state and county aforesaid, do hereby certify that Robert L. Harman, as Administrator of Grant Memorial Hospital and Secretary of the Board of Trustees of Grant Memorial Hospital, signed the foregoing writing bearing date the 1st day of May, 1998, and has this day in my said county, before me, acknowledged the said writing to be the act and deed of said hospital.

Given under my hand and seal this 26th day of May, 1998.

My commission expires July 2, 2007.

[SEAL] OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
TERESA L. HOSKINS
228 Simmons Dr.
Ripley, WV 25271
My Commission Expires July 2, 2007

Teresa L. Hoskins
Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF Wood to-wit:

The undersigned Notary Public in and for the state and county aforesaid, do hereby certify that C. Randall Lane, as Senior Vice President, of Wesbanco Bank Parkersburg, as Bond Trustee, signed the foregoing writing bearing date the 1st day of May, 1998, and has this day in my said county, before me, acknowledged the said writing to be the act and deed of said bank.

Given under my hand and seal this 26th day of May, 1998.

My commission expires April 21, 2003.

[SEAL] OFFICIAL SEAL
NOTARY PUBLIC STATE OF WEST VIRGINIA
JAN K. NICELY
2008-19th ST. PARKERSBURG, WV 26101
MY COMMISSION EXPIRES APRIL 21, 2003

Jan K. Nicely
Notary Public

This instrument was prepared by:

Taunja Willis Miller
JACKSON & KELLY
1600 Laidley Tower
P. O. Box 553
Charleston, West Virginia 25322

CHASFS3:116369/2
5/25/98

EXHIBIT A

REVENUE REFUNDING BOND FORM

Municipal Bond Insurance Policy No. __

No. CR-_ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA

The County Commission of Grant County
HOSPITAL REVENUE REFUNDING BONDS
(Grant Memorial Hospital Project)
Series 1998C

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP
_____ %	_____	_____	_____

OWNER: Cede & Co.
13 2555119

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS that The County Commission of Grant County, West Virginia (the "Issuer"), a body corporate and governmental instrumentality of the State of West Virginia (the "State") created and existing under the Constitution and laws of the State, with powers including those under Chapter 7, Article 3, Sections 14 through 17 of the Code of West Virginia, 1931, as amended (the "Hospital Act"), and Chapter 13, Article 2B of the Code of West Virginia, 1931, as amended (the "Refunding Act"; together with the Hospital Act, the "Hospital Refunding Act"), for value received, hereby promises to pay, but only out of the sources set forth in the Bond Trust Indenture dated as of _____, 1998 (the "Bond Indenture"), between the Issuer and _____, _____, West Virginia, as trustee (the "Bond Trustee"), to the Owner designated above, the Principal Amount designated above on the Maturity Date designated above, unless this Bond is earlier redeemed as hereinafter set

forth. The Issuer further promises to pay (but only out of such sources set forth in the Bond Indenture), semiannually on _____ and _____, commencing _____, 1998, interest on said unpaid Principal Amount at the Interest Rate stated above, from the Interest Payment Date next preceding the date of authentication hereof, unless authenticated on an Interest Payment Date, in which case from said Interest Payment Date, or unless authenticated prior to the first Interest Payment Date, in which case from the Bond Date specified above; provided, that if at the time of authentication interest is in default, the Bond shall bear interest from the date to which interest has been paid, or, if no interest has been paid, from the Bond Date designated above. The principal and premium, if any, on this Bond are payable in lawful money of the United States of America upon surrender at the principal corporate trust office of the Bond Trustee. Interest on this Bond is payable by check or draft mailed to the Owner at his address as indicated in the books maintained for registration and transfer at the principal corporate trust office of the Bond Trustee as of the close of business on the 15th day of the month preceding such Interest Payment Date (the "Regular Record Date"); except that, if interest is in default, such defaulted interest shall be paid to the Owner at the close of business on the Special Record Date, as defined in the Bond Indenture, if fixed by the Bond Trustee at the request of the Issuer pursuant to the Bond Indenture, or otherwise in any lawful manner not inconsistent with the requirements of any securities exchange on which the Bond may be listed and upon such notice required by such exchange.

THE BONDS ARE ISSUED PURSUANT TO THE ACT AND THE BOND INDENTURE, AND NONE OF THE REVENUES OF THE STATE, THE ISSUER, ANY MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION THEREOF, EXCEPT FOR THE NET REVENUES DERIVED FROM THE OPERATION OF THE HOSPITAL FACILITIES AND OTHERWISE AS DESCRIBED BELOW, SHALL BE LIABLE THEREFOR. THE BONDS ARE NOT DEBTS OF THE STATE OF WEST VIRGINIA OR ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF BUT ARE SPECIAL OBLIGATIONS OF THE ISSUER AND ARE SECURED BY THE PLEDGE EFFECTED BY THE BOND INDENTURE AND ARE PAYABLE SOLELY FROM THE NET REVENUES AND THE FUNDS AND ACCOUNTS CREATED UNDER THE BOND INDENTURE. NEITHER THE PRINCIPAL OF THIS BOND NOR THE INTEREST OR ANY PREMIUM PAYABLE HEREON SHALL CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, THE ISSUER OR ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION THEREOF, AND THE OWNER HEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE, THE ISSUER OR THE TAXING AUTHORITY OF ANY MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL HEREOF, OR THE PREMIUM, IF ANY, OR THE INTEREST HEREON, BUT ARE PAYABLE SOLELY FROM THE NET REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT IN THE BOND INDENTURE.

This Bond is one of a series of Bonds issued in the aggregate principal amount of $_____, designated "The County Commission of Grant County [West Virginia]

Hospital Revenue Refunding Bonds (Grant Memorial Hospital Project), Series 1998C" (the "Bonds"), in book-entry form, and of like tenor and effect, except as to number, denomination, date of maturity, interest rate and CUSIP number, and are dated as of the Bond Date set forth above. The Bonds are issued for the purpose of refunding, prior to the maturity thereof, the Issuer's $3,150,000 The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C, outstanding on the date hereof in the principal amount of $_____ (the "1994 Revenue Bonds").

As security for payment of the Bonds, the Issuer has assigned to the Bond Trustee the Net Revenues derived from the operation of certain hospital facilities owned by the Issuer and operated under the management and supervision of the Board of Trustees appointed by the Issuer (the "Board") (said hospital facilities, together with improvements and alterations, is referred to herein as the "Hospital Facilities"). Reference is made to the Bond Indenture, which is hereby incorporated by reference, for a further description of the Net Revenues assigned and pledged for the payment of the Bonds, a description of the duties and rights of the Issuer, the Board and the Bond Trustee and the provisions with respect to defeasance of the Bonds.

The Bonds are subject to redemption as follows:

Mandatory Redemption

The Bonds maturing _____, ____ (the "____ Term Bonds"), shall be subject to mandatory redemption prior to maturity on _____ in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Principal Account in the Bond Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
	$

The Bonds maturing _____, ____ (the "____ Term Bonds"), shall be subject to mandatory redemption prior to maturity on _____ in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Principal Account in the Bond Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
	$

The principal amount of Term Bonds delivered to or purchased by the Bond Trustee shall reduce pro tanto the principal amount of Term Bonds to be redeemed on the Mandatory Redemption Date next following such delivery or purchase.

Optional Redemption

The Bonds maturing on or after _____, _____, shall be subject to redemption prior to maturity in whole or in part, in order of maturity selected and at the option of the Issuer, in any multiple of $5,000, at the redemption prices (expressed as a percentage of principal amount to be redeemed) set forth in the table below, plus accrued interest to the date fixed for redemption.

Redemption Dates (Both Dates Inclusive)	Redemption Price

Extraordinary Optional Redemption

The Bonds shall be subject to optional redemption prior to maturity by the Issuer, as a whole or in part, in order of maturity selected by the Issuer, at any time at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, (i) in the event of damage to or destruction or condemnation of the Hospital Facilities or any portion thereof; or (ii) if the Issuer shall have determined that the continued operation of the Hospital Facilities is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens with respect to the Hospital Facilities or operation thereof, or (B) changes in technology, in environmental standards or legal requirements or in the economic availability of materials, supplies, equipment or labor.

Effect of Call for Redemption

On the date designated for redemption by notice given as provided in the Bond Indenture, the Bonds so called for redemption shall become and be due and payable at the

redemption price provided for redemption of such Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Trustee as provided herein, interest on such Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee and the amount of such Bonds so called for redemption shall be deemed paid and no longer Outstanding.

DTC. Anything to the contrary in the Bond Indenture notwithstanding, as long as the Bonds are registered to Cede & Co., as the nominee of DTC, all notices of redemption and selection of Bonds to be redeemed shall comply with the procedures of DTC.

In case an Event of Default shall occur, the principal of all Bonds then outstanding under the Bond Indenture may be declared or may become due and payable upon the conditions and with the effect provided in the Bond Indenture.

Executed counterparts of the Bond Indenture are on file at the principal corporate trust office of the Bond Trustee and are available for inspection by the Owner hereof. All descriptions of the provisions of the Bond Indenture contained herein are amplified and qualified in all respects by the exact provisions of such documents, and the definitions contained therein shall apply to the like terms contained in this Bond. The acceptance of the terms and conditions of all the above documents is an explicit and material part of the consideration of the Issuer's issuing the Bonds, and the acceptance of this Bond shall bind the Owner hereof to the terms and conditions of all of the above documents. Certain amendments and supplements of the Bond Indenture not materially adversely affecting rights of Owners of the Bonds outstanding thereunder may be made without consent of Owners of said Bonds in the manner and upon the terms and conditions provided in the Bond Indenture. Any other amendments or supplements of the Bond Indenture or rights and obligations of the Issuer, the Board and of Owners of the Bonds outstanding thereunder may be made only in the manner and upon the terms and conditions provided in the Bond Indenture. Any consent of the Owner of this Bond, when required by the Bond Indenture (unless revoked as provided in the Bond Indenture), shall be conclusive and binding upon such Owner and all future owners of this Bond, irrespective of whether any notation of such consent is made upon this Bond.

Except as otherwise specifically provided, the Issuer and the Bond Trustee may treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this Bond or any installment of interest shall be overdue, for the purpose of receiving payment thereof and for all other purposes whatsoever, and shall not be affected by any notice to the contrary.

The Owner of this Bond shall have no right to enforce provisions of this Bond or the Bond Indenture except as provided in the Bond Indenture.

This Bond is transferable as provided in the Bond Indenture by the Owner hereof or the Owner's duly authorized attorney at the principal corporate trust office of the Bond Trustee, upon surrender of this Bond, together with a written instrument of transfer in a form satisfactory to the Bond Trustee, and upon payment of any tax, fee or other governmental charge to be paid with respect to such transfer. Whenever the Bond is surrendered for transfer, the Issuer shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds in the same aggregate principal amount, of the same maturity and interest rate, in any multiple of $5,000.

No member, officer, agent or employee of the Issuer or the Board shall be individually or personally liable for the payment of the principal of, premium, if any, or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance hereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Bond Indenture.

This Bond shall not be entitled to any benefit under the Bond Indenture or be valid or become obligatory for any purpose unless the Bond Trustee's Certificate of Authentication and Registration printed hereon is duly and manually executed.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed, all in the form and manner as required by law.

All provisions of the Bond Indenture and the Hospital Refunding Act shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Bond Indenture.

IN WITNESS WHEREOF, The County Commission of Grant County has caused this Bond to be signed in its name by the manual signature of its President and its corporate seal to be impressed hereon and attested by the manual signature of its Clerk, and has caused this Bond to be dated as of the Bond Date designated above.

The County Commission of Grant County

By: _____
President

[SEAL]

ATTEST:

_____

Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Bond Indenture and has been duly authenticated and registered in the name of the Owner designated above on the date set forth below.

Date: _____

XYZ BANK,
as Bond Trustee

By:_____
Authorized Officer

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____, _____, _____, social security number or other identifying number of assignee _____, the within Bond, and does hereby irrevocably constitute and appoint _____, Attorney to transfer said Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Dated: _____ ___, _____

_____

Signature Guaranteed

_____

Notice: The Assignors' signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or change whatsoever.

LEGEND FOR REVENUE REFUNDING BONDS

Asset Guaranty Insurance Company ("AGIC"), a New York corporation, has issued its Policy (the "Policy") insuring the payment of principal of and interest on this Revenue Refunding Bonds on the "due date," as defined in the Policy. Reference is made to the Policy for the complete provisions thereof. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation and transfer rights of AGIC as more fully set forth in the Policy.

EXHIBIT B

PERMITTED ENCUMBRANCES UNDER SUBSECTION 7.05(i)

1. Lease Agreement dated as of July 15, 1997, among the Grant County Building Commission, the County Commission and the Hospital.

EXHIBIT C

EXISTING INDEBTEDNESS

None.

EXHIBIT D

ENVIRONMENTAL COVENANTS AND REPRESENTATIONS

Environmental Representations and Covenants. The Hospital hereby represents that:

a. To the best of its knowledge, after due inquiry, no litigation, investigation or administrative or other proceeding of any kind before or by any Governmental Corporation or private party relating to (i) any environmental, health or safety Requirement of Law, (ii) any Remedial Action, (iii) any Liabilities and Costs arising from the Release or threatened Release of Contaminant into the environment, or (iv) any other Liabilities and Costs arising from or concerning environmental, health or safety issues or conditions is pending or threatened against or involving the Property or the Hospital.

b. The Hospital is not subject to any judgment, injunction, writ or agreement respecting (i) any environmental, health or safety Requirement of Law, (ii) any Remedial Action, (iii) any Liabilities and Costs arising from the Release or threatened Release of a Contaminant into the environment, or (iv) any other Liabilities and Costs arising from or concerning environmental, health or safety issues or conditions arising from a violation of law. In addition, the Hospital is not now aware, after due inquiry, of any grounds on which such a judgment, order or agreement might be based.

c. The Hospital has taken all steps necessary to determine and has determined that no Contaminants have been disposed of on the real Property in any material manner and that there has been no Release of any Contaminant on, from, under or to the real Property other than in compliance with applicable law.

d. The operations or other activities of the Hospital will not result in the disposal or other Release of any Contaminant on or from the real Property other than in all cases in compliance with applicable law.

e. The Hospital has not entered into any negotiations or agreements with any person (including, without limitation, the prior owner of any Property) relating to any Remedial Action.

f. The Hospital has not received any notice or claim or information to the effect that the Issuer or it is or may be liable to any Person as a result of the Release or threatened Release of a Contaminant into the environment in violation of applicable law.

g. No Environmental Lien has attached to any of the Property.

h. The Real Property does not contain any asbestos or PCB containing material in violation of applicable law.

The operations or other activities of the Hospital shall not result in the disposal or other Release of any Contaminant on or from the Property other than in compliance with all current and future applicable environmental laws, and the Hospital shall not engage in any activities that will result in the violation of any current or future environmental laws. The Hospital shall obtain from time to time all permits required under current or future environmental laws so that the operations of the Hospital will be in accordance with such laws.

The Hospital will make available for inspection from time to time all documents and information in its possession and control regarding activities and conditions relating to the Property and other assets which may result or may have resulted in noncompliance with, or liability under, any Requirement of Law.

The Hospital shall not store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Property other than in accordance with all applicable Environmental Regulations, shall not permit any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom other than in accordance with all applicable Environmental Regulations, shall cause all Hazardous Substances found thereon to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder other than in accordance with all applicable Environmental Regulations, and shall comply with all Environmental Regulations which are applicable to the Property. At any time, and from time to time, if the Bond Trustee so requests, the Property shall have any environmental review, audit, assessment and report, or any thereof, relating to the Property theretofore provided by the Hospital Board Representative to the Bond Trustee updated, at the sole cost and expenses of the Hospital, by an engineer or scientist acceptable to the Bond Trustee, or shall have such a review, audit, assessment and report, or any thereof, prepared for the Bond Trustee, if none has previously been so provided. The Hospital shall indemnify the Bond Trustee and the Bond Insurer, and shall hold the Bond Insurer harmless from, and shall reimburse the Bond Insurer for, any and all claims, demands, judgments, penalties, liabilities, costs, damages and expenses, including court costs and attorneys' fees directly or indirectly incurred by the Bond Trustee, the Bond Insurer and the Owner of any Revenue Refunding Bonds (prior to trial, at trial and on appeal) in any action against or involving the Bond Trustee or the Bond Insurer, resulting from any breach of the foregoing covenants, or from the discovery of any Hazardous Substance, in, upon, under or over, or emanating from, the Property, whether or not the Hospital is responsible therefor, it being the intent of the Issuer and the Hospital that the Bond Insurer shall have no liability or responsibility for damage or injury to human

health, the environment or natural resources caused by, for abatement and clean-up, or either thereof, of, or otherwise with respect to, Hazardous Substances by virtue of their interests in the Property created by this Indenture or otherwise, or hereafter created, or as the result of the Bond Insurer exercising any of its rights or remedies with respect thereto hereunder or under any other instrument. The foregoing representations, warranties and covenants of this Exhibit D shall be deemed continuing covenants, representations and warranties for the benefit of the Bond Insurer and any successors and assigns thereof, including but not limited to any transferee of the title of the Bond Trustee and any subsequent owner of the Property, and shall survive the satisfaction or f release of this Indenture, or under any other instrument, and/or any acquisition of title to the Property or any part thereof by the Bond Insurer. Any amount covered by the foregoing indemnification shall bear interest from the date incurred at a rate of 1.0% above the highest rate of interest borne by the Revenue Refunding Bonds (or, if the Bond Insurer has paid under the Policy, the interest rate applicable to payments thereon) during the 365 days prior to the date on which such indemnification obligation was incurred, or, if less, the maximum rate permitted by law, and shall be payable on demand.

"Contaminant" shall mean any waste, pollutant or hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601, et seq., regulations promulgated thereunder and any applicable state statutes; and any toxic substance, solid or hazardous waste as defined in RCRA and any applicable state statutes, special waste, petroleum-derived substance, radioactive material or waste, polychlorinated biphenyls (PCBs), asbestos, or any constituent of any such substances or wastes.

"Environmental Lien" shall mean a lien in favor of any governmental entity for (i) any liability under federal or state environmental laws or regulations or (ii) damages arising from, or costs incurred by such governmental entity in response to, a Release or threatened Release of a Contaminant into the environment.

"Environmental Regulation" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutant, contaminants, chemical waste, materials or substances.

"Hazardous Substances" means dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials, or substances as defined in Environmental Regulations, and also any urea formaldehyde, polychlorinated biphenyls, asbestos, asbestos containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the Property owner or user or mortgagee or any Owner to any damages, penalties or liabilities under any applicable Environmental Regulation.

"Governmental Corporation" shall mean any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Indemnified Parties" shall mean the Bond Trustee, the Bond Insurer and the Owner of any Revenue Refunding Bonds.

"Liabilities and Costs" shall mean all liabilities, obligations, responsibilities, losses, damages, costs and expenses (including, without limitation, attorney, expert and consulting fees and costs of investigation and feasibility studies), fines, penalties, monetary sanctions and interest.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing or dispersing into the indoor or outdoor environment or into or out of the real Property, including, but not limited to, the movement of Contaminants through or in the air, soil, surface water, groundwater or the real Property and the abandonment or discard of barrels, containers and other open or closed receptacles containing any Contaminant.

"Remedial Action" shall mean actions related to (i) cleaning up, removing, treating or in any other way addressing Contaminants in the indoor or outdoor environment; (ii) preventing or minimizing the Release or threat of Release of Contaminants so that Contaminants do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; and (iii) collecting environmental data or performing pre-remedial studies and investigations and performing operations and maintenance and post-remedial monitoring and care.

"Requirement of Law" shall mean any federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, and any provision or condition of any permit or other binding determination of any Governmental Corporation.

EXHIBIT E

NRMSIRs

Filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission (subject to change):

Bloomberg Municipal Repository
P.O. Box 840
Princeton, NJ 08542-0840
Internet address:
MUNIS@bloomberg.com
(609) 279-3235
FAX (609) 279-5963
Contact: David Campbell

Kenny Information Systems, Inc.
65 Broadway, 16th Floor
New York, New York 10006
(212) 770-4568
FAX (212) 797-7994
Contact: Joan Horai, Repository

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3d Floor
New York, NY 10014
Phone: (212) 807-5001
Or (800) 689-8466
Fax: (212) 989-2078

Preliminary Official Statement and information contained herein are subject to completion, amendment or other change without notice. The Refunding Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. 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 the Refunding Bonds 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.

NEW ISSUE — BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing statutes and court decisions, the interest on the G.O. Refunding Bonds and on the Revenue Refunding Bonds is excludable from the 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"). In addition, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax that may be imposed under the Code with respect to individuals or corporations; interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds, however, is includable under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. Under the G.O. Refunding Act (as defined herein), the G.O. Refunding Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any political subdivision thereof; and, under the Revenue Refunding Act (as defined herein), the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes. See "Tax Matters", herein.

$1,895,000*
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
GENERAL OBLIGATION REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL), SERIES 1998A
(the "G.O. Refunding Bonds")

and

$3,295,000*
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
HOSPITAL REVENUE REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL), SERIES 1998C
(the "Revenue Refunding Bonds")
(together, the "Refunding Bonds")

Dated: May 1, 1998

G.O. Refunding Bonds Due: April 1, as shown on the reverse hereof

Revenue Refunding Bonds Due: October 1, as shown on the reverse hereof

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS ARE SHOWN ON THE INSIDE OF THE FRONT COVER OF THIS OFFICIAL STATEMENT.

Payment of principal of and interest on the Refunding Bonds will be insured in accordance with the terms of separate insurance policies to be issued simultaneously with the delivery of each issue of Refunding Bonds by

ASSET GUARANTY INSURANCE COMPANY

The Refunding Bonds are issuable only as fully registered bonds and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Refunding Bonds. Refunding Bonds will be available to ultimate purchasers ("Beneficial Owners"), in the principal amount of $5,000 or integral multiples thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry form. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. References herein to the Bondholders, the Bond owners, the Owners or the registered owners of the Bonds mean Cede & Co. and not the Beneficial Owners of the Refunding Bonds.

Interest on the Refunding Bonds will be payable on October 1, 1998, and semiannually thereafter (each April 1 and October 1). Under the G.O. Refunding Act, principal of and interest on the G.O. Refunding Bonds are payable, and the G.O. Refunding Bonds are subject to registration, at the office of the West Virginia State Treasurer. The County Commission has appointed Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as an additional paying agent for the G.O. Refunding Bonds (the "Paying Agent"). The principal and redemption price of and interest on the G.O. Refunding Bonds are payable by the State Treasurer or Paying Agent to DTC. The principal and redemption price of and interest on the Revenue Refunding Bonds are payable to DTC by Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as Bond Trustee (the "Bond Trustee"). So long as DTC or its nominee remains the registered owner, disbursement 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, as described herein.

The Refunding Bonds are subject to redemption prior to maturity as described herein.

The G.O. Refunding Bonds are general obligations of The County Commission of Grant County, West Virginia (the "County Commission"), which County Commission has the power and is obligated to levy ad valorem taxes upon all taxable property within Grant County, West Virginia (the "County"), to pay the G.O. Refunding Bonds and the interest thereon within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Revenue Refunding Bonds are being issued under and are secured by a Bond Trust Indenture dated as of May 1, 1998 (the "Bond Indenture"), among the County Commission, Grant Memorial Hospital (the "Hospital"), and the Bond Trustee, and are payable solely from and secured by certain moneys pledged thereto under the Bond Indenture and by an assignment and pledge by the County Commission of the net revenues of the Hospital.

The Revenue Refunding Bonds are special obligations of the County Commission, payable solely from and secured by a pledge of the net revenues of the Hospital and from funds provided therefor under the Bond Indenture. The Revenue Refunding Bonds do not constitute a debt or a pledge of the faith and credit or taxing power of the County, the County Commission, the State of West Virginia or any county, municipality or other political subdivision of the State of West Virginia.

The G.O. Refunding Bonds are issued for the purpose of refunding, in advance of the maturity thereof, and redeeming on April 1, 2002, $1,800,000 The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A, presently outstanding in the aggregate principal amount of $1,670,000. The Revenue Refunding Bonds are issued for the purpose of refunding, in advance of the maturity thereof, and redeeming on October 1, 2000, $3,150,000 The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C, presently outstanding in the aggregate principal amount of $3,090,000.

The County Commission has designated the Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations," and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations does not apply to the Refunding Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Refunding Bonds is deductible for federal income tax purposes.

The Refunding Bonds are offered when, as and if issued by the County Commission and accepted by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the legality of the Refunding Bonds by Jackson & Kelly, Charleston, West Virginia, Bond Counsel. Legal matters pertinent to the financing will be passed upon for the County Commission and Hospital by their Counsel, Dennis V. DiBenedetto, Esq., Petersburg, West Virginia; and for the Underwriter by its Counsel, Jackson & Kelly, Charleston, West Virginia. It is expected that the Refunding Bonds will be available for delivery to DTC in New York, New York, on or about May 28, 1998.

FERRIS, BAKER WATTS
INCORPORATED

Dated: May __, 1998

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

G.O. REFUNDING BONDS

Series 1998A

Maturity* (April 1)	Amount*	Interest Rate	Price or Yield
1999	$ 65,000		
2000	60,000		
2001	65,000		
2002	70,000		
2003	65,000		
2004	70,000		
2005	75,000		
2006	80,000		
2007	80,000		
2008	85,000		
2009	85,000		
2010	95,000		
2011	100,000		
2012	105,000		
2013	105,000		

$690,000* % Term Bonds due 4/1/19* Price %

(Accrued interest to be added.)

REVENUE REFUNDING BONDS

Series 1998C

Maturity* (October 1)	Amount*	Interest Rate	Price or Yield
1998	$ 80,000		
1999	95,000		
2000	100,000		
2001	105,000		
2002	110,000		
2003	110,000		
2004	115,000		
2005	125,000		
2006	130,000		
2007	135,000		
2008	140,000		
2009	150,000		
2010	155,000		
2011	160,000		
2012	170,000		
2013	180,000		

$1,235,000* % Term Bonds due 10/1/19* Price %

(Accrued interest to be added.)

*Preliminary, subject to change.

THE COUNTY COMMISSION OF GRANT COUNTY
WEST VIRGINIA

Commission Members

Robert F. Sites, President
David L. Jones
Jane Kite Keeling

County Clerk

Harold G. Hiser

Prosecuting Attorney

Dennis V. DiBenedetto

Bond Counsel

Jackson & Kelly
Charleston, West Virginia

Underwriter

Ferris, Baker Watts, Incorporated
Baltimore, Maryland
Charleston, West Virginia

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

The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption contained therein. The registration or qualification of the Refunding Bonds in accordance with the applicable provisions of securities laws of the states in which the Refunding Bonds have been registered or qualified and the exemption therefrom in other states cannot be regarded as a recommendation thereof.

No dealer, broker, salesperson or other person has been authorized by the County Commission, the Hospital or the Underwriter to give any information or to make any representations with respect to the Refunding Bonds, other than those in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of any Refunding Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County Commission, the Hospital, the Bond Insurer and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and the information is not to be construed as a representation by the Underwriter. All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. 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 County Commission, the Hospital or the Bond Insurer since the date hereof.

The order and placement of information in this Official Statement, including the Appendices, do not represent a determination of relative materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Refunding Bonds is made only by means of this entire Official Statement.

TABLE OF CONTENTS

Page

INTRODUCTORY STATEMENT 1
THE COUNTY COMMISSION 3
THE HOSPITAL 5
REFUNDING BONDS 6
BOND INSURANCE 15
FINANCING PLAN 17
ESTIMATED SOURCES AND USES OF FUNDS 18
THE G.O. REFUNDING BONDS 19
THE REVENUE REFUNDING BONDS 42
BONDHOLDERS' RISKS 44
UNDERWRITING 55
TAX MATTERS 55
VERIFICATION OF MATHEMATICAL COMPUTATIONS 57
RATINGS 57
LEGAL MATTERS 58
LITIGATION 58
INDEPENDENT AUDITORS 58
CONTINUING DISCLOSURE 59
MISCELLANEOUS 60

APPENDIX A -- Information Concerning Grant County
APPENDIX B -- Information Concerning Grant Memorial Hospital
APPENDIX C -- Financial Statements of the County Commission
APPENDIX D -- Financial Statements of the Hospital
APPENDIX E -- Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture
APPENDIX F -- Form of Proposed Bond Counsel Opinion for G.O. Refunding Bonds
APPENDIX G -- Form of Proposed Bond Counsel Opinion for Revenue Refunding Bonds
APPENDIX H -- Specimen Financial Guaranty Insurance Policy for Refunding Bonds

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN AND IN APPENDIX H HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE REFUNDING BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE REFUNDING BONDS.

[This Page is Intentionally Left Blank]

OFFICIAL STATEMENT

$1,895,000*
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
GENERAL OBLIGATION REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL),
SERIES 1998A

$3,295,000*
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
HOSPITAL REVENUE REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL),
SERIES 1998C

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering by The County Commission of Grant County, West Virginia (the "County Commission"), of its $1,895,000* The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G.O. Refunding Bonds"), and $3,295,000* The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C (the "Revenue Refunding Bonds"; the G.O. Refunding Bonds and the Revenue Refunding Bonds are hereinafter referred to together as the "Refunding Bonds").

The G.O. Refunding Bonds will be issued pursuant to an order entered by the County Commission on February 11, 1998, as supplemented by an order entered on May __, 1998 (the "G.O. Refunding Bond Order"), setting forth certain representations, covenants and agreements of the County Commission. The Revenue Refunding Bonds will be issued pursuant to the Bond Trust Indenture, dated as of May 1, 1998 (the "Bond Indenture"), among the County Commission, Grant Memorial Hospital (the "Hospital") and Wesbanco Bank Parkersburg , Parkersburg, West Virginia, as bond trustee (the "Bond Trustee").

The proceeds of the sale of the G.O. Refunding Bonds will be used to refund, prior to the maturity thereof, and to redeem on April 1, 2002, $1,800,000 The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A, outstanding in the aggregate principal amount of $1,670,000 (the "1994 G.O. Bonds").

*Preliminary; subject to change.

The G.O. Refunding Bonds are general obligations of the County Commission, which has the power and is obligated to levy ad valorem taxes upon all taxable property within the County (as herein defined) to pay the G.O. Refunding Bonds and the interest thereon within the limitations provided by the Constitution and statutes of the State of West Virginia.

The proceeds of the sale of the Revenue Refunding Bonds will be used to refund, prior to the maturity thereof, and to redeem on October 1, 2000, $3,150,000 The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds"; the 1994 G.O. Bonds and the 1994 Revenue Bonds are referred to together as the "1994 Bonds"). The Revenue Refunding Bonds are special obligations of the County Commission payable solely from funds held by the Bond Trustee under the Bond Indenture and the net revenues of the Hospital, as defined in the Bond Indenture (the "Net Revenues").

The net proceeds of the 1994 Bonds, together with the net proceeds of $2,400,000 The County Commission of Grant County [West Virginia] Levy Bonds (Grant Memorial Hospital Project), Series 1994B (the "1994 Levy Bonds"), and certain available funds of the Hospital, were used to pay for the acquisition and construction of certain improvements and betterments to the Hospital (the "Project"). See "The Hospital - Project" herein.

The County Commission is a public corporation of the State of West Virginia created and existing under the Constitution and laws of the State of West Virginia acting on behalf of Grant County, West Virginia (the "County"). It has the powers, among others, set forth in Sections 14 through 17, Article 3 of Chapter 7 of the Code of West Virginia, 1931, as amended (the "Hospital Act"). Under the Hospital Act, the County Commission is authorized to issue revenue bonds to pay for the acquisition, construction, improvement or equipping of hospital facilities. Pursuant to the Hospital Act, the County Commission has acquired, constructed, improved and equipped an acute-care facility (the "Hospital Facilities"). The County Commission owns the Hospital Facilities and appoints the Board of Trustees (the "Board of Trustees"), which manages the day-to-day affairs of the Hospital. See "The County Commission" and "The Hospital" herein.

The Project, which is approximately 95 percent complete, consisted of the renovation of approximately 43,000 square feet of the Hospital Facilities and the addition of approximately 15,000 square feet of new space. The alterations and additions have provided or will provide space for the relocation and expansion of the emergency department, construction of a new surgical suite containing two operating rooms, areas for pre-operation evaluation, recovery space for treatment, observation and/or holding areas, relocation and expansion of the radiology department, relocation of the obstetrics unit, relocation of the laboratory, replacing the mechanical systems, renovation of the existing obstetrics unit to medical office space, and adding additional administrative and support space. The Project also entailed delicensing 31 medical-surgery beds. The Hospital anticipates that the contractor for the Project will complete its work by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998.

Asset Guaranty Insurance Company (the "Bond Insurer") has committed to issue, effective as of the date on which the Refunding Bonds are delivered, separate insurance policies insuring the payment of principal of and interest on the Refunding Bonds when due. The insurance policies are non-cancelable for any reason. See the

caption "Bond Insurance" herein and the Specimen Financial Guaranty Insurance Policy attached as Appendix H hereto.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN AND IN APPENDIX H HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE REFUNDING BONDS; or (iii) THE TAX STATUS OF THE INTEREST ON THE REFUNDING BONDS.

There are risks associated with the purchase of the Refunding Bonds. See the caption "Bondholders' Risks" for a discussion of certain of these risks.

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, have the same meanings as in the Bond Indenture. Certain of these definitions are summarized in Appendix E.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the G.O. Refunding Bond Order and the Bond Indenture are available in reasonable quantities upon request to the Hospital.

THE COUNTY COMMISSION

Powers

Pursuant to Article IX of the West Virginia Constitution, the governing body of each of the 55 counties in the State is a county commission. Generally, county commissions have superintendence and administration of the internal police and fiscal affairs of their counties, with authority to lay and disburse the county levies, and may exercise such other powers and perform such other duties (other than those of a judicial nature) as are prescribed by law. Pursuant to Chapter 7, Article 1 of the Code of West Virginia, 1931, as amended, a county commission may sue and be sued and contract and be contracted with.

County commissions possess only the powers that are expressly conferred upon them by constitutional or statutory provisions, together with such powers as are reasonably and necessarily implied in the full and proper exercise of powers expressly conferred upon them. The powers expressly conferred upon the County Commission applicable to the Refunding Bonds are the power to issue general obligation bonds pursuant to West Virginia Code § 13-1-1 et seq. (the "G.O. Bond Act") and to issue general obligation refunding bonds pursuant to West Virginia Code § 13-2-1 et seq. (together with the G.O. Bond Act, the "G.O. Refunding Act"), and to expend tax levies therefor; the power to acquire, construct, equip, furnish, operate and maintain a public hospital under the Hospital Act and to issue revenue bonds pursuant to the Hospital Act and refunding revenue bonds pursuant to West Virginian Code § 13-2E-1 et seq. (the "Revenue Refunding Act"; together with the Hospital

Act, the "Hospital Refunding Act"), payable from the net revenues of said hospital; and the power to make contributions to said hospital from time to time.

Officers

Through the clerk of the county commission, who is elected by the voters, the county commission has the custody of all deeds and other papers presented for record in the county. At the first session each year, or as soon as practicable thereafter, the county commission must elect one of its commissioners as president. Under Chapter 7, Article 4, Section 1 of the Code of West Virginia, 1931, as amended, the prosecuting attorney of the county may attend to the civil suits in his county in which the county commission is interested and advise regarding, attend to, bring, prosecute or defend, as the case may be, all matters, actions, suits and proceedings in which the county is interested. The sheriff is the ex-officio county treasurer and, as such, receives, collects and disburses all moneys due the county. The assessor assesses all non-utility property in the county for tax purposes.

The names of the three commissioners of the County, their occupations, and terms of office and the names and terms of office of the other County officials described above are as follows:

Office	Name	Occupation	Term of Office
Commissioner	Robert F. Sites	Self-Employed	1/1/93 - 12/31/1998
President			1/1/98 - 12/31/1998
Commissioner	David L. Jones	Teacher	1/1/95 - 12/31/2000
Commissioner	Jane Kite Keeling	Homemaker	1/1/97 - 12/31/2002
Clerk	Harold G. Hiser		1/1/93 - 12/31/1998
Prosecuting Attorney	Dennis V. DiBenedetto		1/1/97 - 12/31/2000
Sheriff	Chuck L. Kimble		1/1/97 - 12/31/2000
Assessor	Ralph G. Layton		1/1/97 - 12/31/2000

County Property

In addition to the Hospital, the County Commission owns a nursing home with 120 beds. Like the Hospital, the administration and management of the nursing home is vested in a board of trustees appointed by the County Commission. The nursing home is operated as a separate facility, distinct from the Hospital. The County Commission also owns the Grant County Courthouse in Petersburg, West Virginia, in which the offices of all the constitutional officers of the County are located. The County Commission owns various additional properties, including an airport, which serves private and chartered flights; several parks and recreation areas; the buildings housing the County Health Department and the WIC program; and a building leased to Shepherd College. None of the County's property or revenues derived from the property (except a minimal amount, if any, of real property taxes assessed to any taxable lessees with respect to the G.O. Refunding Bonds) serves as a source of payment or security for the Refunding Bonds.

THE HOSPITAL

County Hospital

Pursuant to the Hospital Act and by an order adopted September 4, 1957, the County Commission authorized the acquisition, construction, equipping, furnishing, operation and maintenance of a public hospital and all other related facilities and all appurtenances thereto in the County ("Grant Memorial Hospital" or, as previously defined, the "Hospital"). The Hospital is owned by the County Commission and is exempt from taxation as a political entity. The administration and management of the Hospital is vested in the Board of Trustees appointed by the County Commission. Although the Hospital is operated as an agency of the County and the Refunding Bonds are governmental bonds, the Hospital has received an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Additional information with respect to the Hospital is contained in Appendix B.

Hospital Facilities

The Hospital is a general acute care facility currently licensed for and staffing 65 beds. The Hospital offers a broad range of inpatient and outpatient diagnostic and therapeutic services for medical, surgical, obstetrical, gynecological and pediatric patients. The Hospital also provides various ancillary support services to both inpatients and outpatients. The Hospital has 10 certified skilled nursing beds and 15 swing beds within its complement of licensed and staffed beds. See "Appendix B - Information Concerning Grant Memorial Hospital" for additional information.

Project

The Project was necessary to address critical structural and space needs of the Hospital and to enable the Hospital to meet the health care needs of the citizens of the County. The Project has been constructed under a guaranteed maximum price standard form design-build agreement (the "Agreement") with Howard Shockey & Sons, Inc., Winchester, Virginia. The original guaranteed maximum price of $6,400,000 has been increased through change orders, and, as of December 31, 1997, construction of the Project was anticipated to cost $9,009,000. The Project also included approximately $750,000 in new equipment. The Project subject to the Agreement consisted of the renovation of approximately 43,000 square feet of the Hospital Facilities and the addition of approximately 15,000 square feet of new space. The alterations and additions have provided or will provide space for the relocation and expansion of the emergency department, construction of a new surgical suite containing two operating rooms, areas for pre-operation evaluation, recovery space for treatment, observation and/or holding areas, relocation and expansion of the radiology department, relocation of the obstetrics unit, relocation of the laboratory, replacing the mechanical systems, renovation of the existing obstetrics unit to the medical office space, and adding additional administrative and support space. The Hospital anticipates that the work under the Agreement will be completed by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998. The Project also entailed delicensing 31 medical-surgery beds, bringing the licensed beds to 65.

THE REFUNDING BONDS

General

The Refunding Bonds will be dated, will mature (unless previously called for redemption) on the dates, and will bear interest at the rates, as set forth on the inside front cover hereof. The Refunding Bonds will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or provided for, from May 1, 1998. The Bonds will be issued only as fully registered Bonds without coupons in the denomination of $5,000 or any whole multiple thereof.

Pursuant to the G.O. Refunding Act, both the principal of and interest on the G. O Refunding Bonds are payable, and subject to registration, at the office of the West Virginia State Treasurer (the "State Treasurer"). The County Commission has appointed Wesbanco Bank Parkersburg, Parkersburg, West Virginia (the "Paying Agent"), as an additional paying agent for the G.O. Refunding Bonds.

Interest on the G.O. Refunding Bonds will accrue from May 1, 1998, and will be payable on October 1, 1998, and semiannually thereafter, each April 1 and October 1(each, an "Interest Payment Date"). Such interest will be paid by check mailed or by wire transfer from the State Treasurer or Paying Agent to the registered Owner or Owners of the G.O. Refunding Bonds at its address or their respective addresses as shown on the registration books kept for that purpose by the State Treasurer, or its designee, as of the 15th day of the month preceding such Interest Payment Date. Subject to the provisions described below under "Book-Entry Only System," principal of and redemption premium, if any, on the G.O. Refunding Bonds is payable upon presentation and surrender at the office of the Paying Agent in Parkersburg, West Virginia; provided, the principal of the G.O. Refunding Bonds is also payable at the office of the State Treasurer in Charleston, West Virginia.

Interest on the Revenue Refunding Bonds will accrue from May 1, 1998, and will be payable on October 1, 1998, and semiannually thereafter, each April 1 and October 1. Such interest will be paid by check mailed or by wire transfer from the Bond Trustee to the registered Owner or Owners of the Revenue Refunding Bonds at its or their respective addresses as shown on the registration books kept for that purpose by the Bond Trustee, as registrar, as of the close of business on the 15th day of the month (whether or not the Bond Trustee is open for business on such day) preceding such Interest Payment Date. Subject to the provisions described below under "Book-Entry Only System," principal of and premium, if any, on the Revenue Refunding Bonds will be payable upon presentation and surrender of the Revenue Refunding Bonds at the principal corporate trust office of the Bond Trustee in Parkersburg, West Virginia.

Subject to the provisions regarding book-entry described herein, the Bonds may be transferred or exchanged in the manner described in the Refunding Bonds and as referenced in the Bond Indenture and the GO. Refunding Bond Order.

Book-Entry Only System

The Refunding Bonds will be available to individual purchasers in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each series of Refunding Bonds. Purchasers of the Refunding Bonds will not receive certificates representing their interests in the Refunding Bonds purchased. SO LONG AS

CEDE & CO. IS THE REGISTERED OWNER OF THE REFUNDING BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, BOND OWNERS OR REGISTERED OWNERS OF THE REFUNDING BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE REFUNDING BONDS.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository ("Securities Depository") for the Refunding Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the G.O. Refunding Bonds and of the Revenue Refunding Bonds, in the aggregate principal amount of each respective maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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, but Beneficial Owners are 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 Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the County Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 West Virginia Municipal Bond Commission (the "Bond Commission"), the State Treasurer, the Paying Agent, the Bond Trustee, the County Commission or the Hospital, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds and only from funds provided to it by the County Commission, as described herein) or the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds and only from funds provided to it by the County Commission, as described herein), disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds) or the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County Commission and the Hospital believe to be reliable, but the County Commission and the Hospital take no responsibility for the accuracy thereof.

For every transfer and exchange of the Securities, the respective registrar for the Refunding Bonds may charge DTC, DTC may charge the Participants, and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other governmental charge that may be imposed.

THE COUNTY COMMISSION, THE HOSPITAL, THE UNDERWRITER, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER OR THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE REFUNDING BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN BY DTC TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF REFUNDING BONDS.

So long as the Refunding Bonds are held by DTC under a book-entry system, any notice of redemption or other notices with respect to the Refunding Bonds required or permitted to be given under the G.O. Refunding Bond Order or the Bond Indenture (with respect to the Revenue Refunding Bonds) will be sent only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Indirect Participant or any Beneficial Owner of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Refunding Bonds or of any other action permitted upon such notice. If fewer than all of the Refunding Bonds of any series are selected for redemption, DTC will select the particular account of DTC Participants to which the amount of such redemption will be credited in accordance with DTC's own rules or other agreements with DTC Participants; DTC Participants may then credit such redemption to the particular accounts of Beneficial Owners for whom such DTC Participants act as nominee accordingly. Any such selection of DTC Participants and Beneficial Owners to which any such partial redemption will be credited will not be governed by the G.O. Refunding Bond Order or the Bond Indenture (with respect to the Revenue Refunding Bonds) and will not be made by the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds) or the Bond Commission, State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds).

THE COUNTY COMMISSION, THE HOSPITAL, THE UNDERWRITER, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER OR THE PAYING AGENT CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF THE PRINCIPAL OF AND INTEREST ON THE REFUNDING BONDS OR THE REDEMPTION PRICE OF THE REFUNDING BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER OF THE REFUNDING BONDS, OR ANY REDEMPTION OR OTHER NOTICES, TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT THEY WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. IT IS THE DUTY OF EACH BENEFICIAL OWNER TO MAKE ARRANGEMENTS WITH THE APPLICABLE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH PARTICIPANT NOTICES OF REDEMPTION, CREDIT BALANCES WITH RESPECT TO PAYMENTS OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST, AND ALL OTHER PAYMENTS AND COMMUNICATIONS WHICH THE DIRECT PARTICIPANT RECEIVES FROM DTC. THE COUNTY COMMISSION, THE

HOSPITAL, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER AND THE PAYING AGENT HAVE NO DIRECT OBLIGATION OR RESPONSIBILITY TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Discontinuance of Book-Entry Only System

The G.O. Refunding Bond Order and the Bond Indenture (with respect to the Revenue Refunding Bonds) provide that, upon the County Commission's determination that the interests of the Beneficial Owners of the Refunding Bonds will be adversely affected by the continuation of the book-entry only system with DTC as the depository for the Refunding Bonds, or DTC's determination not to continue to act as a securities depository for the Refunding Bonds, the County Commission may discontinue the maintenance of the Refunding Bonds in book-entry only form or replace DTC with another qualified securities depository. DTC may determine to discontinue providing its service with respect to the Refunding Bonds at any time by giving notice to the County Commission, the Bond Trustee (with respect to the Revenue Refunding Bonds) and the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds) and discharging its responsibilities with respect thereto under applicable law. Unless the County Commission appoints such a securities depository to replace DTC, the Refunding Bonds held by DTC will be canceled and the County Commission will execute and deliver Refunding Bonds in fully certificated form to the DTC Participants shown on the records of DTC provided to the County Commission or, to the extent requested by any DTC Participant, to the Beneficial Owners of the Refunding Bonds shown on the records of such DTC Participant provided to the County Commission.

Optional Redemption of G.O. Refunding Bonds

The G.O. Refunding Bonds maturing on and after April 1, 2007, are subject to redemption prior to maturity at the option of and in order of maturity selected by the County Commission, in whole at any time or in part in any multiple of $5,000 on April 1 or October 1 of any year, beginning April 1, 2006, at the redemption prices (expressed as a percentage of principal amount to be redeemed) set forth in the table below, plus interest accrued to the date fixed for redemption.

REDEMPTION PERIOD	PRICE
April 1, 2006 - March 31, 2007	102%
April 1, 2007 - March 31, 2008	101%
April 1, 2008 and thereafter	100%

Optional Redemption of Revenue Refunding Bonds

The Revenue Refunding Bonds maturing on and after October 1, 2007, are subject to redemption prior to maturity at the option of and in order of maturity selected by the County Commission, in whole at any time or in part in any multiple of $5,000 on April 1 or October 1 of any year, beginning October 1, 2006, at the redemption prices (expressed as a percentage of principal amount to be redeemed) set forth in the table below, plus interest accrued to the date fixed for redemption.

REDEMPTION PERIOD	PRICE
October 1, 2006 - September 30, 2007	102%
October 1, 2007 - September 30, 2008	101%
October 1, 2008 and thereafter	100%

Mandatory Redemption of Refunding Bonds

Revenue Refunding Bonds. The Revenue Refunding Bonds maturing October 1, 2019 (the "Revenue Term Bonds"), shall be subject to mandatory redemption prior to maturity on October 1 in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Principal Account in the Bond Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
2014	$
2015	
2016	
2017	
2018	
2019*	

* Final Maturity

G.O. Refunding Bonds. The G.O. Refunding Bonds maturing April 1, 2019 (the "G.O. Term Bonds"; together with the Revenue Term Bonds, the "Term Bonds"), shall be subject to mandatory redemption prior to maturity on April 1 in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Debt Service Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
2014	$
2015	
2016	
2017	
2018	
2019*	

* Final Maturity

The principal amount of Term Bonds delivered to or purchased by the Bond Trustee or the Bond Commission, as the case may be, shall reduce pro tanto the principal amount of Term Bonds of such series to be redeemed on the Mandatory Redemption Date next following such delivery or purchase.

Extraordinary Optional Redemption

The Revenue Refunding Bonds shall be subject to optional redemption prior to maturity by the County Commission as a whole or in part, in order of maturity selected by the County Commission, at any time at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, (i) in the event of damage to or destruction or condemnation of the Hospital Facilities or any portion thereof; or (ii) if the County Commission shall have determined that the continued operation of the Hospital Facilities is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens with respect to the Hospital Facilities or operation thereof, or (B) changes in technology, in environmental standards or legal requirements or in the economic availability of materials, supplies, equipment or labor.

Effect of Call for Redemption

On the date designated for redemption by notice given as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, the Refunding Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Refunding Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Commission, State Treasurer, Paying Agent or the Bond Trustee, as the case may be, as provided in the G.O. Refunding Bond Order or the Bond Indenture, respectively, interest on such Refunding Bonds so called for redemption shall cease to accrue, such Refunding Bonds shall cease to be entitled to any benefit or security under the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, except the right to receive payment from the moneys held by the Bond Commission, State Treasurer or Paying Agent or the Bond Trustee, as the case may be, and the amount of such Refunding Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Selection of Refunding Bonds to be Redeemed

In the event of redemption of less than all of the Outstanding G.O. Refunding Bonds or Revenue Refunding Bonds of like maturity, the Bond Commission or the Bond Trustee, as the case may be, or DTC and its Participants with respect to Book-Entry Only Bonds, shall select by lot, using such method of selection as it shall deem proper in its discretion, the respective Refunding Bonds to be redeemed. In making such selection the Bond Commission, Bond Trustee or DTC, as the case may be, shall treat each Refunding Bond as representing that number of like series of Refunding Bonds in $5,000 denominations as is obtained by dividing the principal amount of such Refunding Bond by such denomination, provided, however, that no Refunding Bond shall be partially redeemed if the effect of such redemption would be to reduce such Refunding Bond to a principal amount of less than $5,000.

Notice of Call for Redemption

When the Bond Commission or the Bond Trustee, as the case may be, shall receive notice from the County Commission of its election or direction to redeem Refunding Bonds or when redemption of Revenue Refunding Bonds is required by the Bond Indenture, the Bond Commission or the Bond Trustee, as the case may be, shall give notice, in the name of the County Commission, of the redemption of such Refunding Bonds. Notice of any such redemption shall be given by the Bond Commission or the Bond

Trustee, as the case may be, by mailing a copy of the redemption notice by registered or certified mail (postage prepaid) not less than 30 nor more than 60 days prior to the date fixed for redemption to the registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of Refunding Bonds with respect to Refunding Bonds or portions thereof for which no failure has occurred.

All notices of redemption shall be dated and shall state (i) the series of Refunding Bonds to be redeemed; (ii) the redemption date; (iii) the redemption price; (iv) the identifying number and CUSIP number (and in the case of partial redemption, the respective principal amounts) of the Refunding Bonds to be redeemed; (v) the date of issuance of the Refunding Bonds; (vi) the interest rate or rates and maturity date or dates of the Refunding Bonds to be redeemed; (vii) that on the redemption date the redemption price will become due and payable on each Refunding Bond and interest thereon will cease to accrue thereon from and after said date; (viii) the agent name, contact person and address where such Refunding Bonds are to be surrendered for payment; and (ix) any other descriptive information that, in the opinion of the Bond Commission or the Bond Trustee, as the case may be, is needed to identify accurately the Refunding Bonds being redeemed. A second notice shall be sent if after 60 days from the redemption date such Refunding Bonds have not been surrendered for payment. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Owner of such Refunding Bonds receives the notice.

In addition to the foregoing notice, further notice (an "Additional Notice") shall be given by the Bond Commission or the Bond Trustee, as the case may be, in the case of any optional redemption or extraordinary optional redemption as set out below, but no defect in said Additional Notice nor any failure to give all or any portion of such Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(a) Each Additional Notice of redemption given hereunder shall contain the information required above for an official notice of redemption.

(b) Each Additional Notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Refunding Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Refunding Bonds.

Upon the payment of the redemption price of Refunding Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

Debt Service Requirements

G.O. Refunding Bonds

Upon issuance of the G.O. Refunding Bonds, based on the interest rates and yields set forth on the inside cover page, the County Commission will have the following debt service for the G.O. Refunding Bonds, which will be its only outstanding general obligation bonds:

Bond Year Ending April 1	Principal	Interest	Total
1999	$	$	$
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			

Revenue Refunding Bonds

Upon issuance of the Revenue Refunding Bonds, based on the interest rates and yields set forth on the inside cover page, the County Commission will have the following debt service for the Revenue Refunding Bonds, which will be its only outstanding revenue bonds payable from the net revenues of the Hospital:

[Remainder of Page Intentionally Left Blank]

Bond Year Ending October 1	Principal	Interest	Total
1998	$	$	$
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			

BOND INSURANCE

Description of Financial Guaranty Insurance Policy

A financial guaranty insurance policy will be issued in respect of each of the G.O. Refunding Bonds and the Revenue Refunding Bonds (each, a "Policy") by Asset Guaranty Insurance Company (the "Bond Insurer") simultaneously with the issuance and delivery of the Refunding Bonds. The Policy is noncancelable during its terms and provides for the prompt payment of principal of and interest on the Refunding Bonds to the extent that the Bond Commission or the Bond Trustee, as the case may be, has not received sufficient funds from the County Commission for payment of the Refunding Bonds on the "due date." The Bond Insurer is obligated to make the required payment on the later of the due date or the first business day after which the Bond Insurer has received notice from The United States Trust Company of New York, as Insurance Trustee (the "Insurance Trustee"), that the County Commission has failed to pay amounts due on the Refunding Bonds. Under the Policy, the "due date" of the Refunding Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Bond Insurer. With respect to interest on the Refunding Bonds, the "due date" means the stated dated for payment of interest. The Policy guarantees reimbursement of any

recovery of any such payment from an Owner or the Bond Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon the occurrence and continuance of an Event of Default, the Bond Insurer may, in its discretion, direct the acceleration of the Refunding Bonds subject to such Event of Default at a price equal to the principal amount thereof plus accrued interest, or the Bond Insurer may elect to continue to pay principal and interest on the originally scheduled due dates of the Refunding Bonds. For specific information on the coverage provided, reference should be made to the Policy that has been reproduced in specimen form in Appendix H hereto. The Policy does not insure against nonpayment of principal or interest on the Refunding Bonds due to the insolvency, misconduct or negligence of the Bond Trustee. The Policy does not insure the payment of any redemption premium.

Asset Guaranty Insurance Company

Asset Guaranty Insurance Company (the "Bond Insurer") is a financial guaranty insurance company, regulated by the Insurance Department of the State of New York and domiciled in the State of New York. As of September 30, 1997, the Bond Insurer had total shareholders' equity of approximately $142,919,000 (unaudited) and total assets of approximately $262,824,000 (unaudited). The financial information relating to the Bond Insurer presented in this Official Statement was prepared internally by the Bond Insurer, based on generally accepted accounting principles, and has not been audited by independent certified public accountants. The address of the Bond Insurer's administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is (212) 983-5859.

The Insurer has filed the following information with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934:

(i) the Insurer's financial statements as of December 31, 1996 and 1995 prepared in accordance with generally accepted accounting principles and an independent auditor's report relating to those statements;

(ii) the Insurer's quarterly unaudited balance sheet as of March 31, 1997 and unaudited income statement for the three month period then ended, prepared in accordance with generally accepted accounting principles;

(iii) the Insurer's quarterly unaudited balance sheet as of June 30, 1997 and unaudited income statement for the six month period then ended, prepared in accordance with generally accepted accounting principles; and

(iv) the Insurer's quarterly unaudited balance sheet as of September 30, 1997 and unaudited income statement for the nine month period then ended, prepared in accordance with generally accepted accounting principles.

The Bond Insurer is a wholly owned subsidiary of Enhance Financial Services Group Inc. A complete copy of the December 31, 1997, audited financial statements and additional information of Enhance Financial Services Group Inc., together with the accompanying report of independent auditors, is available from the Bond Insurer upon written request. Enhance Financial Services Group Inc. is a publicly-owned corporation, and its shares are listed on the New York Stock Exchange. Neither Enhance Financial Services Group Inc. nor any of its investors is obligated to pay the debts of or claims against the Bond Insurer.

Neither the Bond Insurer nor any of its affiliates makes any representation regarding the Refunding Bonds or the advisability of purchasing the Refunding Bonds and makes no representation regarding this Official Statement other than as to the information supplied by the Insurer and presented under the heading "BOND INSURANCE" and as set forth in Appendix H of this Official Statement. The Bond Insurer's role is limited to providing the coverage set forth in the Policy.

FINANCING PLAN

The G.O. Refunding Bonds are being issued for the purpose of refunding, in advance of the maturity thereof, the 1994 G.O. Bonds and to pay certain costs of issuance. The 1994 G.O. Bonds will be redeemed on their first redemption date, being April 1, 2002. The refunding is being undertaken to effect a savings in the aggregate debt service for the County Commission.

Concurrently with the delivery of the G.O. Refunding Bonds, the County Commission will apply the net proceeds from the sale of the G.O. Refunding Bonds, together with other funds available therefor, to the purchase of certain Government Obligations (as defined in Appendix E - Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture) to the defeasance of the 1994 G.O. Bonds. The Government Obligations will be deposited in or credited to a special and irrevocable trust fund (the "G.O. Escrow Fund") created under an Escrow Agreement, to be dated as of the date of delivery of the G.O. Refunding Bonds (the "G.O. Escrow Agreement"), between the County Commission and the Bond Commission, as escrow agent. The G.O. Escrow Fund is to be held by the Bond Commission, as escrow agent, in trust for the payment of the 1994 G.O. Bonds and for the benefit of the owners thereof. The maturing principal of and interest of the Government Obligations, together with any initial cash deposited in the G.O. Escrow Fund, will be sufficient to pay (i) the principal of the 1994 G.O. Bonds as it becomes due and payable to the first redemption date, (ii) the redemption price of 102% of the aggregate principal amount of 1994 G.O. Bonds scheduled to mature on and after April 1, 2003, and (iii) in each case, the interest on the 1994 G.O. Bonds as the same becomes due and payable to and including April 1, 2002.

The Revenue Refunding Bonds are being issued for the purpose of refunding, in advance of the maturity thereof, the 1994 Revenue Bonds, to fund a debt service reserve fund and to pay certain costs of issuance. The 1994 Revenue Bonds will be redeemed on their first redemption date, being October 1, 2001. The refunding is being undertaken to effect a savings in the aggregate debt service for the County Commission.

Concurrently with the delivery of the Revenue Refunding Bonds, the County Commission will apply the net proceeds from the sale of the Revenue Refunding Bonds, together with other funds available therefor, to the purchase of certain Government Obligations (as defined in Appendix E - Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture) to the defeasance of the 1994 Refunding Bonds. The

Government Obligations will be deposited in or credited to a special and irrevocable trust fund (the "Revenue Escrow Fund") created under an Escrow Agreement, to be dated as of the date of delivery of the Revenue Refunding Bonds (the "Revenue Escrow Agreement"), between the County Commission and I Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as escrow agent (the "Escrow Agent"). The Revenue Escrow Fund is to be held by the Escrow Agent in trust for the payment of the 1994 Revenue Bonds and for the benefit of the owners thereof. The maturing principal of and interest of the Government Obligations, together with any initial cash deposited in the Revenue Escrow Fund, will be sufficient to pay (i) the principal of the 1994 Revenue Bonds as it becomes due and payable to the first redemption date, (ii) the redemption price of 102% of the aggregate principal amount of 1994 Revenue Bonds scheduled to mature on and after October 1, 2002, and (iii) in each case, the interest on the 1994 Revenue Bonds as the same becomes due and payable to and including October 1, 2001.

Upon the deposit or credit of the Government Obligations and cash into or to the Escrow Funds, the 1994 Bonds will be defeased and will no longer be secured by or payable from the tax levies of the County or the net revenues derived from the operation of the Hospital, as the case may be. The maturing principal of and interest on the Government Obligations and any cash amounts in the Escrow Funds are not pledged to and will not be available to pay the Refunding Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

G.O. Refunding Bonds

The proceeds of the sale of the G.O. Refunding Bonds, and the other sources of funds, and the uses of such funds are shown below:

Sources of Funds:	
G.O. Refunding Bonds	$_____
Less: Underwriter's Discount	$_____
Net Proceeds of G.O. Refunding Bonds	$_____
Funds on Deposit for 1994 G.O. Bonds	$_____
Accrued Interest	$_____
Total Sources of Funds	$_____
Uses of Funds	
Deposit to Escrow Account	$_____
Deposit to Debt Service Fund for interest due October 1, 1998	$_____
Issuance Expenses (1)	$_____
Total Uses of Funds	$_____

Revenue Refunding Bonds

The proceeds of the sale of the Revenue Refunding Bonds, and other sources of funds, and the uses of such funds are shown below:

Sources of Funds:	
Revenue Refunding Bonds	$_____
Less: Underwriter's Discount	$_____
Net Proceeds of Revenue Refunding Bonds	$_____
Funds on Deposit for 1994 Revenue Bonds	$_____
Accrued Interest	$_____
Total Sources of Funds	$_____
Uses of Funds:	
Deposit to Escrow Account	$_____
Deposit to Interest Account in Bond Fund for interest due October 1, 1998	$_____
Deposit to Debt Service Reserve Fund	$_____
Issuance Expenses (1)	$_____
Total Uses of Funds	$_____

(1) Includes fees and expenses of accountants, bond counsel, Hospital and County Commission counsel, Bond Trustee, Insurance Premium, rating agencies, printing and miscellaneous expenses.

THE G.O. REFUNDING BONDS

THE FOLLOWING APPLIES ONLY TO THE G.O. REFUNDING BONDS. THE REVENUE REFUNDING BONDS ARE NOT PAYABLE FROM AND HAVE NO LIEN ON THE TAX LEVIES OF THE COUNTY.

Authority

The G.O. Refunding Bonds are issued pursuant to the G.O. Refunding Act and an order entered by the County Commission on February 11, 1998, as supplemented on May __, 1998 (as previously defined, the "G.O. Refunding Bond Order"), for the purpose of refunding, in advance of the maturity thereof, the 1994 G.O. Bonds. At a special election held on December 10, 1993, the voters of the County approved the issuance of the 1994 G.O. Bonds for the purpose of contributing funds to the Project.

The ballot question for the G.O. Bonds provided that the levies for each $100 assessed valuation of property for debt service would be approximately as follows:

Class I property	1.23 cents
Class II property	2.46 cents
Class III property	4.92 cents
Class IV property	4.92 cents

The ballot question for the G.O. Bonds set forth a maximum aggregate principal amount of $1,800,000, to run not more than 26 years from the date thereof and with interest not exceeding the rate of 7% per annum.

Article X, Section 8 of the West Virginia Constitution (the "Constitution") and the G.O. Bond Act allow a county (acting through its county commission) to incur indebtedness only to an amount equal to 2.5% (5% for certain purposes) of the value of the taxable property in the county; only if the county provides for the collection of a direct annual tax on such taxable property, separate and apart from and in addition to all other taxes for all other purposes, sufficient to pay the principal of and interest on such debt; and only if approved by 60% of all votes cast for and against the issuance. Although the taxes are levied separately and apart from and in addition to other taxes, the taxes levied for debt service on county general obligation bonds or refunding bonds are subject to the limits set forth in Article X, Section 1 of the Constitution (See "Nature of Obligation, Security and Source of Payment" and "The County Commission - Tax Rates"). The canvass of the special election in the County showed 1,590 votes for the issuance of the 1994 G.O. Bonds and 865 votes against the issuance, so that 65% of the voters voting upon the ballot question voted for the issuance of the 1994 G.O. Bonds.

Nature of Obligation, Security and Source of Payment

The G.O. Refunding Bonds constitute valid and legally binding general obligations of the County Commission secured by a pledge of its full faith and credit and are payable from ad valorem taxes levied upon all taxable property in the County, in amounts sufficient to pay the principal of and interest on the G.O. Refunding Bonds when due, but all within the limits prescribed by the Constitution and statutes of the State of West Virginia.

Article X, Section 1 of the Constitution limits property taxes to 50 cents per $100 assessed valuation for Class I, $1.00 per $100 assessed valuation for Class II, $1.50 per $100 assessed valuation for Class III, and $2.00 per $100 assessed valuation for Class IV. Under Chapter 11, Article 8, Section 6b of the Code of West Virginia, 1931, as amended, the maximum taxes allocated to the counties are 14.3 cents per $100 of assessed valuation for Class I, 28.6 cents per $100 assessed valuation for Class II, 57.2 cents per $100 assessed valuation for Class III, and 57.2 cents per $100 assessed valuation for Class IV. The County Commission must pay debt service on the G.O. Refunding Bonds from such maximum taxes before paying for the current expenses of the County.

In accordance with the provisions of the G.O. Refunding Act, debt service on the G.O. Refunding Bonds will not exceed in each year the amount of taxes expected to be available for payment of such debt service in accordance with the terms approved by the voters. As required by the G.O. Refunding Act, taxes available for such payment have been computed assuming the rates of levy and assessed valuations approved by

the voters and such amount will be certified by the chairman of the Bond Commission prior to the issuance of the G.O. Refunding Bonds.

The County Commission does not have any general obligation bonds outstanding other than the 1994 G.O. Bonds and does not have any authorized but unissued general obligation bonds other than the G.O. Refunding Bonds. There has never been a default in payment of the principal of or interest on any general obligation bond issued by the County Commission.

The G.O. Refunding Bonds, the G.O. Refunding Act and the G.O. Bond Refunding Bond Order do not specifically provide any remedies that would be available to the Owner of a G.O. Refunding Bond if the County Commission defaults in the payment of principal of or interest on the G.O. Refunding Bonds, nor do they contain a provision for the appointment of a trustee to protect and enforce the interests of the Owners of the G.O. Refunding Bonds upon the occurrence of such default. If the Owner of a G.O. Refunding Bond does not receive payment of principal or interest when due, the Owner could seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the County Commission to levy and collect an ad valorem tax, unlimited as to rate except as limited by the constitutional and statutory constraints described above, upon all taxable property in the County, sufficient to pay the principal of and interest on the G.O. Refunding Bonds as the same become due. The enforceability of rights or remedies with respect to the G.O. Refunding Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, by general principles of equity or by judicial discretion. In addition, enforcement of mandamus remedies may be impractical or difficult.

Upon a default on the G.O. Refunding Bonds, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies available to the Owners.

Debt Administration

The West Virginia Municipal Bond Commission (the "Bond Commission") is charged with the administration of the interest and sinking funds created to service the debt of the State and its political subdivisions. It has established separate accounts for the G.O. Refunding Bonds. The proceeds of the taxes levied by a county are collected by the sheriff, as treasurer of the county, who then forwards the requisite proceeds to the Bond Commission. The Bond Commission is required, by law, to render annually to each political subdivision having outstanding bonds a statement showing the levy amount required to pay the interest on and provide for the retirement of the outstanding bonds. The Bond Commission is authorized to augment the levy for the G.O. Refunding Bonds by a reasonable amount to provide for delinquencies and exonerations, including the statutory 2 1/2% discount for early payment of taxes, and customarily sets the amount at 110% of the annual principal and interest required. The Bond Commission then notifies the county commission and the West Virginia Department of Tax and Revenue of this amount, and the levy rate necessary to produce the required sum for the G.O. Refunding Bonds is then jointly determined by the County Commission and the Department of Tax and Revenue and set by the County Commission.

There has not been a default in the payment of principal of or interest on any general obligation bonds in the State of West Virginia since the Bond Commission commenced centralized supervision and administration in 1921. Since 1933, the annual State of West Virginia Budget Bill has embodied a protection provision for

certain State agency obligations and for local and taxing district (including county) general revenue obligations, if deficiencies should arise. The following excerpt from Title II of the FY 1998 Budget Bill is indicative:

> **Sec. 14. Sinking fund deficiencies** - There is hereby appropriated to the governor a sufficient amount to meet any deficiencies that may arise in the mortgage finance bond insurance fund of the West Virginia housing development fund which is under the supervision and control of the municipal bond commission as provided by section twenty-b, article eighteen, chapter thirty-one of the code, or in the funds of the municipal bond commission because of the failure of any state agency for either general obligations or revenue bonds or any local taxing district for general obligation bonds to remit funds necessary for the payment of interest and sinking fund requirements. The governor is authorized to transfer from time to time such amounts to the municipal bond commission as may be necessary for these purposes.
>
> The municipal bond commission shall reimburse the state of West Virginia through the governor from the first remittance collected from the West Virginia housing development fund or from any state agency or local taxing district for which the governor advanced funds, with interest at the rate carried by the bonds for security or payment of which the advance was made.

No representation is made that subsequent budget bills will have such provision or that the Governor will make the authorized transfer or sufficient funds will be available to satisfy any such deficiencies.

<u>Sources and General Current Expenses</u>

The County's primary source of general fund revenues is its property tax receipts, which accounted for 80.32% of the County's general fund revenues for the fiscal year ending June 30 ("FYE"), 1997 (excluding the property tax collections allocated to the 1994 G.O. Bonds and the 1994 Levy Bonds). The County had miscellaneous receipts totalling $123,486, but no other sources exceeded $30,000. In addition, the County received coal severance taxes and interest thereon in the amount of $202,578. [Source: Sheriff's Settlement for FYE 1997.] The coal severance tax revenues were used for various contractual services and contributions.

The County provides various services to its citizens, payable from the taxes levied for general current expenses in addition to debt service on the G.O. Refunding Bonds. Most of the general current expenses are attributable to the general operation of the County's government, as follows:

County Commission, described above - $375,728

County Clerk, described above - $175,503

Circuit Clerk, who has duties relating to the local judicial system and elections, among other things - $90,230

Sheriff, who has county law enforcement duties in addition to his financial duties described herein - $286,968 (Tax Office - $136,962; Law Enforcement - $150,006)

Prosecuting Attorney, described above - $88,777

Assessor, described herein - $117,716 (plus a valuation fund of $100,518)

Operation of Courthouse and other buildings - $369,018

County Jail - $172,270

Other general current expenses, totalling $695,421 for FYE 1997, were for an agricultural extension agent, elections, industrial development, operation and maintenance of the County's parks and recreation areas, emergency services communication and dispatch, and operation of two libraries (one in Petersburg and one at Mt. Storm).

Source: County Financial Statement FYE 1997

Tax Collection Procedure

All taxes for real estate and personal property are collected by the sheriff and are remitted by him to the State and other local levying bodies, including the county commission. Public utility taxes are collected directly by the State Auditor (the "Auditor") and are remitted by him to the sheriff for distribution; provided, that the public utility taxes attributable to a general obligation bond issue are remitted to the Bond Commission. Tax statements are mailed by the sheriff's office in July, and they may be paid in two installments. The first half of the tax is subject to a 2-1/2% discount if paid by September 1; thereafter, the amount payable is net until October 1, after which a 9% penalty is added. Likewise, the second half is subject to a 2-1/2% discount if paid by March 1, net to April 1, and a 9% penalty thereafter. The sheriff, after ascertaining which taxes are delinquent, shall on or before May 1 next succeeding the year for which the taxes were assessed prepare delinquent lists, which shall be posted at the front door of the courthouse and published as a legal advertisement at least two weeks prior to the presentation to the county commission for examination. After examination and correction, the commissioners shall certify such lists pertaining to real property to the Auditor not later than July 1. On or before September 10, the sheriff shall prepare a second list of delinquent taxes, as of September 1, together with a notice of sale for properties upon which such taxes are due. If not redeemed before, such properties shall be sold at public auction at the courthouse on any Monday after October 14 and before November 23. No such sale shall be made for any sum less than the total amount of taxes, interest and charges then due. If no person bids the amount of taxes, interest and charges then due, the sheriff shall purchase the property on behalf of the State for the amount so due. The former owner of any real or personal property so purchased by the State, or any other person who is entitled to pay the taxes thereon, may redeem such real or personal property from the Auditor at any time within eighteen months after the date of such purchase. The Auditor reports monthly to the sheriff, the county assessor and the county clerk on all properties in the county which were redeemed in his office during the preceding month. The Auditor, each month, draws his warrant upon the State treasury payable to the sheriff for that part of the taxes, interest and charges received by him upon the redemption of the property included in his report which was owing to any of the taxing units in the county. The sheriff accounts for and pays over such money as if it had been paid to him for redemption before sale.

Assessment Procedure

State statutes provide that all property must be assessed as of the first day of July. Assessment on this day is the basis for the following year's property taxes. The assessor must complete his compilation of the land and personal property books not later than January 30. The county commission, not later than February 1, must meet for the purpose of sitting as a board of equalization and review of such assessments. After completion of the review of assessments, the county commission certifies and returns the property books to the assessor. Appeal of any assessment may be made to the circuit court of the county within 30 days after adjournment of the county commission sitting as a board of equalization and review. The assessor annually, not later than March 7, must furnish a certified statement to certain governmental bodies in the county, showing the aggregate value of all real and personal property. During the month of March, the county commission, the county board of education and municipal governments prepare their budgets for the fiscal year which begins the following July. After these budgets are approved, these governments officially set the tax rates for the coming year, sufficient to pay budgeted expenses not expected to be paid from other sources but within constitutional and statutory limits. For example, the 1998 assessment year valuations are made as of July 1, 1997, with taxes levied and collected during the fiscal year July 1, 1998 through June 30, 1999. (See "Grant County Tax Levies and Collections.")

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Grant County Tax Levies and Collections

Fiscal Year Ending 6/30	Current Taxes Collected in Year of Levy*	Taxes Levied**	Percent Collected In Year of Levy	Discounts, Exonera-tions, Etc., Budgeted	Taxes Budgeted	Percent of Budget Collected	Current Delin-quencies	Budget*** including Taxes for Prior years, Supple-mental Taxes and Penalties and Interest	Prior Delin-quencies Etc. Collected/ Interest & Supple-mental Taxes	Taxes Collected	Percent of Total Budget of Taxes Collected
1997	$1,868,630	$N/A	N/A%	$N/A	$1,799,078	104%	$N/A	$1,815,078	$27,277	$1,895,907	104%
1996	$1,827,984	$1,997,549	92%	$127,951	$1,869,598	98%	$31,824	$1,883,098	$46,505	$1,874,489	99.5%
1995	$1,852,187	$1,970,476	94%	$126,110	$1,844,366	100%	$23,191	$1,852,866	$48,614	$1,900,801	103%
1994	$1,716,128	$1,813,957	95%	$126,977	$1,686,980	102%	$ 97,829	$1,695,480	$93,784	$1,809,912	107%
1993	$1,589,234	$1,693,723	94%	$118,560	$1,575,173	101%	$104,489	$1,583,163	$19,266	$1,608,500	102%

Source: For FYE 1993-1996, Grant County Sheriff (FYE 1995 and 1996 compiled from Sheriff's Settlement Statement) for FYE 1997, Annual County Financial Statement

* Includes public utility taxes:

FYE 1993	$ 976,590
FYE 1994	$1,028,250
FYE 1995	$ 920,740
FYE 1996	$ 926,798
FYE 1997	$ N/A

** Does not include excess levy. Figures for FYE 1995-1997 include levies for the 1994 G.O. Bonds.

*** The total taxes preliminarily budgeted for FYE 1999 are $2,004,890 (including for the 1994 G.O. Bonds)

N/A (Not Available)

The State Tax Commissioner has the responsibility of preparing tentative valuations of all public utility property in the State and providing these valuations to the Board of Public Works of the State for actual assessment of such property. The Board of Public Works reviews all assessments made, makes such corrections as it deems proper, conducts hearings to entertain protests from the public utilities involved and fixes the assessments in final form. After such assessments are made, they are allocated by the Auditor to the various counties in which the public utility property is located, such allocations being approved by the Board of Public Works.

Property Classification

Article X, Section 1 of the Constitution and Chapter 11, Article 8, Section 5 of the Code of West Virginia, 1931, as amended, created four classifications of property for which the tax rates, but not the assessed values, are limited. These tax classifications are as follows: Class I - all tangible personal property employed exclusively in agriculture, all products of agriculture while owned by the producer, all notes, bonds, bills, accounts receivable, stocks and any other intangible personal property, not including bank deposits and money; Class II - owner-occupied residential property and certain farm lands; Class III - all real and personal property, other than Class I and II property, situate outside of municipalities; Class IV - all real and personal property, other than Class I and II property, situated within municipalities. Public utility property falls within Class III or Class IV, as appropriate.

Article X, Section 1b of the Constitution and Chapter 11, Article 6B, Section 5 of the Code of West Virginia, 1931, as amended, provide that the first twenty thousand dollars of assessed valuation of real property, or of personal property in the form of a mobile home, used exclusively for residential purposes and occupied by the owner or one of the owners thereof as his residence, who is a citizen of the State and who is sixty-five years of age or older or is certified as being permanently or totally disabled, shall be exempt from ad valorem property taxation. Only one exemption shall be allowed for each homestead used and occupied exclusively for residential purposes by the owner thereof, regardless of the number of qualified owners residing therein. The Legislature may by law provide for the exemption to those aged 65 or less and not disabled.

Assessed Valuations

Article X, Section 1 of the Constitution requires that all property subject to ad valorem taxation be assessed at 60% of its true and actual value and further provides for periodic state-wide reappraisals of all property.

Chapter 11, Article 1C of the Code of West Virginia, 1931, as amended, the "Equitable Property Valuation Act," was enacted by the Legislature in 1990 and required that all property within the State be reappraised at its fair market value within three years of the effective date of the legislation and that updated appraisals be performed every three years thereafter. The State Tax Commissioner is responsible for valuing all industrial and natural resource property within the State, and the Board of Public Works is responsible for valuing public utility property. All other property is valued by the local assessor. The 1990 legislation also created an oversight commission, the Property Valuation, Training and Procedures Commission, with the State Tax Commissioner as chairman and additional members (three county assessors, three citizens and two county commissioners) appointed by the Governor. This commission is required to monitor the performance of the reappraisal.

The Equitable Property Valuation Act also limits the increase in property taxes that can result from the reappraisal. As total values within the various counties as a result of the reappraisal increase, tax rates are required to be reduced so that the actual increase in taxes is capped at a small percentage in excess of taxes collected the prior year. Local taxing units which deem a greater increase necessary may, after public hearing, elect not to roll back tax rates as otherwise required. The levy rates set by the County Commission for FYE 1997 of 11.80 cents per $100 on Class I property (10.84 cents for County current expenses and 0.96 cents for the G.O. Bonds) reflects the County's "rolled-back" rate.

The Equitable Property Valuation Act was amended in 1997 to phase out by tax year 2003 ad valorem taxes on intangible property. The County Commission does not believe that the Equitable Property Valuation Act will have any adverse impact on the County Commission's ability to levy taxes and pay the principal of or interest on the G.O. Refunding Bonds.

On February 2, 1998, the Governor's Commission on Fair Taxation issued a status report to the Governor. The Governor's Commission noted that the ad valorem tax on real property generated the greatest amount of controversy during its public forums. The Governor's Commission found:

> The discontent that exists is generally attributable to (1) the increase in taxes resulting from the 1990 revaluation; (2) the inconsistent valuation of properties both within and among the counties; and (3) the unfair system of administrative review.
>
> As a result, the property tax on real estate with its different rates violates equity and fairness. The tax is not based upon the ability to pay in that many taxpayers are "land rich and income poor." Moreover, the rate structure favors home owners over home renters.
>
> On the other hand, the real property tax is a good source of local revenue, fairly broad-based, enforceable, and relatively stable.

The Governor's Commission is continuing in its efforts to determine the best way to raise adequate taxes and treat individuals fairly and equitably, minimize interference in economic decisions, not impose undue costs on taxpayers or tax administrators, be accountable and competitive, and provide sufficient flexibility to local units of government. It is not known what, if any, changes to ad valorem property taxes will result from the Governor's Commission's efforts.

[Remainder of Page Intentionally Left Blank]

Grant County
Assessed Valuation by Property Class

Class	1994*	1995	1996	1997	1998
I	$ 16,703,379	$ 17,008,230	$ 14,153,357	$ 12,601,425	$ 13,638,703
II**	$103,414,025	$109,442,999	$113,735,659	$121,391,928	$128,632,851
III	$331,742,426	$329,463,020	$ 354,715,439	$352,578,106	$374,302,892
IV	$ 26,340,420	$ 31,569,635	$ 33,490,436	$ 33,656,168	$ 35,599,074
TOTAL	$487,200,250	$487,483,884	$516,094,891	$520,227,627	$552,173,520

* Assessment Year

** Excludes real property and certain personal property from ad valorem property taxation pursuant to Article X, Section 1b of the Constitution. The amount of Class II property so excluded each assessment year amounted to:

$17,106,467 in 1994
$18,035,666 in 1995
$18,485,644 in 1996
$18,857,618 in 1997
$19,529,367 in 1998

Source: Grant County Commission Certificates of Valuation

[Remainder of Page Intentionally Left Blank]

Grant County, West Virginia
Largest Assessed Valuations

Name of Property Owner	1998 Assessed Valuation
1. Virginia Electric and Power Co.*	$ 231,677,700
2. Allegheny Wood Products, Inc.	$ 11,837,945
3. Buffalo Coal Company	$ 10,468,278
4. Potomac Edison Co.	$ 5,115,500
5. Grant County Bank	$ 4,922,877
6. Citizens Telecom	$ 4,014,500
7. Monongahela Power Co.	$ 2,356,200
8. Fairfax Sand & Stone	$ 2,021,682
9. Western Maryland Railroad Co.	$ 1,402,500
10. Island Creek Coal Company	$ 891,630

Source: Grant County

* Virginia Electric and Power Co. ("VEPCO") is a wholly owned subsidiary of Dominion Resources, Inc., and has its principal office in Richmond, Virginia. Information regarding VEPCO is on file with the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20549.

Tax Rate Comparisons

The following shows Grant County property tax levy rates per $100 assessed valuation in comparison with a few select surrounding counties as of July 1, 1997 (assessment year 1998; to be used for taxes collected in FYE 1999).

[Remainder of Page Intentionally Left Blank]

RATES OF LEVY*

County	Class I	Class II	Class III/IV
Grant	35.37	70.74	141.48
Hampshire	38.77	77.54	155.08
Hardy	38.68	77.36	154.72
Mineral	60.75	121.50	243.00
Pendleton	33.43	66.86	133.72
Randolph	32.24	64.48	128.96
Tucker	33.60	67.20	134.40

* Expressed in cents per $100.00 of assessed valuation; excludes amounts levied for general obligation bonds.

Tax Rates

Except as hereinafter stated, the maximum tax rates allowed by the Constitution of West Virginia for the four classifications of property are as follows: Class I - 50¢ per $100 assessed valuation; Class II - $1.00 per $100 assessed valuation; Class III - $1.50 per $100 assessed valuation; Class IV - $2.00 per $100 assessed valuation.

The maximum tax rates described above are divided among the several levying bodies by statute. Generally, the maximum tax rates allowed by the Constitution to be levied by all the levying bodies within the State for current expenses (assuming no indebtedness incurred prior to 1932 exists), and the allocation and apportionment of the maximum rates among the levying bodies made by Chapter 11, Article 8, of the Code of West Virginia, 1931, as amended, for the four classifications of property are as follows:

MAXIMUM TAX RATES*

	Class I	Class II	Class III	Class IV
State	0.25¢	0.50¢	1.00¢	1.00¢
County	14.30¢	28.60¢	57.20¢	57.20¢
School	22.95¢	45.90¢	91.80¢	91.80¢
Municipal	12.50¢	25.00¢	N/A	50.00¢
TOTAL (in cents)	50.00¢	100.00¢	150.00¢	200.00¢

* Rate on each $100 Valuation (in cents)

These rates of levy may not be exceeded except that a local levying body may provide for an election to increase such rates within the respective taxing unit at either a general or special election. If at least 60% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 50% by municipalities and counties. If at least 50% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 100% by boards of education. The increased levies may not continue for more than three years in the case of municipalities and counties or for more than five years in the case of boards of education without resubmission to the voters.

As described above, the tax levies for the G.O. Refunding Bonds will be laid separate and apart from, and in addition to, the other taxes of the County but within the Constitutional and statutory limits. The County Commission has covenanted to levy and has provided for the levy of a direct annual tax sufficient to pay the principal of and interest on the G.O. Refunding Bonds. Accordingly, the taxes levied for the G.O. Refunding Bonds will have precedence over the taxes levied for general current expenses.

The tax rates for citizens of the County, including those imposed by the Grant County Board of Education, per $100 assessed valuation for FYE 1998 are as follows:

RATES OF LEVY*

Tax Type	Class I	Class II	Class III/IV
State Current	0.25¢	0.50¢	1.00¢
County Current	10.84¢	21.68¢	43.36¢
County Excess	None	None	None
County Bonds**	0.9¢	1.8¢	3.6¢
School Current	20.48¢	40.96¢	81.92¢
School Excess	2.9¢	5.8¢	11.6¢

* Expressed in cents per $100.00 of assessed valuation.

** The tax rates, effective for FYE 1998, for the 1994 G.O. Bonds ("County Bonds").

In addition to the rates of levy established for State, County and school purposes, the municipalities within the County have additional rates of levy in effect as shown in the following table:

RATES OF LEVY*

Municipality	Class I	Class II	Class IV
Bayard	12.18¢	24.36¢	48.72¢
Petersburg	9.53¢	19.06¢	38.12¢
Excess	4.49¢	8.98¢	17.96¢

* Expressed in cents per $100.00 assessed valuation.

Source: Grant County Clerk.

Debt Contracting Capability

Article X, Section 8 of the Constitution provides that no county, city, school district or municipal corporation shall be allowed to become indebted in any manner or for any purpose in an amount, including existing indebtedness, in the aggregate exceeding 5% of the value of the taxable property therein, to be ascertained by the last assessment previous to the incurring of such indebtedness, nor without at the same time providing for the collection of a direct annual tax on all taxable property therein, in the ratio as between the several classes or types of such taxable property, separate and apart from and in addition to all other taxes for all other purposes, sufficient to pay annually the interest on such debt and the principal thereof within and not exceeding 34 years. No debt shall be contracted unless all questions connected with the same shall have been first submitted to the vote of the people and have received three-fifths of all the votes cast for and against the same.

In addition, Section 3 of the G.O. Bond Act provides that no political subdivision (other than a school district) shall by any bond issue become indebted to an amount including all other indebtedness exceeding 2 1/2% of the value of the taxable property therein as shown in the last assessment thereof; provided, however, that a county for the erection and equipment of a courthouse or jail, with funds borrowed from a government entity, may become indebted and issue bonds in an additional sum not exceeding 2 1/2% of the value of the taxable property therein.

County Debt Statement

As heretofore stated, under Article X, Section 8 of the Constitution and the G.O. Bond Act, the County generally may issue bonds in an amount which, when added to the aggregate indebtedness then outstanding, will not exceed 2 1/2% of the most recent assessed valuation of taxable property in the County. Under the constitutional and statutory standard, the computation of the debt limit of the County and its debt contracting margin are as follows:

Summary of Statistical Debt Information (pro-forma)

Population (1990)	10,428
Assessed Valuation for Tax Purposes (1998)	$552,173,520
Debt Limit (2.5% of Assessed Valuation)	$ 13,804,338
Outstanding Debt (following issuance of G.O. Refunding Bonds)	$ _____
Debt Contracting Margin (at 2.5%)	$ _____
Per Capita Debt	$ _____
Outstanding Debt as a Percentage of Assessed Value	____%

Source: County Data Profile, Center for Economic Research, West Virginia University ("Data Profile"), citing U.S. Bureau of the Census; 1998 Grant County Certificate of Valuations

Certain Financial Information

Accounting Practices

The accounts of the County are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The County generally applies a modified accrual basis of accounting in accordance with generally accepted accounting principles. The County in FYE 1996 did not include financial statements of the general fixed asset accounting group and did not record vacation and sick leave, both of which were required by generally accepted accounting principles.

Description of Funds

The County's accounts are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The General Fund is the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is a separate and distinct fund held by the Bond Commission and used only as an "interest and sinking fund" to meet the demands of maturing bonds and bond interest payments. (See "The Bonds - Debt Administration".)

The County's coal severance taxes are deposited into a special fund and used for various purposes as described above.

Other special revenue funds, such as those of the Hospital or the nursing home, are separate from the funds of the County described herein. The County does not presently have any Capital Project Funds, which are used to account for financial resources to be used for capital acquisition or construction.

Taxes levied on real and personal property, other than public utility property, to be used to make Debt Service fund payments, are collected by the sheriff, while taxes levied on public utility property to be used to make Debt Service Fund payments are collected by the Auditor and remitted directly to the Bond Commission. Collections will be transferred periodically by the sheriff to the Bond Commission for the Bonds. The Bond Commission, in turn, disburses funds to meet the payment of principal of and interest on the Bonds, as well as paying agent fees. From time to time, the Bond Commission invests amounts in the Debt Service Fund that are in excess of payment schedules and credits the interest income to the Debt Service Fund.

Investment of Certain Funds

General. The state maintains two investment pools for the common investment of State and local government moneys, known as the "Consolidated Fund" and the "Consolidated Pension Fund," which are managed by the Investment Management Board. The County Commission is required by law to remit tax collections to the Bond Commission for the payment of the principal of and interest on the Bonds. The Bond Commission has historically and is currently investing moneys deposited with it in the Consolidated Fund. Each participant in the Consolidated Fund owns an undivided interest in the portfolio of the Consolidated Fund based upon the participant's pro-rata contribution of assets at any time. Each participant is deemed to have consented to the methods of sharing gains and losses and all other accounting methods required or adopted by the Board. Accounting is based on a daily accrual method of earnings, deposits and withdrawals. As a matter of practice, the Investment Management Board informs participants of the yield applicable to their undivided interests, and interest income is normally credited to each participant's account on a monthly basis.

The West Virginia Constitution was amended at a special election held on September 27, 1997, to authorize investment in equities. Legislation specifies various limitations and restrictions on such investments. The Legislature has authorized the Investment Management Board to loan up to $137,000,000 from the Consolidated Fund to the State Building Commission for the purpose of constructing regional jail and related corrections facilities, subject to the availability of sufficient liquidity in the Fund. The interagency loan would be repaid with an annual $12,000,000 appropriation from the Legislature. On April 14, 1998, the Investment Management Board refused to make the loan, and, on April 20, 1998, the West Virginia Regional Jail and Correctional Facility Authority filed a motion for a writ of mandamus to require the Investment Management Board to make the loan.

Requirements of Bond Insurer. Under the commitment for the Policies, the Bond Insurer restricts investments for the G.O. Refunding Bonds, to the extent permitted by applicable law, to the following:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the timely payment of principal and interest;

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c)

guaranteed mortgaged-backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development;

(iii) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Paying Agent or an affiliate of the Paying Agent acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.; and

(iv) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc. and A-1 by Standard & Poor's Corporation.

The County Commission will instruct the Bond Commission and the County sheriff to comply with the Bond Insurer's requirements to the extent allowable under law.

Annual Audit

An annual audit of accounts is prepared by or on behalf of the West Virginia Department of Tax and Revenue (the "State Tax Department"). Undertaking its audit, the State Tax Department employs generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the U.S. Comptroller General. The audit examination includes such tests of the accounting records and other auditing procedures as is considered necessary in the circumstances. The latest audit report available for Grant County is for FYE 1996, which is included herein as Appendix C. The State Tax Department has not completed the audit of Grant County for 1997. The County Commission makes no representation regarding when the audit for 1997 will be completed.

Budgetary Procedures

Prior to the beginning of each fiscal year, the County Commission develops a fiscal plan consisting of contemplated expenditures. The annual budget development process is customarily developed along the following guidelines and in accordance with the budget calendar summarized as follows:

January - The County Commission reviews current year's budget to determine that current year's projections are accurate and within budget.

February - The County Commission begins preliminary work on budget preparation. Estimates of receipts are established. Preliminary priorities are discussed.

March - Assessed valuations are received on or about March 7. The County Commission must approve a preliminary budget and have it available for public inspection for 10 days prior to a public hearing. Anyone wishing to speak at the public hearing shall be granted reasonable time. The County Commission must meet between the budget hearing date and March 28 for approval of the preliminary budget and levy rates. The budget must be submitted to the State Tax Commissioner no later than March 28.

April - On the third Tuesday in April, after the public hearings and receiving written approval of the State Tax Commissioner, the County Commission finalizes the budget for the coming year by ordering the levy of taxes commencing July 1.

August - The County Commission is advised of ending balances for the previous fiscal year. The County Commission evaluates the status of the current fiscal obligations in relation to ending balances and establishes budgetary changes necessitated.

Internal Control

The Grant County Commission is responsible for establishing and maintaining internal control systems including those used in administering federal and state financial assistance programs. Such systems are required to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations and policies, and that reliable data are obtained, maintained and fairly disclosed in reports.

(See Appendix C - Financial Statements of the County Commission.)

County Budget

1997-98 Budget for Grant County

ESTIMATED REVENUES

General Fund

Unencumbered Fund Balance (July 1)	$ 666,975
Ad Valorem Taxes	1,803,599
Prior Year Taxes, Penalties and Other	18,500
Motor Vehicle License Fees and Sheriff's Dept. Income	43,900
County Clerk's Dept. Income	12,000
Circuit Clerk's Dept. Income	4,500
Contributions From Other Funds	
Wine/Liquor Tax	500
Payments in Lieu of Taxes	20,000
Property Transfer Taxes	20,000
Interest	30,000
Reimbursements	20,000
Miscellaneous	20,000
Commissions	700
Dog Pound Fees	300
Rents & Concessions	15,000

Franchise Agreements	3,000
Licenses	25
Building Permits	3,000
Refunds	4,000
Total General Fund	$ 2,685,999

Coal Severance Fund

Uncumbered balances (July 1):	$100,000
Coal Severance Tax	75,000
Interest Earnings/Other	7,000
Total Coal Severance Fund	$182,000

General Fund:	$ 2,685,999
Coal Severance Tax:	182,000
GRAND TOTAL - ALL FUNDS	$ 2, 867,999

ESTIMATED EXPENDITURES

	GENERAL FUND	COAL SEVERANCE FUND
County Commission	$ 357,721	$85,500
County Clerk	181,126	
Circuit Clerk	97,177	
Sheriff - Treasurer	141,237	
Prosecuting Attorney	103,770	
Assessor	123,571	
Statewide Computer Network	9,800	
Agricultural Agent	52,985	
Elections - County Clerk	38,050	
Circuit Court	5,900	
Courthouse	186,358	
Other Buildings	176,156	

	GENERAL FUND	COAL SEVERANCE FUND
Data Processing	19,000	10,000
Airports		5,000
Public Works Department	500,000	
Sheriff - Law Enforcement	148,717	
Sheriff - Service of Process	24,000	
County Jail - Reimbursable J/C	149,446	
County Jail - Nonreimbursable J/C	3,700	
Emergency Services	160,415	
Fire Department		28,000
Dog Warden/Humane Society	13,200	
Public Transit		3,500
Local Health Department		50,000
Vital Statistics	500	
Parks & Recreation	110,594	
Senior Citizens	10,000	
Libraries	65,676	
Law Library	6,900	
GRAND TOTAL	**$2,685,999**	**$182,000**

Pension Systems

The Consolidated Public Retirement Board (Board) was established in 1990 to consolidate administration of all State retirement systems as of July 1, 1991. The Board consists of thirteen members, the Governor or his or her designee; the Treasurer or his or her designee; the Auditor or his or her designee; the Secretary of the Department of Administration or his or her designee; and nine members appointed by the Governor.

The Board has prepared annual actuarial reports on the various pension systems and works closely with legislative committees regarding proposed legislation. When the Board was formed, it began administering four pension systems. As of June 30, 1997, it administered seven systems. The assets of the State's defined benefit plans are invested by the Board in accordance with the West Virginia Code and the policies of the Board. The assets of the State's defined contribution plans are handled by a third-party administrator. Investment transactions are accounted for on a trade date basis. Gains and losses are recognized at the time of sale by the specific identification method.

[THE REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

CONSOLIDATED PUBLIC RETIREMENT BOARD
For the Year Ended June 30, 1997 (In Thousands)

	PERS	TRS	PSDDRF	SPRS	JRS	TDCRS	TOTAL
NET ASSETS--Beginning of Year	$2,012,278	$594,039	$55,347	$1,055	$23,379	$100,731	$2,786,829
ADDITIONS:							
Member contributions	36,482	56,264	1,795	479	435	10,907	99,106,362
Employer contributions	75,332	182,078,981	7,997	479	4,910	19,826	291,525
Total Contributions	111,814	239,245	9,792	958	5,345	30,733	397,887
Investment Income:							
Net appreciation	142,282	40,081	3,761	105	1,685	12,080	199,994
Interest		2,668					12,668
Net investment income	142,282	42,749	3,761	105	1,685	12,080	202,662
Other income:		6,917	570				7,487
Fee received for Administrative service							1
TOTAL ADDITIONS:	$ 245,096	$ 288,911	$ 14,123	$ 1,063	$ 7,030	$ 42,813	$ 608,036
DEDUCTIONS AND TRANSFERS							
Benefit Expense	106,442	192,007	10,413		3,092		311,954
Refunds of contributions	6,378	5,609	9		26	876	12,868
Administrative Expense	1,254	1,404	26	3	3	12	2,702
Increase in amounts due to participants							
Transfers (to) from plans		123				(123)	
TOTAL DEDUCTIONS AND TRANSFERS	114,074	199,143	10,448	3	3,121	765	327,554
NET INCREASE (DECREASE)	140,222	89,768	3,675	1,060	3,909	42,048	280,482
NET ASSETS---Ending of Year	$2,152,300	$683,807	$ 59,022	$2,115	$27,288	$142,779	$3,007,311

Source: Consolidated Public Retirement Board; Comprehensive Annual Financial Report

The Public Employees Retirement System (PERS) includes all employees of the State, its component units and participating non-state government entities not members of another retirement system. As of July 1, 1997, 16,823 retirees and beneficiaries were receiving benefits; 21,647 active members were vested; and 9,423 active members were nonvested.

Established in 1961, PERS provides retirement benefits, as well as death and disability benefits. Members contribute 4.5% of annual earnings and employers contribute 9.5% of a member's annual earnings. Administrative costs are financed through investment earnings. As of July 1, 1997 there are 33,817 members of the plan.

In 1990, as a result of a federal Department of Health and Human Services audit, a claim was asserted against the State for a refund of approximately $18 million, representing an allocation of the federal portion of contributions to the PERS. The State believes it has identified significant offsets to the claim; it has filed suit in Federal Court against the Department of Health and Human Services.

The most recent actuarial valuation of PERS was prepared by Peter Verne of Buck Consultants. The asset valuation method utilizes fair market value to place a value on assets. The actuarial cost method utilized entry age cost method with individually computed accrued liabilities, including an interest assumption of 7.5% annually, with no loading for plan expenses. As of July 1, 1996, the unfunded liability for PERS was $394 million, based on recognized valuation of assets at $1.989 billion. The funded percentage was 83.5%.

The County elected to become a participating public employer under PERS in 1962 for the coverage of all eligible employees. In FYE 1997, the County contributed 9.5% of its payroll, or $105,067.11, and the employees contributed 4.5%, or $49,768.56.

Insurance Coverage

The County maintains its health insurance through Fortis Benefits and all its other insurance through the West Virginia State Board of Risk and Insurance Management (the "Board of Risk"). Coverage through the Board of Risk is from National Union Fire Insurance Co. of Pittsburgh and is as follows:

Comprehensive General Liability Insurance
Personal Injury Liability Insurance
Professional Liability Insurance
Stop Gap Liability Insurance
Wrongful Act Liability Insurance
Comprehensive Auto Liability Insurance
Auto Physical Damage Insurance, including comprehensive and collision
Garagekeepers Insurance

Liability is limited to $1,000,000 each occurrence for all coverage combined. This limit is not increased if a claim is insured under more than one coverage or if a claim is made against more than one insured. The auto physical damage limit is the actual cash value not to exceed $50,000 each vehicle, subject to a deductible of $500 or $1,000.

The insurer's aggregate limit of liability for all covered damages, fees (including attorneys' fees), costs and expenses for the defense of claims and lawsuits and for interest is $25,000,000 maximum, regardless of the number of claims, lawsuits, claimants, occurrences, offenses, wrongful acts or omissions, accidents, losses, insureds or policies or certificates of insurance issued by the insurer to the State of West Virginia, any political body or agency or subdivision of the state and any charitable or public service organization. Therefore, the amount of insurance available could be reduced or even eliminated because of payments under other certificates of insurance and the policy issued to the State of West Virginia.

The County Commission also has property insurance, including a fidelity honest bond payable up to $3,000,000 and insurance covering money and securities up to $2,500,000, provided by the Board of Risk. Coverage for vehicles and mobile equipment and for boilers and machinery is limited to $7,000,000. Otherwise, the maximum loss payable for each occurrence is $202,000,000.

THE REVENUE REFUNDING BONDS

THE FOLLOWING APPLIES ONLY TO THE REVENUE REFUNDING BONDS. THE G.O. REFUNDING BONDS ARE NOT PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE HOSPITAL.

Authority

Nature of Obligation, Security and Source of Payment

The Revenue Refunding Bonds and the interest thereon are special obligations of the County Commission and are payable solely from the net revenues of the Hospital, and from the funds and accounts held pursuant to the Bond Indenture, all at the times and subject to the conditions set forth in the Bond Indenture. The principal of the Revenue Refunding Bonds and the premium, if any, and the interest thereon shall not constitute a debt or a pledge of the faith and credit or taxing power of the State or of any county, any municipality or any other political subdivision thereof but are special obligations of the County Commission, payable solely from the net revenues of the Hospital and other sources pledged by the County Commission therefor. The Owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the County, the County Commission or the taxing authority of any county, any municipality or any other political subdivision of the State for payment of the principal of or premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

Net Revenues Pledge

As security for the obligation to make the Revenue Refunding Bond payments, the County Commission and the Board of Trustees, pursuant to the Bond Indenture, have granted to the Bond Trustee a security interest in all Net Revenues (as defined in Appendix E) of the Hospital for the benefit of the Revenue Refunding Bonds. The existence of such security interest does not prevent the expenditure, deposit or commingling of Net Revenues by the Board of Trustees so long as all payments required for the Revenue Refunding Bonds are made when due. This security interest applies to all of the Net Revenues, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the County Commission or Board of Trustees. If any

payment required for the Revenue Refunding Bonds is not made when due, any Net Revenues subject to this security interest which are then on hand and any such Net Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Bond Trustee for deposit into the Bond Fund to the extent needed to make the amount on deposit in the Bond Fund at least equal to the requirements of the Bond Fund and then to replenish any draws from the Debt Service Reserve Fund. See the subcaption "Bonds Secured by Pledge of Net Revenues" in Appendix E hereto.

The foregoing security interest in Net Revenues is subject to and may be limited by the laws of the United States and the State of West Virginia with respect to bankruptcy, insolvency and creditors' rights generally. For example, all or substantially all Net Revenues received by the Hospital after the commencement of a bankruptcy proceeding in which it is the debtor may not be subject to the foregoing pledge or security interest, and the same may be true with respect to Net Revenues received within 90 days prior to the commencement of such a proceeding. In addition, the ability to have Net Revenues immediately transferred to the Bond Trustee may be restricted by the anti-assignment prohibitions applicable to Medicare and Medicaid revenues.

Limitations on Liens

Neither the County Commission nor the Board of Trustees will create or permit to exist any lien, charge, encumbrance, or security interest on or in all or any part of the Net Revenues, or the Hospital Facilities except for "permitted encumbrances" as are specifically described in the Bond Indenture. See the sub-caption "Bond Indenture Permitted Encumbrances" under the caption "Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture" attached as Appendix E hereto.

Debt Service Reserve Fund

The Bond Indenture establishes a Debt Service Reserve Fund to secure payment of the Revenue Refunding Bonds, which Debt Service Reserve Fund will be funded at closing . The Debt Service Reserve Fund is required to be funded at a level equal to the lesser of (i) the maximum principal and interest due in the Bond Year of calculation or any subsequent Bond Year on all Revenue Refunding Bonds and any additional Bonds on a parity therewith outstanding or (ii) 10 percent of the proceeds of the Revenue Refunding Bonds (the "Debt Service Reserve Fund Requirement"). The Bond Trustee shall immediately notify the County Commission in the event that moneys are withdrawn from the Debt Service Reserve Fund. The County Commission shall cause the Board of Trustees to make up such deficiency through monthly payments beginning in the month following the month in which the withdrawal was made equal to (a) 1/12th of the amount by which the Debt Service Reserve Fund Requirement exceeded the amount on deposit in the Debt Service Reserve Fund on the day that such withdrawal was made or (b) any lesser amount which will result in the amount on deposit in the Debt Service Reserve Fund equaling the Debt Service Reserve Fund Requirement. Any deficiency in the Debt Service Reserve Fund determined upon the quarterly valuation thereof shall be replenished in three equal monthly payments prior to the next succeeding valuation date.

Additional Covenants of the Hospital

The Board of Trustees has agreed in the Bond Indenture to fix rates, fees and charges for the services furnished by the Hospital Facilities in amounts sufficient to maintain net income available for debt service in an amount not less than 110 percent (a ratio of 1.1:1) of the maximum annual debt service requirement on the

Revenue Refunding Bonds and all other indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds and 100 percent (1:1 ratio) of the maximum annual debt service requirement on all Indebtedness and on all required deposits to the debt service reserve fund and deposits required pursuant to the Bond Indenture. If in any year the annual audit indicates that the above-referenced amount is not being maintained, the Board of Trustees shall within 30 days following the delivery of such audit report employ a Management Consultant to prepare a report containing recommendations, if any, as to the changes in the operating policies of the Board of Trustees designed to maintain such amount and the Board of Trustees shall follow such recommendations, if any, to the extent deemed feasible.

Additional Indebtedness

The County Commission, or the Board of Trustees on its behalf, upon compliance with the terms and conditions and for the purposes described under the subcaption "Bond Indenture - Permitted Indebtedness" under the caption "Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture" in Appendix E hereto, may issue additional indebtedness.

Long Term Indebtedness of the Hospital

As of June 30, 1997, the Hospital had no equipment recorded under capital lease obligations. On August 13, 1997, the Grant County Building Commission issued $347,000 in principal amount of tax-exempt obligations for the purchase of a CT scanner, which was leased to the Hospital.

Certain Financial Information

See the Hospital's financial statement at Appendix D hereto and additional information regarding the Hospital's finances in Appendix B hereto.

BONDHOLDERS' RISKS

Tax Covenant

The exclusion from the gross income of the recipients thereof of the interest on the Refunding Bonds is based on the continued compliance by the Bond Commission and the Bond Trustee, the Board of Trustees and the County Commission with certain covenants contained in the G.O. Refunding Bond Order and the Bond Indenture, respectively, and in the Tax Regulatory Agreements. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Refunding Bonds and use of the Hospital Facilities. Failure to comply with any of these covenants may result in the treatment of interest on the Refunding Bonds as includable in gross income of the recipients thereof retroactive to the date of issuance.

G.O. Refunding Bonds

There can be no assurance that the property values described in this Official Statement will be maintained or that taxpayers will pay their taxes in full on a timely basis. A significant portion of the County's tax base and employment is related to VEPCO. Accordingly, an adverse situation for VEPCO may adversely affect the payment of the G.O. Refunding Bonds.

Revenue Refunding Bonds

General

Except as noted herein, the Revenue Refunding Bonds are payable solely from the Net Revenues of the Hospital. The ability of the Hospital to produce revenue and maintain sufficient creditworthiness depends primarily upon the ability of the Hospital to obtain sufficient revenues from the operation of the Hospital Facilities and related activities to pay its expenses of operation, the debt service on the Revenue Refunding Bonds and its other obligations, if any. There are certain risks that might prevent the Hospital from obtaining sufficient revenues to meet all of its obligations. Revenues and expenses of the Hospital are subject to conditions which may change in the future to an extent that cannot be determined at this time. Some of the possible changes in future conditions and other risks are discussed below. The discussion herein of risks to the Bondholders is not intended to be dispositive, comprehensive or definitive, but rather is meant to summarize certain matters which could affect payment on the Revenue Refunding Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. See "Regulation of the Health Care Industry," herein, for an additional discussion of risks. Neither this discussion of risk factors nor any other discussions in this Official Statement are, or are intended to be, exhaustive.

Medicare and Medicaid

Over 60% of the patients admitted to the Hospital are covered by Medicare or Medicaid. Accordingly, decreased funding for and other changes to Medicare or Medicaid could have an adverse effect on the revenues of the Hospital. Some, but not all, of the factors relating to Medicare or Medicaid that may affect the Hospital or its revenues are the following:

(1) Reductions in the funding levels of the Medicare and Medicaid programs and other legislative and regulatory changes which further reduce Medicare or Medicaid reimbursement to hospitals are expected. The Balanced Budget Act of 1997 (P.L. 105-33) (the "BBA 1997") included Medicare savings of $115 billion over 5 years and net Medicaid savings of $13.6 billion and would balance the federal budget by 2002. House Budget Committee background documents indicated that the 10-year savings in Medicare would be $434.2 billion, and the 10-year net savings in Medicaid would be $65.5 billion. By rule issued in August 1997 by the Health Care Financing Administration ("HCFA") pursuant to the BBA 1997, payments under the Medicare prospective payment system ("PPS") were frozen for FY 1998. FY 1999 payments will be allowed to increase by 1.9% less than the inflation rate on prices for goods and services purchased by hospitals, which is expected to be 2.6% (the "market-basket"), leading to an approximately .7% increase; FY 2000 payments will be allowed to increase by the market-basket minus 1.8%.; and FY 2001 and FY 2002 payments will be allowed to increase by the market-basket minus 1%. Payments for transfers from hospitals to skilled nursing facilities and home health agencies in 10 diagnosis-related groups would be reduced. Capital payments would be reduced by approximately 17%, and payments to PPS(as defined below)-exempt hospitals would be reduced by $4 billion over 5 years, with no update in FY 1998. Disproportionate-share hospital ("DSH") payments would be reduced 5% over 5 years.. As a result of these changes, provider reimbursement is expected to be reduced.

It is likely that additional legislation regarding Medicare and Medicaid will be proposed and perhaps enacted over the next several years. Projections from several sources indicate that the Medicare trust fund will run out of money by 2002, with some projections setting earlier dates. A bipartisan commission on the

future of Medicare has been appointed and is to report to Congress by March 1999. However, in light of the changes made by the BBA 1997, which are expected to keep the Medicare trust fund solvent until approximately 2010, long-term reforms may not be considered until approximately 2005. The funding of Medicare and Medicaid is a factor that significantly affects the revenues of the Hospital but cannot be accurately assessed or anticipated at this time.

(2) In 1997, Congress repealed the Boren Amendment to the Medicaid law, which required states to reimburse providers and at "reasonable and adequate rates." The effect of this repeal has not yet been determined.

(3) Medicare generally pays hospitals under a prospective payment system ("PPS"). The PPS began for operating costs in 1983 and for capital-related costs in 1991. Under the PPS, payment for the operating and capital-related costs of inpatient hospital services furnished by hospitals subject to the system is made on the basis of prospectively determined rates and applied on a per discharge basis. Essentially, the PPS for operating costs pays hospitals a fixed amount for each Medicare inpatient discharge based upon patient diagnosis and certain other factors used to classify each patient into a Diagnosis Related Group ("DRG"). Each DRG is given a relative value from which a fixed payment can then be established. With certain exceptions (referred to as "outliers"), such payments are not adjusted for actual costs, for variations in intensity of illness, or for length of stay. Moreover, DRG rates change periodically. Under the PPS, the Hospital may keep the difference between its prospective payment rate and its operating or capital-related costs incurred in furnishing inpatient services, and the hospital is at risk for inpatient operating or inpatient capital-related costs that exceed its payment rate. There can be no assurance that payments under PPS will be sufficient to cover all of the Hospital's actual costs of providing inpatient hospital services to Medicare patients. Similar systems are in use for patients covered by Medicaid and the State Public Employees Insurance Agency ("PEIA").

The Hospital is a "sole community hospital" pursuant to 42 C.F.R. §§ 412.90 and .92. As such, the Hospital is paid based on whichever of the following amounts yields the greatest aggregate payment for the cost reporting period: (i) the federal payment rate under PPS for operating costs for fiscal years after FY 1984, subject to a regional floor; (ii) a hospital-specific rate for operating costs determined by the Hospital's intermediary, based on FY 1982 and considering case mix; and (iii) a hospital-specific rate for inpatient operating costs determined by the Hospital's intermediary, based on FY 1987 and considering case mix. The Hospital's payments may then be adjusted for a significant decrease in the number of discharges or a significant increase in inpatient operating costs.

(4) In 1991, the Health Care Financing Administration ("HCFA") adopted regulations incorporating Medicare payment for capital expenditures into PPS. There is a separate prospective per-case standardized amount for capital cost, adjusted to take into account certain hospital characteristics and weighted by DRG. The regulations provide for a phase-in of prospective capital rates over a ten year period.

During the ten-year transition period, HCFA is providing two alternative payment methods, a fully prospective method and a "hold harmless" method for hospitals with high-cost capital assets. The fully prospective method combines a "standard federal rate" based on the estimated FY 1992 national average capital cost per discharge adjusted to reflect each hospital's case mix, cost of outliers, location and indigent care burden and each hospital's specific rate. Each hospital's specific rate is adjusted for case mix and updated to current

fiscal year based on the increase in national average capital cost per discharge and certain other factors. Over ten years, the federal portion of the rate increases gradually until payment is entirely based on this amount.

Under the "hold harmless" method, hospitals with a hospital specific rate above the federal rate will receive payment for old capital costs at 85% of the reasonable cost during the transition period. As a sole community hospital, the Hospital receives payment at 100% of the reasonable cost during the transition period. "Old capital" costs include those capital-related items reported in the Medicare cost report for FY 1990, and those items that hospitals are legally obligated by an enforceable contract entered into on or before December 31, 1990, and that are put into patient use by October 1, 1997. "New Hospital" costs include costs for all other capital-related items. Under the "hold harmless" method, new capital costs are paid at a portion of the federal rate based on each hospital's proportion of new capital. A hospital being paid under the "hold harmless" system will be paid at 100% of the federal rate if that is higher. At any point in the 10-year transition, such a hospital may choose to be paid fully at the federal rate. However, such a change will then be permanent.

As a sole community hospital, the Hospital's capital cost payment has a minimum level of 90% of its allowable capital-related costs during the transition period. At this time, it is uncertain what impact the incorporation of capital cost payments into PPS will have on the Hospital's ability to cover future capital costs after FY 2001.

(5) Although it is unlikely that the Hospital would lose its designation as a sole community hospital under the existing federal regulations, changes in the regulations regarding sole community hospitals may adversely affect the Hospital and its revenues.

(6) In addition to the payments described above, Medicare reimburses hospitals for certain "outlier" cases, indirect medical education and bad debts. The Hospital also receives disproportionate share payments for serving a high number of Medicare and Medicaid patients.

(7) The costs of outpatient hospital services are not reimbursed under PPS but rather on a "reasonable and allowable cost" basis or by a blended payment.. The Omnibus Budget Reconciliation Act of 1987 placed various limits on the payments made for ambulatory surgical procedures performed by a hospital on an outpatient basis and on outpatient radiology services and other specified diagnostic services. In those cases, the Hospital is paid the lesser of (i) its reasonable cost or customary charges or (ii) a payment amount derived by blending the Hospital's reasonable cost or customary charges and a prevailing charge or fee schedule. As a sole community hospital, the Hospital was excepted from required reductions to the reasonable costs of outpatient services from FY 1991 to FY 1998.

(8) The Hospital operates 15 swing beds and 10 skilled nursing beds. Medicare reimburses for swing beds on the basis of the reasonable cost of posthospital skilled nursing facility care. Medicare reimburses for skilled nursing beds on the basis of the lesser of a national average or actual costs for routine services and Medicare determined reasonable costs for ancillary services. Under the BBA 1997, effective July 1, 1998, Medicare will implement a PPS for skilled nursing services. Payment will be based on the intensity of care required by the patient. There may be changes in the reimbursement methodologies for swing beds and skilled nursing beds that may adversely affect the Hospital and its revenues.

(9) Both Medicare and Medicaid are entering into managed care arrangements. Although neither program presently offers a managed care option or requires managed care participation in the area served by the Hospital, they are expected to do so in the next several years. The Hospital presently has few managed care contracts. It cannot be determined at this time how the Hospital will adjust to managed care.

Other Legislative and Regulatory Actions

The Hospital and the health care industry in general are subject to regulation by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health planning programs and other federal, state and local governmental agencies. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs, and is affected by reductions and limitations in governmental spending for such programs, as well as changing health care policies. Over the past several years, Congress has consistently attempted to curb the growth of federal spending on health care programs. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured patients, the prevention of "dumping" such patients in order to avoid provision of unreimbursed care, the tax-exempt status of nonprofit corporations which engage in activities unrelated to their nonprofit purpose and other issues. Adoption of additional regulations in these areas could have an adverse effect on the results of operation of the Hospital.

No assurance can be given as to the effect on future hospital operations of existing laws, regulations and standards or of any future changes in such laws, regulations and standards. Some additional examples of the potential effects of such laws, regulations and standards are as follows:

(1) Congress and other governmental agencies have also focused on false billing, fraud and abuse and self-referrals in the health care industry and have adopted broad, and in some instances unclear, legislation and regulations to curb what is perceived as abuse and have begun aggressive enforcement of such laws and regulations. For example, approximately 75% of the hospitals in the United States either have been or may be cited for violations of billing for outpatient services during the 72 hours preceding admission. The United States Department of Health and Human Services expected to collect $1.2 billion in 1997 from fines and settlements from providers that overcharged Medicare and other governmental programs, up from $205,000,000 in 1996.

(2) The health insurance reform law (P.L. 104-191), which was enacted by Congress on August 21, 1996, sets minimum federal standards to make health insurance coverage more portable and contains provisions regarding medical savings accounts and long-term care insurance. The effect, if any, of this legislation cannot be predicted, although expanded health insurance coverage, if actually facilitated by the legislation, should be beneficial to the Hospital.

(3) The Gramm-Rudman Balanced Budget and Emergency Deficit Control Act of 1985 put specific dollar limits on the size of the federal budget deficit. Should the federal budget exceed those limits, the President may reduce spending by "sequestering" appropriated funds until the target amount is reached. While Medicaid is exempt from cuts under the sequestration plan, the Omnibus Budget Reconciliation Act of 1990

states that Medicare funds may be reduced by up to four percent below the base set by HHS in its proposed DRG payments to hospitals for the ensuing federal fiscal year.

(4) Legislation curtailing the installation of new health care facilities may be enacted.

Economic and Business Risks

The Hospital is subject to the same economic risks and business risks as are all businesses. The Hospital is also subject to some risks uniquely applicable to the health care industry. Some, but not all of those risks are described below.

(1) Future contract negotiations between the Hospital and public and private insurers, health maintenance organizations and preferred provider organizations and efforts of other entities and employers to limit hospitalization costs, which could adversely affect the utilization of the Hospital Facilities and the level of reimbursement or payment to the Hospital for services provided at the Hospital Facilities.

(2) Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are uninsured or underinsured or who are otherwise unable to pay fully for the cost of their care, and increased numbers of patients suffering from uninsured illnesses which, in some cases, include Acquired Immune Deficiency Syndrome ("AIDS").

(3) Competition from hospitals located near the service areas of the Hospital, from other types of health care providers that may offer comparable health care services and from alternative or substitute health care delivery systems or programs may decrease utilization of the Hospital. In addition, the development of health maintenance organizations and the development and requirement of the option for health maintenance organizations in labor contracts; efforts by insurers, employer-purchasers of health care insurance and governmental agencies to reduce utilization of hospital facilities; and more extensive utilization of outpatient care at facilities not related to the Hospital could adversely affect the operations of the Hospital.

(4) Exclusion from networks. In response to increased HMO penetration and competition, hospitals are forming networks and other alliances. The nature of the alliances formed, whether the Hospital is included in one or more alliances and whether such alliances obtain exclusive provider agreements may affect the Hospital's revenues.

(5) A reduction in hospital utilization. In addition to competition from other facilities, a number of other factors have been reducing hospitalization. Physicians' practice patterns indicate a trend to fewer inpatient admissions and shorter lengths of stay for those who are admitted. In addition, third-party payors such as Medicare and Medicaid, Blue Cross and Blue Shield have exerted efforts to contain their costs by reviewing and questioning the need for certain inpatient admissions and length of hospital stays.

(6) Future medical and scientific advances, preventive medicine, improved occupational health and safety and improved outpatient care, which could result in decreased usage of inpatient hospital facilities. Future developments in the spread of AIDS may cause increases in the Hospital's operating costs and increase the incidence of bad debts, particularly if effective prevention or treatment methods are not promptly

developed. The responsibility and methods for providing and paying for the care and treatment of AIDS patients have not yet been clearly established.

(7) Any developments affecting the federal or State tax-exempt status of government entities such as the County Commission and their ability to own and/or operate nonprofit organizations such as the Hospital, which may impose financial or other burdens on the operations of the Hospital Facilities.

(8) The ability of, and the cost to, the Hospital to insure or otherwise protect itself against malpractice claims. Changes in the cost of paying claims in excess of insurance coverage could directly (and indirectly by affecting the number of practicing physicians or specialty practices of physicians) adversely affect the operating results of the Hospital. Prohibitive cost and unavailability of other types of insurance which the Hospital desires to obtain may also adversely affect the Hospital.

(9) The production of waste products, including certain radioactive wastes, infectious wastes and hazardous wastes necessitated by the operation of the facilities of the Hospital; the Hospital's responsibility for compliance with applicable federal, state and local laws and regulations, including the proper handling, labeling, storage, transport and disposal of the wastes; and the possible incurrence of liability without regard to fault or remedial actions and for personal injury and property damage related to a release or threatened release of these wastes. Such liability could be substantial and may adversely affect the Hospital's financial condition.

(10) Availability of nurses and other qualified health care technicians and personnel. The Hospital has not experienced staffing shortages in the past; however, hospitals nationwide are experiencing a shortage in the number of nurses available and qualified to perform nursing services.

(11) The occurrence of natural disasters, which may damage the Hospital Facilities, interrupt utility service to the Hospital Facilities, or otherwise impair the operation of the Hospital Facilities and the generation of revenues from the Hospital Facilities.

(12) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures, and the inability to obtain certificates of need and other required governmental approvals for capital expenditures.

(13) Other risk factors may also affect the operation of the Hospital: (i) the cost of availability of energy; (ii) the cost and availability of insurance, such as fire and general comprehensive liability, that hospitals of a similar size and type generally carry; (iii) uninsured acts of God; and (iv) imposition of wage and price controls for the health care industry.

(14) Certain judicial decisions which have cast doubt upon the right of a trustee, in the event of a bankruptcy, to collect and retain for the benefit of bondholders portions of revenues consisting of Medicare, Medicaid and other governmental receivables.

Staff

Changes in the number or composition of the Hospital's medical staff could affect the Hospital's reputation or services and thus its operations. The ability of the Hospital to recruit and retain medical staff members may be adversely affected by the unavailability of malpractice insurance at reasonable cost or legislative constraint. See "Appendix B - Information Concerning Grant Memorial Hospital." In addition, there is no assurance that the Hospital can retain other staff such that current levels of medical care are maintained.

Effect of Bankruptcy

The rights and remedies of owners of the Revenue Refunding Bonds may be subject to various provisions of the Bankruptcy Code (Title 11, U.S.C.A.) (the "Bankruptcy Code"). The filing by the Hospital of a petition for relief under Chapter 11 of the Bankruptcy Code would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Hospital and its property, and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, the Hospital's property, including its accounts receivable and proceeds thereof, could be used for the benefit of the Hospital despite the obligations of the Hospital under the Bond Indenture.

The County Commission or the Board of Trustees may file a plan for the adjustment of the Hospital's debts which modifies or alters the rights of creditors generally, or any class of them, secured or unsecured. The plan, if confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Special Purpose Facilities

The Hospital Facilities are not pledged as security for the Revenue Refunding Bonds. In addition, the Hospital Facilities are not composed of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the Hospital Facilities and, in the event of the institution in bankruptcy proceedings, the estate in bankruptcy may not realize the amount of the outstanding Revenue Refunding Bonds from the disposition of the Hospital Facilities.

Summary Financial Information

Certain financial information of the Hospital is set forth in Appendix D. There can be no assurance that the financial results achieved by the Hospital in the future will be similar to historical results. Such future results will vary from historical results, and actual variations may be material. Therefore, the historical operating results of the Hospital cannot be taken as a representation that the Hospital will be able to generate sufficient revenues in the future to make payment of principal of, redemption premium, if any, and interest on the Revenue Refunding Bonds.

Difficulties in Enforcing Remedies

The remedies available to the Bond Trustee or the owners of the Refunding Bonds upon an event of default under the Bond Indenture or the G.O. Refunding Bond Order are in many respects dependent upon judicial actions, which are often subject to discretion and delay. No specific remedies are available in the event of a default on the G.O. Refunding Bonds. See "Refunding Bonds - Nature of Obligation, Security and Source of Payments."

Referral Restrictions

Federal law and some provisions of state law prohibit the solicitation, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for the provision of goods or services which may be reimbursed under the Medicare or Medicaid programs. Hospitals and others, including physicians, are thereby prohibited from engaging in any activity or participating in any joint venture which could be interpreted to involve an inducement for the referral of Medicare or Medicaid beneficiaries to a hospital or a joint venture in which a hospital participates. Violation of these laws, known as anti-kickback laws, may lead to criminal and civil penalties, as well as exclusion from the Medicare and Medicaid Programs. Although by regulation a number of "safe harbors" have been promulgated, there remains a significant degree of uncertainty about the legitimacy of various common business arrangements in the health care industry.

Congress has created legislation which prohibits referrals of Medicare and Medicaid beneficiaries by physicians to facilities (including hospitals) in which the referring physician or any immediate family member has an ownership or financial interest. Such restrictions currently apply to referrals to providers of home IV therapy and clinical laboratory services, physical therapy services, occupational therapy services, radiology and other diagnostic services, radiation therapy services, durable medical equipment, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics, and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services. No assurance can be given as to the effect these or any current or future proposed restrictions, if enacted, would have on the Hospital.

Although regulations defining the exemptions have been proposed, there remains a significant degree of uncertainty about the contingency of common business arrangements in the health care industry.

Activities Related to Non-Profit Hospitals

The United States House of Representatives Ways and Means Committee has recently considered proposed legislation on the charity care standards that non-profit, charitable hospitals must meet to maintain their federal income tax exempt status under the Code. Under one bill, non-profit, charitable hospitals would generally be required to operate a full-time emergency room, to have a Medicaid provider agreement and to provide charity care and other community benefits. If a hospital violated these provisions, its exempt status under the Code could be revoked.

A second bill would mandate that non-profit, charitable hospitals have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. This bill would impose an excise tax penalty on non-profit, charitable hospitals that violate these charity care and community benefit requirement, but would revoke their tax-exempt status under the Code

only in the case of egregious violations of the standards. The scope and effect of legislation, if any, which may be adopted at the federal or state levels with respect to charity care of non-profit hospitals cannot be predicted. Any such legislation, if enacted, may have the effect of subjecting a portion of the Hospital's income to federal or state income taxes or to other tax penalties.

The Internal Revenue Service has ruled in GCM 39862 that a hospital may jeopardize its tax-exempt status if it forms a joint venture with the members of its medical staff and sells to such joint venture the revenue stream derived from operation of an existing hospital department or service for a defined period of time. GCM 39862 further states that the violation of the anti-kickback laws may result in the revocation of the tax-exempt status of a hospital. The ruling in GCM 39862 results in a revocation of previous private letter rulings delivered by the Internal Revenue Service.

Although the Hospital has been designated as a 501(c)(3) organization, it derives its tax exemption from its governmental ownership. Accordingly, it is unclear what effect, if any, these activities would have on the Hospital.

Medical Malpractice Insurance

In recent years the number of malpractice suits and the dollar amount of damages awarded to plaintiffs as a result of such suits has been increasing nationwide. Malpractice insurance premiums have fluctuated substantially. To the extent that the malpractice insurance coverage maintained by the Hospital is inadequate to cover a judgment against it, a medical malpractice claim may have to be discharged by payments from its own funds. Changes in the availability and cost of malpractice insurance may adversely affect the operating results of the Hospital.

Competition

The Hospital presently faces competition from several other health care providers located within or close proximity to its service area. In the future, the level of competition could increase if these existing providers or any new providers were to expand or establish additional facilities and services. In addition to hospital-based facilities and services, increased competition could result from the establishment of freestanding ambulatory care clinics and surgical centers, private laboratories and radiological services, health maintenance organizations and other alternative forms of health care delivery or payment plans.

A significant portion of the Hospital's revenues are derived from the treatment of patients at the Hospital by members of the Hospital's medical staff. Physicians on the medical staff have the option of treating a particular patient at the Hospital or at other health care facilities with which the physician may be affiliated. The revenues of the Hospital could decrease if medical staff members treat patients at other health care facilities instead of the Hospital.

Peer Review Organizations ("PROs")

In 1982, Congress intensified review of Medicare claims regarding medical necessity, quality of care and appropriate level of care by establishing PROs to review Medicare claims and the quality of care furnished by

hospitals. PROs may deny claims that fail to meet their review criteria and can fine facilities that are found to furnish substandard care.

State Reimbursement

A significant portion of the Hospital's revenues is derived from the federal and State Medicaid Program and from the State Public Employees Insurance Agency ("PEIA") Program. Medicaid pays medical benefits for persons below certain income levels and meeting other needs requirements.

The PEIA provides coverage for approximately 195,000 public sector employees, including public school teachers and their dependents. Medicaid and PEIA reimburse the Hospital based on a prospective payment system for inpatient services and on a set fee schedule for outpatient services. PEIA reimburses the Hospital on the basis of percent of charges for outpatient services. Medicaid has implemented managed care plans in selected counties, not including Grant County.

From time to time, the state has experienced significant delays in reimbursing health care providers such as the Hospital for services rendered to both Medicaid and PEIA patients. During the past several years, the West Virginia Legislature has appropriated additional money and enacted certain tax legislation and other remedial legislation addressing the payment problem. While such appropriations and legislation, together with cost control measures, have generally eased the payment problems in the past, there can be no guarantee or assurance that similar reimbursement delays by this state will not occur in the future. The Medicaid program faces a potential deficit of more than $58,000,000 for FYE 1999. The Department of Health and Human Resources, which operates the Medicaid program, presented a series of proposed cuts to the House Finance Committee, which included a cut of $11,500,000 in hospital payments. The 1998 State Legislature adopted a children's health program, which will draw down approximately $40,000,000 from the federal government. Although that program will increase funding for otherwise uninsured children, it may increase the Medicaid deficit. The State has indicated that, while implementing the new children's health program, it expects to find as many as 25,000 children who are eligible for but not presently covered by Medicaid. PEIA likewise has indicated it will experience a deficit in FYE 1998.

In relation to any state health care programs (PEIA, Medicaid, Workers' Compensation or Division of Rehabilitation), the state has the power to develop a plan or plans by which it can unilaterally establish reimbursement levels. Moreover, PEIA, Medicaid and Workers' Compensation have under study a comprehensive managed care system. Balanced billing of beneficiaries of the state programs is generally prohibited.

Rate Review

The West Virginia Health Care Authority (the "Authority") reviews and approves hospital rates. The Hospital cannot change its schedule of rates without first filing a written request regarding such change with the Authority and obtaining its approval. The Authority's rate methodology is a cost-based rate review system. Refusal by Authority to approve Hospital rates at requested levels could adversely affect the Hospitals' net revenues. The Authority denied the Hospital's request for a rate increase in 1997. The Authority also is responsible for certificate of need review in the State of West Virginia. See "Health Planning" below.

Third Party Payors

Blue Cross organizations and other non-governmental third-party payors provide reimbursement to the Hospital for patient care on the basis of various contracts and formulas. Renegotiation of such contracts and formulas, and changes in reimbursement systems, may reduce such third-party reimbursements to the Hospital.

All proposed contracts between the Hospital and any third-party payor must be filed with and, if providing for a discount, approved by HCCRA before becoming effective. HCCRA is not authorized to approve any contract which contains a discount on rates below the actual cost of providing services by the Hospital unless the Hospital demonstrates that it will not shift the cost of any discount to any other third-party payor, and will not decrease its proportion of Medicare, Medicaid, or uncompensated care patients as a result of the granting of such discount.

Health Planning

West Virginia maintains "certificate of need" legislation to control the levels and types of capital expenditures undertaken and new services provided by all health care facilities in West Virginia, including the Hospital. For future projects, approval is necessary in order for certain major capital expenditures to be made or new services to be offered. No assurance can be given as to the Hospital's ability to obtain "certificate of need" approval of projects for the maintenance of appropriate facilities, services, technology, and quality of care necessary to remain competitive in the community. The Authority is the designated agency for certificate of need review.

UNDERWRITING

The Refunding Bonds are being purchased by Ferris, Baker Watts Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the G.O. Refunding Bonds at an aggregate purchase price of $_____ (which represents the aggregate principal amount of the G.O. Refunding Bonds less a $_____ underwriting discount) and to purchase the Revenue Refunding Bonds at an aggregate purchase price of $_____ (which represents the aggregate principal amount of the Revenue Refunding Bonds, less a $_____ underwriting discount), plus accrued interest. The bond purchase agreement for the Refunding Bonds provides that the Underwriter will purchase all the G.O. Refunding Bonds and all the Revenue Refunding Bonds if any of such Refunding Bonds are purchased. The initial public offering prices set forth on the cover page hereto, which has been provided by the Underwriter, may be changed by the Underwriter, and the Underwriter may offer to sell the Refunding Bonds to certain dealers and others at prices lower than the offering prices set forth on the cover page.

TAX MATTERS

General

On the date of delivery of the Revenue Refunding Bonds, the County Commission, the Hospital and, with respect to the Revenue Refunding Bonds, the Bond Trustee will execute an agreement or agreements (the "Tax Regulatory Agreement") wherein the Hospital and the County Commission will covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things

necessary or desirable to assure that interest paid on the Refunding Bonds will be excluded from gross income for federal income purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Assuming the County Commission, Hospital and Bond Trustee comply with the provisions and procedures set forth in the Tax Regulatory Agreement, and the Bond Commission acts accordingly, in the opinion of Jackson & Kelly, Charleston, West Virginia, Bond Counsel, under existing statutes and court decisions, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds (including any original issue discount properly allocable to an owner of a G.O. Refunding Bond or a Revenue Refunding Bond) is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. In addition, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the G.O Refunding Bonds and the Revenue Refunding Bonds is includible under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds in order that interest on the Refunding Bonds be and remain not includable in gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on such obligations to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. The Tax Regulatory Agreement will contain provisions and procedures pursuant to which such regulations can be satisfied.

Bond Counsel's opinion will be conditioned upon compliance with the Tax Regulatory Agreement. Except as described under "Borrowed Funds," below, Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Refunding Bonds.

Also in the opinion of Bond Counsel, under the G.O. Refunding Act, the G.O. Refunding Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any political subdivision thereof; and, under the Revenue Refunding Act, the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes.

Other Tax Matters

Prospective purchasers of the Refunding Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 823(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Refunding Bonds; (ii) interest on the Refunding Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iii) passive investment income, including interest on the Refunding Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Refunding Bonds.

Prospective purchasers of the Refunding Bonds should consult their tax advisors as to the applicability of these or any other collateral tax consequences.

No assurance can be given that legislation will not be proposed and enacted into law in the future which would cause the interest on tax-exempt obligations to be subject directly or indirectly to federal income taxation or adversely affect the market price of tax-exempt obligations or otherwise prevent the Beneficial Owner of the Refunding Bonds from realizing the full current benefit of the status of the interest thereon.

Borrowed Funds

The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purposes of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

The County Commission has designated the Refunding Bonds as "qualified tax-exempt obligations" and has covenanted that the County Commission, together with all subordinated entities, does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the Refunding Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred to purchase or carry most tax-exempt obligations does not apply to the Revenue Refunding Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Refunding Bonds is deductible for federal income tax purposes.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations included in the respective Escrow Funds to pay when due the principal or redemption price of and interest of the 1994 Bonds; (b) the amount of savings stated to be achieved by the issuance of the Refunding Bonds; and (c) the mathematical computations supporting Bond Counsel's conclusion that the Refunding Bonds are not "arbitrage bonds" under Section 148(c) of the Code will be verified by Doak, Cuppett & Poling, CPAs, Clarksburg, West Virginia. Such verifications will be based, among other things, upon mathematical computations supplied by the Underwriter in connection with such matters.

RATINGS

Standard & Poor's Ratings Group has assigned its municipal bond rating of "___" to both issues of Refunding Bonds with the understanding that, upon delivery of the Refunding Bonds, policies insuring the payment when due of the principal of and interest on the Refunding Bonds will be issued by Asset Guaranty Insurance Company. Any explanation of the significance of such ratings may only be obtained from such rating

agency at Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, (212) 208-8000. There is no assurance that the ratings mentioned above will remain unchanged for any given period of time or that they may not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and validity of the Refunding Bonds are subject to the approving opinions of Jackson & Kelly, Bond Counsel. The proposed forms of Bond Counsel's opinion regarding the G.O. Refunding Bonds is appended hereto as Appendix F, and the proposed form of Bond Counsel's opinion regarding the Revenue Refunding Bonds is appended hereto as Appendix G.

Certain legal matters will be passed on for the Hospital and the County Commission by Dennis V. DiBenedetto, Esq., Petersburg, West Virginia, and for the Underwriter by Jackson & Kelly, Charleston, West Virginia.

LITIGATION

In the ordinary conduct of its affairs, the County Commission is party to litigation pending in the courts of the State. The President of the County Commission and Prosecuting Attorney have reviewed the current status of all pending and threatened litigation, and the President expresses the opinion of the County Commission that, while the outcome of litigation cannot be predicted, it is nevertheless not expected that the County Commission's liability in any such matters is likely to have an adverse effect on the financial condition of the Hospital.

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, or delivery of the Refunding Bonds, or in any way contesting or affecting the validity of the Refunding Bonds or any proceedings of the Commission taken with respect to the issuance or sale thereof, or in any way questioning or affecting the validity or enforceability of the Bond Orders, Bond Indenture, the use of the Refunding Bond proceeds or the existence of the County Commission or the Hospital.

INDEPENDENT AUDITORS

The financial report of the Hospital for FYE 1997, included in Appendix C to this Official Statement, has been audited by Doak, Cuppett & Poling, Certified Public Accountants, Clarksburg, West Virginia, to the extent and for the period indicated in said report. The financial report of the County for FYE 1996, included in Appendix D to this Official Statement, has been audited by Tetrick, Bartlett & Co., Certified Public Accountants, Clarksburg, West Virginia, to the extent and for the period indicated in said report. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CONTINUING DISCLOSURE

The County Commission and the Hospital have agreed in the Continuing Disclosure Agreement to an undertaking (the "Undertaking") for the benefit of the registered Owners of the Refunding Bonds to provide:

(a) within 30 days after receipt of its audited financial statements with respect to the County Commission and within 180 days after the end of its 1998 fiscal year and each subsequent fiscal year with respect to the Hospital, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the County Commission's and the Hospital's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the County Commission's and Hospital's revenues, expenditures, and financial operations of the type found in this Official Statement under the caption "The County Commission" and "The Hospital"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities Rulemaking Board ("MSRB"), and to State Depository, notice of any of the following events with respect to the Refunding Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the County Commission or Hospital to comply with clause (a) above.

With respect to Event (8), the County Commission and Hospital do not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Refunding Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Refunding Bond purchases.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the County Commission and the Hospital to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The County Commission and the Hospital has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to the Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Refunding Bonds. Registered Owners may contact the President of the County Commission at 5 Highland Avenue, Petersburg, West Virginia 26847 (Telephone # 304-257-4422) or the Administrator of the Hospital at P.O. Box 1019, Petersburg, West Virginia 26847 (Telephone # 304-257-1026) for more information.

MISCELLANEOUS

The references herein to the Bond Act, the G.O. Refunding Act, the Hospital Refunding Act, the Bond Orders, the Bond Indenture, the Refunding Bonds, and other materials are brief descriptions of certain provisions thereof. Such references do not purport to be comprehensive, and for full and complete statements of such provisions reference is made to such instruments, documents and other materials, copies of which are on file at the office of the County Clerk and, with respect to the Revenue Refunding Bonds, at the principal corporate trust office of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Hospital, the County Commission, and official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Any estimates or assumptions in this Official Statement have been made on the basis of the best information available and are believed to be correct and reliable, but no representations whatsoever are made that such estimates or assumptions are correct and will be realized.

Copies of the Bond Orders, the Bond Indenture and other applicable documents may be obtained from the Hospital at the following address: P.O. Box 1019, Petersburg, West Virginia 26867. The Hospital's telephone number is (304) 257-1026.

The execution and distribution of this Official Statement have been duly authorized by the County Commission and approved by the Hospital.

THE COUNTY COMMISSION OF GRANT COUNTY

By: _____
President

Approved:

GRANT MEMORIAL HOSPITAL

By: _____
President, Board of Trustees

CHASFS3:118926

[This Page is Intentionally Left Blank]

APPENDIX A

INFORMATION CONCERNING GRANT COUNTY

Grant County is a predominately rural county with only two municipalities, both unincorporated (Petersburg, the county seat, and Bayard). Its 1996 population of 11,172 ranked it 43rd out of the State's 55 counties. The population is situate on 478 square miles, meaning five persons per square mile (as contrasted to Kanawha County, which has 227 people per square mile). The County is bordered on the north by Maryland, with its extreme western angle being the location of the Fairfax Stone, which marks the southwestern limits of Maryland. Part of the Monongahela National Forest is located in the County. The leading industries and chief agricultural products in the County are machinery, printing, polymers, electric power, coal, ladies garment manufacturing, lumber, livestock, hay and grain, poultry, fruit and maple sugar

Population

Grant County's population has grown in each decade over the last 30 years, to 11,172 in 1996. However, from 1970 to 1980, the population experienced significant growth, growing by 18.62%. Although there was over-all growth from 1980 to 1996, the increase was not constant. While Grant County's population growth has been positive in each decade over the last 30 years, the State of West Virginia experienced a decline in population of 8.0% from 1980 to 1990.

Grant County has already surpassed the anticipated growth to the year 2000 with its 1996 population of 11,172.

	Grant County (2)		West Virginia (3)		United States (3)	
Year	Population	Percent Change(1)	Population	Percent Change(1)	Population	Percent Change(1)
1960	8,304	N/A %	1,860,421	- 7.8%	179,323,000	+18.5%
1970	8,607	3.65	1,744,237	- 6.7	203,212,000	+13.3
1980	10,210	18.62	1,949,644	+11.7	226,545,805	+11.5
1990	10,428	2.14	1,793,477	- 8.1	248,709,873	+ 9.8
1996	11,172	7.1*	1,825,754	+1.8*		
2000 (Projected)	11,075		1,786,872	- 0.2	276,241,000	+ 4.9

(1) Percentage increase or decrease over the preceding period.

(2) Source: 1990 Census Bureau, Regional Research Institute, West Virginia University; U.S. Bureau of the Census; *July 1996 Provisional Estimate

(3) Source: United States Department of Commerce, Bureau of Census;*July 1996 Provisional Estimate.

The 1990 and 1995 population of the County's two municipalities are shown below, accompanied by a projection of population for 2000:

Municipality	1990 Population	1995 Population	2000 Population (Projected)
Bayard	414	421	428
Petersburg	2,360	2,402	2,442

Source: 1990 Census Bureau; Regional Research Institute, WVU; Region 8 Data Booklet.

Economy

The primary occupations in Grant County relate to government, manufacturing, services and trade. In 1997, 21% of the work force worked for federal, state and local governments, including the County Commission, and manufacturing accounted for approximately 19% of total employment. Other major employers were services (14%) and trade (13%).

In 1995, Grant County had a per capita personal income of $16,766, which compared to $16,088 in 1994, a 4.2% increase. In 1994, the total personal income in Grant County was $182,949,000, which ranked 42nd in the State and accounted for .6% of the State's total personal income. Personal income had grown 7.2% from 1980, as compared to the average annual growth rate for the State of 4.8% and for the nation of 7.5%.

Major Employers in Grant, Hardy and Pendleton Counties
As of June,1997

Company

GRANT COUNTY

Advantage Foods
Grant Memorial Hospital
Virginia Electric and Power Company
Grant County Board of Education
Allegheny Wood Products, Inc.
Grant County Nursing Home
Potomac Coal Company
Buffalo Coal Company
Allegheny Dimension
Williams Power Corporation

HARDY COUNTY

Wampler Foods
Hester Industries
American Woodmark Corporation
Hardy County Board of Education
Fertig Cabinet Company

PENDLETON COUNTY

C. & J. Clark Manufacturing, Inc.
Pendleton County Board of Education
Pendleton Nursing Home, Inc.
Department of Defense
Naval Security Group Activity

Source: West Virginia Bureau of Employment Programs, Office of Labor and Research.

Employment in Grant County in 1997 as compared to the State of West Virginia was as follows:

Labor Market Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
State of West Virginia	805,000	749,000	55,400	6.9%
Grant County	4,820	4,310	520	10.7%

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research

GRANT COUNTY, WEST VIRGINIA
CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND
UNEMPLOYMENT RATES
ANNUAL AVERAGES, CALENDAR YEARS 1990-1997

	1990	1991	1992	1993	1994	1995	1996	1997
Total Civilian Labor Force	5,380	5,460	5,260	5,070	4,880	4,860	4,860	4,820
Employment	5,010	4,930	4,720	4,580	4,340	4,360	4,350	4,310
Unemployment	370	530	550	490	530	500	520	520
Unemployment Rate (%)	6.9	9.7	10.4	9.6	10.9	10.3	10.6	10.7

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research

The following tables set forth the average annual wages for the State of West Virginia and Grant County for calendar years 1988 - 1996.

Average Annual Wages (1988 - 1996)

	State of West Virginia		Grant County	
	Wages	Percent Change	Wages	Percent Change
1988	$19,320	2.635%	$21,663	0.937%
1989	18,843	-2.469	22,266	2.784
1990	20,708	9.898	25,320	13.716
1991	21,357	3.134	25,302	-0.071
1992	22,179	3.850	25,179	-0.486
1993	22,375	0.880	23,530	-6.550
1994	22,955	2.590	22,944	-2.490
1995	23,498	2.370	23,143	0.870
1996	24,074	2.450	23,897	3.260

Source: Region 8 Planning & Development Council, FY 1997 Annual Report to the Regional Development Plan; Bureau of Employment Programs, Office of Labor and Research.

Transportation

The County is served by the South Branch Valley Railroad, which is owned and operated by the State and CSXT. Four trucking lines operate within the County. Individuals in the County are served by Potomac Valley Transit Authority buses. The County is home to the Grant County Airport, which has a runway length of 4,000 feet.

Utilities

Electrical service to Grant County is provided by Allegheny Power System. Mountaineer Gas Company provides natural gas service. Fiber optic network telephone service is provided by Bell Atlantic and Citizens Telecom. Cellular telephone service as well as telegraph service is also available. Sewage treatment service is provided by the City of Petersburg, and water service is provided by the City of Petersburg, Mountain Top Public Service District and Grant County Public Service District.

Public Safety Services and Facilities

The County is served by a State Police unit stationed in Hardy County. The sheriff's department employs 5 officers in the Petersburg area.

Several volunteer fire departments are located in the County, and emergency ambulance service is provided through the Hospital.

Educational Facilities

The Grant County Board of Education provides complete primary and secondary education facilities throughout the County with 4 elementary schools, 2 high schools and 1 multi-county vocational center with Pendleton and Hardy Counties. Higher education facilities available to Grant County residents within reasonable driving distance include the following:

Location	College/University
Petersburg (Grant County)	Shepherd College, Southern Branch
Keyser (Mineral County)	Potomac State College of WVU

All school districts in West Virginia are organized under the terms of legislation enacted in 1933. There is one school district in each county, the boundaries of which district are co-extensive with those of the county. The Grant County Board of Education is responsible for and is vested with the supervision and control of the School District and with the control and management of all public schools in the School District from kindergarten through the secondary school level. The Board is composed of members nominated and elected by the voters of the County without reference to political party affiliation. The terms of the members are for six years and are staggered so that no more than two terms expire at one time. Board members' duties are established by State statute with the State Board of Education having regulatory powers. The Board appoints a superintendent who acts as the chief executive officer and secretary of the Board and who administers affairs of the School District in accordance with applicable laws, regulations and local policy. The Board is a corporation and as such may sue and be sued, plead and be impleaded, and enter into contracts. The School District is fiscally independent of the County and all other political subdivisions.

The Board presently has an administrative staff of 5 persons with the overall responsibility to coordinate the activities of 141 teachers, 23 teachers' aides and 6 principals. An additional 75 people are

employed in non-teaching positions. The present enrollment for all grades in the Grant County School District is estimated at 1,946. Enrollment has increased on an average of 30 students per year in the last two years.

Source: Grant County Board of Education

Recreational Facilities

Recreational opportunities available to residents of the County include four auditoriums; seven in-door and four out-door basketball courts; one swimming pool; six parks; seven out-door tennis courts; twelve baseball/softball fields; six playgrounds; one golf course and a lighted stadium with a capacity of 3,000.

The County is one of eight counties making up an area known as the "Potomac Highlands". Tourism in the Potomac Highlands is abundant with the Monongahela National Forest, which encompasses land area in six of the Potomac Highlands counties, including Grant County. Forest lands include the 124-mile Allegheny Trail and Dolly Sods, which shares acreage with both Grant and Tucker counties. National recreation areas in the Forest include Smoke Hole Cavern. The Potomac Highlands is home to 8 state parks and three state forests. The parks offer a wide variety of recreational programs that attract many visitors to the area. Recently, miles of train rails were given to the Potomac Highlands to be transformed into rail excursions on historic trains and trails for hiking and biking. Canoeing, fishing, camping and whitewater rafting are also available in the area.

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research.

Communications Facilities

One weekly newspaper operates in the County, the Grant County Press. There are no radio or television stations in Grant County, however, radio and television service is available from stations located in the surrounding area, including in Maryland and Virginia.

Financial Institutions

Grant County has two major banking institutions, both located in Petersburg:

Institution	Assets
The Grant County Bank	$107,047,000
Potomac Valley Bank	$ 92,614,000

Source: Bank Directory of West Virginia 1998 Edition, West Virginia Bankers Association, Inc.

APPENDIX B

INFORMATION CONCERNING GRANT MEMORIAL HOSPITAL

HISTORY & DEVELOPMENT

Grant Memorial Hospital (the "Hospital") is a general acute care 65-bed licensed facility in Petersburg, WV. The Hospital offers a broad range of inpatient and outpatient diagnostic and therapeutic services for medical, surgical, obstetrical, gynecological and pediatric patients. The Hospital also provides various ancillary support services to both inpatients and outpatients. The Hospital has 10 certified skilled nursing beds and 15 swing beds within its complement of licensed and staffed beds. The Hospital also operates a home health agency, which provides home care services to a three county area, and the Mountain Top Clinic, which serves (Mount Storm) a rural area of the county.

The Hospital is owned by The County Commission of Grant County, West Virginia (the "County Commission"), as authorized by Sections 14 through 17, Article 3, Chapter 7 of the Code of West Virginia, 1931, as amended (the "Hospital Act"). In accordance with Section 15 of the Hospital Act, the County Commission vests the administration and management of the Hospital to a board of trustees (the "Board of Trustees"). The members of the Board of Trustees are appointed by the County Commission to fill six year terms.

Grant Memorial Hospital was established in 1958 under the authority granted to the County Commission by the previously cited Hospital Act. The original Hospital unit consisted of operating and emergency facilities and a bed capacity of 46 beds and 10 bassinets. In 1972 the Hospital Facilities were enlarged to include 50 additional inpatient beds, which were originally directed towards skilled nursing care. The bed component has been revised several times since 1972, including in connection with the Project, to reach the present capacity of 65 beds.

In 1975 a Physicians' Office Building was constructed adjacent to the Hospital, which provided three office suites for rental to physicians practicing in the community and the Hospital. In 1980, expanded x-ray facilities were constructed, providing the Hospital with an additional diagnostic room and file room. In 1995, the County Commission transferred portions of the 5-acre campus adjacent to the Hospital Facilities to the Petersburg Industrial Development Corporation ("PIDC") for construction of a new physicians' office building, which is almost fully occupied. The Hospital has a contract to provide various management and housekeeping services for the office building and has an option to purchase the office building. A modular building previously used for physicians' offices is now used for Hospital administrative purposes and may in the future be used for home health. The Project is approximately 95% complete. The Hospital anticipates that the contractor for the Project will complete its work by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998. In addition to the Project, the Hospital is currently building a new special (intensive) care unit. The current Hospital Facilities are located on State Route 55 on the original five acre site. The County Commission has purchased an additional 17 acres surrounding this site for possible future expansion of Hospital Facilities and related services.

The Hospital enjoys a dominant position in its primary service area. The primary service area include Grant, Hardy and Pendleton Counties. A secondary service area includes Hampshire and Mineral Counties. Located within the secondary service area are two hospitals, Potomac Valley Hospital, a 63-licensed bed facility with an average daily acute census of 15, and Hampshire Memorial Hospital, a 17-licensed acute care

facility with an average daily acute care census of 6. Neither Hospital is viewed as a direct competitor to Grant Memorial Hospital.

Licensure, Certifications, & Memberships

The Hospital is licensed by the State Department of Health and Human Resources for a total of 65 beds, having delicensed 31 in connection with the Project.

The Hospital is certified by the United States Department of Health and Human Services for participation in the Medicare Program and by the State Department of Health and Human Resources for participation in the Medicaid Program. The Hospital has not sought accreditation from, and is not accredited by, the Joint Commission on Health Care Organizations.

The Hospital is a member of the American Hospital Association, the West Virginia Hospital Association, and the West Virginia Wellness Council.

Corporate Organization and Governance

The affairs of the Hospital are governed by a fifteen member Board of Trustees. Each member serves for a six year term and is limited to two consecutive terms. Vacancies on the Board are filled by appointment by the County Commission. The Board bi-annually elects a president and vice-president. The Administrator/CEO of the Hospital serves as secretary of the Board, and the Board appoints a treasurer.

West Virginia law requires that at least 40% of the governing boards of non-profit hospitals be composed of an equal portion of consumer representatives from each of the following: small businesses, organized labor, elderly persons, and persons whose income is less than the national median income, with special consideration to be given to women, racial minorities, and handicapped persons. Management of the Hospital has certified that the composition of the Board meets these statutory requirements.

Members of the Board of Trustees are as follows:

NAME	ADDRESS	PROFESSION	TERM ENDS
Lawrence Streets	Mt. Storm, WV	Mining Co. Executive	6-2000
Fred Oyhus	Moorefield, WV	Retired Chemist	1-2001
John Glover, DDS	Petersburg, WV	Dentist	6-98
Gaye Mitchell	Petersburg, WV	Housewife	6-98
Dave Fincham	Petersburg, WV	Teacher	6-2002

NAME	ADDRESS	PROFESSION	TERM ENDS
Cynthia Harman	Petersburg, WV	Teacher	1-99
Robert F. Sites	Cabins, WV	Self-employed; County Commissioner	1-99
Steve Thompson, D.O.	Petersburg, WV	Physician (Internal Medicine)	6-98
Carmen Rexrode, M.D.	Moorefield, WV	Physician (Family Practice)	6-98
Richard Longborn	Petersburg, WV	Minister	1-2001
William Kline	Petersburg, WV	Insurance Agent	2-2001
Elwood Williams	Moorefield, WV	Vice-President Private Industry	8-2002
Alice Hartman	Franklin, WV	Mayor of Franklin	8-2002
J. D. Wilkins, II	Circleville, WV	Banker	8-2002
Evers T. Ours, Jr.	Petersburg, WV	Building Contractor	1-2001

The governing committees are as follows:

EXECUTIVE COMMITTEE
Gaye Mitchell
John Glover, D.D.S.
Steve Thompson, D.O.

FINANCE COMMITTEE
John Glover, D.D.S.
Lawrence Streets
Robert F. Sites
Alice Hartman

INSURANCE COMMITTEE
John Glover, D.D.S.
William Kline

HOSPICE COMMITTEE
Fred Oyhus
Dave Fincham

BUILDING COMMITTEE
Lawrence Streets
Fred Oyhus
Dave Fincham

PERSONNEL COMMITTEE
Richard Longbon
Cynthia Harman
J.D. Wilkins, Jr.

PUBLIC RELATIONS COMMITTEE
Richard Longbon
Robert F. Sites
Fred Oyhus
Elwood Williams

PHYSICIAN RECRUITMENT COMMITTEE
William Kline
Cynthia Harman
Robert F. Sites
Richard Longbon

EQUIPMENT COMMITTEE
Cynthia Harman
Dave Fincham
Bruce Leslie, M.D.
Gary Broadwater
Mary Beth Barr

MEDICAL RECORDS COMMITTEE
Steve Thompson, D.O.
John Glover, D.D.S.
Carmen Rexrode, M.D.

EMERGENCY SERVICES COMMITTEE
Steve Thompson, D.O.
Richard Longbon
Robert F. Sites
Bill Mallow, M.D.

STRATEGIC PLANNING COMMITTEE
William Kline
Richard Longbon
Cynthia Harman
J.D. Wilkins, II

The President of the Board is an ex-officio member of each committee, and the Hospital Administrator serves as an ex-officio member and the secretary of each committee. The Board of Trustees is required to meet quarterly, and the Executive Committee is empowered to act for the Board between regularly scheduled meetings, subject to subsequent Board approval. Only the Executive, Finance and Personnel Committees are standing committees.

The Chief of Staff of the Hospital is Steve Thompson, D.O., who specializes in internal medicine.

The Administrative Officers of the Hospital are as follows:

Robert L. Harman, Chief Executive Officer and Administrator (58). Mr. Harman has served as Chief Executive Officer of the Hospital since January, 1965. He is responsible for the operation of the Hospital to the Board of Trustees, as well as for Medical Staff issues, and also serves as the Hospital spokesman. Prior to coming to the Hospital, Mr. Harman spent one year as Administrative Resident at the Prince Georges County Hospital, Cheverly, Md.

Mr. Harman's related business activities include Board Member and Board Chairman of the West Virginia Hospital Association, Past Chairman of the Small and Rural Hospital Committee (WVHA), Past Chairman of the Governing Council for the Section on Small and Rural Hospitals of the American Hospital Association, Delegate to the House of Delegates of the American Hospital Association, Past Member of the National Advisory Committee on Rural Health of the U.S. Department of Health and Human Services. He is also Past Chairman of the Grant County Planning Commission.

Mr. Harman earned his MBA in Health Care Administration from the School of Government and Business Administration, George Washington University, Washington, DC, and his BS Degree in Business Administration from Fairmont State College, Fairmont, WV. He is a Diplomate of the American College of Healthcare Executives.

Gary W. Broadwater, Chief Financial Officer, (42). Mr. Broadwater joined the staff of the Hospital in November 1981 and serves as Chief Financial Officer and Controller. He is responsible for the supervision of the Hospital's Business Office, Accounting, Data Processing, Purchasing and Stores. He is responsible for preparation of financial statements and financial analysis and the appropriate investment of the Hospital's operating funds.

Mr. Broadwater's related business activities include service as an Advanced Member of the West Virginia Chapter of the Health Care Financial Management Association, Certified Member of the West Virginia Society of Certified Public Accountants, and Charter Member and current President-Elect of the Grant County Chamber of Commerce. He is also active in community affairs having served as President of the Petersburg Rotary Club and Chairman of his church's Finance Council.

Mr. Broadwater received his BS Degree in Accounting from Frostburg State University and was certified as a Certified Public Accountant in 1988.

Mary Beth Barr, RN, Director of Patient Services (39). Mrs. Barr became Director of Nursing at the Hospital in 1990 having served as Assistant Director of Nursing for three years. She assumed the responsibility for the supervision of all patient service departments (Nursing Services, Social Services, Laboratory, Anesthesiology, X-Ray, Pharmacy, Pediatrics, Outreach Services, Emergency Room, Operating Room, Home Health, Quality Assurance/Risk Management) in April 1994 and now has the title of Director of Patient Services.

Mrs. Barr was previously employed at the Charleston Area Medical Center and Monongalia General Hospital as a staff nurse. She received her Bachelor of Science Degree in Nursing from West Virginia Wesleyan College in Buckhannon, West Virginia.

SCOPE OF SERVICES

Grant Memorial Hospital serves as the major health care facility in the three county area of Grant, Hardy and Pendleton Counties, West Virginia. Grant Memorial Hospital exists to provide a broad spectrum of healthcare services to improve the health status of residents of the Potomac Highlands. Services provided are responsive to community need and based on building cooperative and collaborative arrangements with others. Activities focus on innovative ways to deliver services that are consistent with providing compassionate, high quality cost-effective healthcare services. The following are the key services offered by the Hospital.

Medical Specialities

The Hospital offers a number of medical specialties such as pediatrics, obstetrics, internal medicine, general surgery, family practice, orthopedics, radiology, pathology, anesthesiology, skilled nursing care, and hospice care. The Hospital employs a pediatrician, obstetrician-gynecologist and orthopedist. Also available at the Hospital are outpatient clinics in podiatry, oncology, and urology.

Professional Care

Despite the numerous specialties, the Hospital offers the personalized and professional care that the community has come to expect. The inpatient services include birthing rooms for the obstetric department. There are respiratory therapy services which include the utilization of ventilators for the more severely ill patients. The Physical Therapy Department provides therapy for patients on the skilled care unit.

Radiological Services

The Hospital offers a number of radiological services such as CT scanning capabilities, ultrasound and mammography as well as basic fluoroscopy and radiographic services. Also available through a contract service once a week is mobile ultrasound, which provides echocardiograms and doppler studies.

Laboratory Services

The Hospital laboratory is equipped with modern technology in chemistry, microbiology and hematology services. Also available through the laboratory are EKG's and EEG's.

Emergency Medicine

The Hospital's 24-hour emergency department provides around-the-clock emergency care with physicians who are trained in emergency medicine. The Hospital has thrombolytic therapy available in the emergency department to take care of cardiac patients. Recently implemented in the emergency department was "Emergicare" between the hours of 6:00 p.m. and 10:00 p.m., seven days a week, for patients who need to see a physician but do not have a true emergency. The Emergency Department is operated under contract with Coastal Emergency Services of Washington, D.C., Inc.

Outreach Services

The Hospital offers a number of outreach services, including a Women's Wellness Program, which provides breast and cervical cancer screening to the community on a monthly basis. The Hospital also provides case management to local industries, which includes worker's compensation case management, drug screening, physicals, blood screening, colorectal screening, and breast and cervical screening. In addition, the Hospital has a very active Home Health Care Department and outpatient physical therapy.

Electronic Video Communication

The Hospital is one of approximately four hospitals in West Virginia that have an electronic video link with West Virginia University. This technology, known as Medical Doctor Television (MDTV), allows doctors at the Hospital to consult with other doctors at West Virginia University Hospitals for consultative opinions, including review of x-ray films for diagnosis. The devise is also used as an informative training mechanism and for CME for the Medical Staff and Nursing Staff of the Hospital.

MEDICAL STAFF

As of December 31, 1997, the Hospital's Medical Staff included a total of 17 active, 21 consulting/courtesy staff members and 4 emergency department staff members. The staff consists of physicians who have been selected and approved by the Board after screening and recommendation by the Medical Staff and a period of probation. The Medical Staff members are required to attend at least 50% of the Medical Staff meetings. The following tables show various information regarding the Hospital's Medical Staff.

The average of the Medical Staff is 45.7 years old. This is a little less than the national average of 46 years and is substantially less than most small, rural hospitals, which find it difficult to recruit physicians. Approximately 76% of the active staff are board certified in their respective specialties.

Physician Age		Patient Discharges by Physician	
Under 40	5	597	21.4%
40-49	8	1,523	54.6%
50-59	1	601	21.6%
60-69	2	67	2.4%
70-79	1	0	0%
*Total	17	2,788	100%

Source: Grant Memorial Hospital

* Total discharges include newborn, skilled nursing and swing-bed discharges.

Selected Characteristics of Medical Staff
As of December 31, 1997

Department	Number of Active Staff	Age: Under 40	40-49	50-59	60-69	70-79
Family Practice	5	2	1	1		1
Emergency Medicine	2		2			
General Surgery	2		1		1	
Anesthesia	1	1				
OB/GYN	2		1		1	
GYN	1		1			
Internal Medicine	2	1	1			
Pediatrics	1		1			
Orthopedics	1	1				
Total	17	5	8	1	2	1

Patient Admissions By Physician Specialty

	FYE 1997	FYE 1996	FYE 1995
Internal Medicine	837 (30%)	854 (28.3%)	683 (23.3%)
Pediatrics & Newborn	341 (12.2%)	351 (11.6%)	394 (13.4%)
General & GYN Surgery	225 (8.2%)	339 (11.2%)	443 (15.1%)
OB/GYN	408 (14.6%)	396 (13.1%)	460 (15.7%)
Family Practice	997 (35%)	1,078 (35.8%)	953 (32.5%)
*Total	2,788 (100%)	3,018 (100%)	2,933 (100%)

* Total discharges includes newborn, skilled and swing discharge

Summary of Discharges by Physician

Physician Name	Age	Discharges for FYE 6/30/97	Discharges for FYE 6/30/96	Discharges for FYE 6/30/95
Dewey F. Bensenhaver, MD	51	524	582	531
John L. Hahn, MD	41	365	333	393
Bruce W. Leslie, MD	42	344	379	345
Stephen C. Thompson, MD	38	385	348	222
Larry C. Rogers, MD	49	217	216	203
Anil K. Makani, MD	44	149	191	233
Robert E. Roberts, MD	69	25	84	139
D. S. Cooley, MD	63	42	63	60
Michael F. Riggleman, MD	38	133	163	124
F. J. Indacochea, MD	40	60	53	26
Elizabeth T. Hynes, MD	40	47	60	59
Carmen Rexrode, MD	37	11	22	16
William O. Mallow, MD	44			1
David H. Rebuck, DO	32	1		
Javier Ferreyros, MD	40			20
Other Physicians			1	1
Susan Mauzy, MD			2	
Medhat Elmassry, MD				44
*Total		2,303	2,497	2,417

* Total discharges exclude newborn, skilled and swing discharges

Number of Physicians by Staff Category

Category	Number
Active	17
Consulting/Courtesy	18
Emergency Department	4
	39

Medical Staff - Clinical Service Department Heads

ANESTHESIA.....David H. Rebuck, D.O.
EMERGENCY/OUTPATIENT.....Sherwood Leo, M.D.
MEDICAL.....Stephen Thompson, D.O.
ICU.....Larry C. Rogers, M.D.
OB/GYN.....John L. Hahn, M.D.
PATHOLOGY.....John Rust, M.D.
PEDIATRIC.....Fernando Indacochea, M.D.
RADIOLOGY.....M.S. Kim, M.D.
SURGERY.....Anil Makani, M.D.
RESPIRATORY THERAPY.....Bruce Leslie, M.D.

SERVICE AREA

Grant Memorial Hospital's primary and secondary service area is made up of five counties in the eastern panhandle of West Virginia. Approximately 44% of the Hospital's admissions originated from Grant County with 29% from Hardy County, 14% from Pendleton County, 3% from Mineral County and 3% from Hampshire County, depicting the strong support for the Hospital and the regional scope of its service area.

The Hospital depends on two zip codes located in Grant and Hardy counties for approximately 54% of its inpatients. Both of these zip codes are growing and have median household incomes that are average for the five county service area.

There are no other hospitals within a 40 mile radius of the Hospital. The closest tertiary care facility is located some 60 miles from the Hospital.

GRANT MEMORIAL HOSPITAL
FY97 Patient Origin by Market

Markets	Patients	Percent of Total
Primary	1,210	52.5%
Secondary	446	19.4%
Tertiary	352	15.2%
Other WV Zips	219	9.5%
Unknown Residence	56	2.4%
Other States' Zips	20	1.0%
*TOTAL	2,303	100.0%

Source: Hospital data

* Total excludes newborn, skilled nursing and swing beds.

[Remainder of Page Intentionally Left Blank]

GRANT MEMORIAL HOSPITAL
FY97 Patient Profile by Payor

Payor Classification	Patients	ALL PRODUCT LINES % of Total
Medicare	1,124	48.8%
Medicaid	363	15.8%
Commercial Insurance	350	15.2%
Blue Cross	227	9.9%
Self Pay	130	5.6%
Public Employees	70	3.0%
Automobile Insurance	14	0.6%
CHAMPUS	11	0.5%
Workers' Comp.	8	0.3%
Black Lung	4	0.2%
Maternity Services	2	0.1%
TOTAL	2,303	100.0%

Source: Hospital data

Note: Excludes skilled nursing, swing bed and newborn.

POPULATION CHARACTERISTICS

Since 1980 the combined population of the primary and secondary area of the Hospital has remained stable with slight increases in the population base. The five county service area population is projected to grow 2.1 percent (1,610 residents) by 2000. The older age groups will account for a greater proportion of the population. Consequently, there will be more older residents living alone in the service area.

Indicated below are population statistics and projections for the service area through 1997:

Population Projection
Study and Other Counties in Region 8
as Defined by the State Health Plan

County	1980	1990	1995	1997	% Change 1995-1997	1998	1999	2000	2001
Grant	10,240	10,450	11,100	11,280	1.62%	11,390	11,490	11,580	13,740
Hampshire	14,910	16,600	18,380	19,020	3.48%	19,230	19,430	19,640	23,910
Hardy	10,030	11,020	11,600	11,800	1.72%	11,900	11,970	12,060	13,840
Mineral	27,310	26,670	27,370	27,700	1.21%	27,820	27,950	28,090	30,770
Pendleton	7,950	8,020	8,140	8,110	-0.37%	8,120	8,130	8,150	8,400
Totals	70,440	72,760	76,590	77,910	1.72%	78,460	78,822	79,520	90,660

Source: 1998 Woods & Poole Economics, Inc.

[Remainder of Page Intentionally Left Blank]

The overall population of the service area continues to age, indicating an increasing need for health care services. In 1980, 12.7% of the population was over 65 years; by 1995 this had increased by 14.8%. The aging of the overall population is expected to continue in future years.

1980

County	Under 20	21 to 64	Over 65	Total Population
Grant	3,500	5,510	1,230	10,240
Hampshire	5,080	7,980	1,850	14,910
Hardy	3,100	5,530	1,400	10,030
Mineral	9,170	14,910	3,230	27,310
Pendleton	2,380	4,350	1,220	7,950
Totals	23,230	38,280	8,930	70,440
%	33.0%	54.3%	12.7%	100.0%

1995

County	Under 20	21 to 64	Over 65	Total Population
Grant	2,940	6,490	1,670	11,100
Hampshire	5,100	10,700	2,580	18,380
Hardy	2,880	6,990	1,730	11,600
Mineral	7,490	15,820	4,060	27,370
Pendleton	2,020	4,790	1,330	8,140
Totals	20,430	44,790	11,330	76,590
%	26.7%	58.5%	14.8%	100.0%

Source: 1998 Woods & Pool Economics, Inc.

COMPETITION

There are no other hospitals located in Grant County. The three closest hospitals are Potomac Valley Hospital, Hampshire Memorial Hospital and Davis Memorial Hospital. Potomac Valley Hospital is located in Keyser, approximately 38 miles north; Hampshire Memorial Hospital is located in Romney, approximately 38 miles north east; Davis Memorial Hospital is located in Elkins, approximately 58 miles west.

Indicated hereafter are charts showing the utilization and financial information of the above listed hospitals for FYE 1996. This is the most current data available.

[Remainder of Page Intentionally Left Blank]

Utilization Statistics
(1996)

	Potomac Valley	Hampshire Memorial	Davis Memorial	Grant Memorial	Source
Number of Beds by Type of Service:					#
General-Medical-Surgical Care	29	17	97	40	#
Obstetrics	--	--	9	12	#
Medical Surgical Intensive Care	5	--	9	3	#
Skilled Nursing Care	--	30	--	10	#
Pediatric Medical Surgical	4	--	--	--	#
Cardiac Intensive Care	4	--	--	--	#
Total Beds	42	47	115	65	
Average Daily Census	17	35	67	40	#
Outpatient Visits	40,805	25,664	138,825	62,470	#
Births	3	--	553	295	#
Total Acute Inpatient Days	5,573	1,670	24,457	9,158	~
Medicare Acute Discharges	829	323	2,951	1,257	~
Medicaid Acute Discharges	212	64	1,020	348	~
Total Acute Discharges	1,565	568	5,760	2,497	~
Average Acute Length of Stay (days)	3.56	2.94	4.25	3.67	

West Virginia Hospital Association Web Site (1996 data)

~ Health Care Cost Review Authority (HCCRA) (now Health Care Authority) Department of Health and Human Resources Overview of West Virginia Hospitals (1996)

[Remainder of Page Intentionally Left Blank]

Financial Statistics
(1996)

	Potomac Valley	Hampshire Memorial	Davis Memorial	Grant Memorial
Gross Patient Revenue	$16,044,006	$9,506,805	$68,085,654	$23,116,373
Net Patient Revenue	10,965,235	5,699,001	41,452,866	15,298,442
Total Operating Revenue	11,094,071	5,817,264	43,369,812	16,185,777
Payroll Expense	4,986,180	2,577,981	19,906,463	8,326,575
Total Expense	11,137,531	5,790,857	40,676,666	15,128,883
Net Income (Loss)	(43,460)	26,407	2,693,146	1,056,894
Net Patient Margin (Deficit)	-0.40%	0.46%	6.50%	6.91%
Net Operating Margin (Deficit)	-1.57%	-1.61%	1.87%	1.11%
Net Profit (Loss) Margin	-0.40%	0.46%	6.50%	6.91%

Source: Health Care Cost Review Authority (HCCRA) (now Health Care Authority) Department of Health and Human Resources Overview of West Virginia Hospitals (1996)

[Remainder of Page Intentionally Left Blank]

HISTORICAL UTILIZATION

The tables below and on the following page summarize information prepared on the utilization of inpatient and outpatient services by type of service and ancillary procedures. Total outpatient visits include visits to clinics and physicians' offices operated by the Hospital and emergency room visits.

	Fiscal Years Ended June 30				
	1997	1996	1995	1994	1993
Licensed Beds	65	65	96	96	96
Beds in Service:					
Medical/Surgical	25	25	25	25	25
OB/GYN	12	12	12	12	12
ICU	3	3	3	3	3
Skilled Nursing Facility	10	10	10	10	10
Swing Bed (SNF)	15	15	15	15	15
Total Beds in Service	65	65	65	65	65
Occupancy (Staffed)	58.38%	60.98%	59.60%	61.89%	55.76%
Patient Days:					
ICU	674	690	692	727	515
All Other Acute	8,082	8,468	8,386	8,907	7,604
Total Acute	8,756	9,158	9,078	9,634	8,119
Skilled Nursing Care and Swing	5,095	5,310	5,063	5,050	5,110
Total Facility	13,851	14,468	14,141	14,684	13,229
Average Daily Census:					
Acute	23.99	25.09	24.87	26.39	22.24
Skilled Nursing and Swing	13.96	14.55	13.87	13.84	14.00

	Fiscal Years Ended June 30				
	1997	1996	1995	1994	1993
Patient Discharges:					
Acute	2,303	2,497	2,417	2,492	2,176
Skilled Nursing and Swing	206	226	158	173	131
Outpatient Visits (Total)	67,272	62,470	67,931	64,008	60,757
Home Health Visits (Included Above)	13,218	13,343	16,275	15,108	14,498
Surgical Visits	1,174	1,325	1,282	1,311	1,145
Surgical Minutes	66,571	81,800	77,377	76,121	62,475

PROJECTED UTILIZATION

The tables below contain projections of the Hospital's utilization for the Fiscal Years ending June 30, 1998, through 2002, which are based on projections developed internally and assumptions adopted by management of the Hospital.

	Fiscal Years Ended June 30				
	1998	1999	2000	2001	2002
Licensed Beds	65	65	65	65	65
Beds in Service:					
Medical/Surgical	25	25	25	25	25
OB/GYN	12	12	12	12	12
ICU	3	3	3	3	3
Skilled Nursing Facility	10	10	10	10	10
Swing Bed (SNF)	15	15	15	15	15
Total Beds in Service	65	65	65	65	65
Occupancy (Staffed)	54.43%	53.76%	53.11%	53.11%	53.11%

	Fiscal Years Ended June 30				
	1998	1999	2000	2001	2002
Patient Days:					
ICU	616	604	592	592	592
All Other Acute	7,278	7,133	6,990	6,990	6,990
Total Acute	7,894	7,737	7,582	7,582	7,582
Skilled Nursing and Swing	5,018	5,018	5,018	5,018	5,018
Total Facility	12,912	12,755	12,600	12,600	12,600
Average Daily Census:					
Acute	21.63	21.20	20.77	20.77	20.77
Skilled Nursing and Swing	13.75	13.75	13.75	13.75	13.75
Patient Discharges:					
Acute	2,130	2,130	2,130	2,130	2,130
Skilled Nursing and Swing	210	210	210	210	210
Outpatient Visits (Total)	72,452	73,901	75,379	76,887	78,424
Home Health Visits (Included Above)	10,592	10,592	10,592	10,592	10,592
Surgical Visits	1,454	1,454	1,454	1,454	1,454
Surgical Minutes	102,694	102,694	102,694	102,694	102,694

SUMMARY OF HISTORICAL REVENUES AND EXPENSES

The following presents a summary of revenues and expenses of the Hospital for each of the three Fiscal Years ended June 30, 1995, through 1997 and for the seven months ended January 31, 1998. The summary of Revenues and Expenses for the Fiscal Years ending 1995 through 1997 has been examined by Doak Cuppett & Poling, Certified Public Accountants, Clarksburg, West Virginia. The summary should be read in conjunction with the audited financial statements included in Appendix B attached hereto. **The figures for the 7 months ended January 31, 1998, have been prepared by the Hospital and have not been audited or reviewed by any independent accountant.**

FISCAL YEARS ENDING JUNE 30

	1995	1996	1997	7 Months Ended 1/31/98
OPERATING REVENUES				
Net Patient Service Revenue	$ 15,745,836	$ 16,562,339	$ 17,697,438	$10,861,024
Other Revenues	412,849	603,483	814,946	441,835
Total Operating Revenues	16,158,685	17,165,822	18,512,384	11,302,859
OPERATING EXPENSES				
Salaries and Wages	$ 6,673,908	$ 6,944,508	$ 7,288,840	$ 4,741,567
Employee Benefits	1,345,308	1,382,067	1,482,276	965,198
Other Supplies/Expenses	5,867,024	6,197,185	6,779,352	4,518,611
Insurance	139,282	138,746	149,605	96,660
Depreciation	428,232	461,467	485,848	456,573
Interest	9,922	4,910	1,851	23,437
Provision for Bad Debts	1,086,495	1,263,897	1,609,735	970,599
Total Operating Expenses	$ 15,550,171	$16,392,780	$17,797,507	$11,772,645
Income (Loss) FromOperations	$ 608,514	$ 773,042	$ 714,877	$ (469,786)
NON-OPERATING REVENUES				
Interest Earned	$ 195,700	$ 271,622	$ 316,437	$ 137,299
Contributions	30,658	11,071	54,831	12,040
Transfers from County Gov't	31,219	1,159	3,386	479
Total Non-Operating Revenues	$ 257,577	$ 283,852	$ 374,654	$ 149,818
Excess of Revenues over Expenses	$ 866,091	$ 1,056,894	$ 1,089,531	$ (319,968)

MANAGEMENT'S DISCUSSION OF UTILIZATION AND FINANCIAL PERFORMANCE

UTILIZATION

The Hospital expects the aging population of the area will continue to need and utilize inpatient services. It is projected that the number of discharges will remain stable. However, there are significant efforts to move patients from the inpatient setting as soon as possible. Therefore, it has been projected that patient days for each of the years 1999 and 2000 will decrease by 2%. Patient days in 2001 and 2002 are projected to stabilize at the 2000 level. Outpatient utilization is projected to increase by 2% for each of the years 1999 through 2002.

FINANCIAL PERFORMANCE

For all Fiscal Years since FYE 1981, the Hospital had a positive net income. Management has in the past presented a budget to the Board of Trustees which projects a positive annual rate of return. Management has taken the operating measures necessary to accomplish the Hospital's goals.

The internal financial statements through January 31, 1998, present a net loss. Management attributes the loss to the following items:

Rate Increases. The State of West Virginia has rate regulations for Fiscal Year 1998. The Hospital requested a rate increase, which was denied, and the rate structure for FY 1997 remains in place. In May 1998, the Hospital will submit a rate application for FY 1999.

Asbestos Removal. Through December 31, 1997, the Hospital paid approximately $100,000 for asbestos removal, which has been classified as a current operating expense. This is a one-time cost, which is non-recurring. There are no other areas of the Hospital which require asbestos removal.

CT Services. During the six months ending December 31, 1997, a hospital owned CT Scan was installed. Previously CT services were provided through a contract arrangement. Fees paid to the previous contractor (approximately $170,000 for the first six months of FY 1998) will not occur in the future. The Hospital will have depreciation on the new CT Scan; however, even with this additional cost, there will be significant future savings.

Orthopedic Physician Practice. The Hospital assisted an orthopedic physician establish a practice. Net recruitment/start-up costs of approximately $60,000 have been incurred. The practice is growing and is expected to be self-supporting by June 30, 1998.

Construction Completion. The construction/renovation project (which necessitated the 1994 Bond issue) was substantially completed on December 31, 1997. The Hospital has begun reflecting higher depreciation expense associated with this project. For the first six months of FY 1998, the depreciation expense is approximately $125,000 higher than the prior year.

Computer Installation. During the fall of 1997, the Hospital installed a computer system which is tied into Valley Health Systems. (Valley Health is associated with Winchester Medical Center in Winchester, Virginia.) An estimate of the costs has not been made; however, there have been overtime, additional staffing, travel and installation costs associated with the new computer system. These are one-time costs which should lead to improved efficiencies in future periods.

SOURCES OF GROSS REVENUES

	FYE 1997	FYE 1996	FYE 1995	FYE 1994
Medicare	$10,804,978	$10,698,035	$10,370,904	$10,317,557
Medicaid	3,961,724	4,085,449	4,592,826	3,092,676
Public Employees	829,069	799,650	797,127	635,283
Other	8,452,451	7,533,239	7,625,204	9,208,009
Total	$24,048,222	$23,116,373	$23,386,061	$23,253,525

CONTRACTUAL ADJUSTMENTS
AUDITED, BAD DEBTS, AND CHARITY CARE

	FYE 1997	FYE 1996	FYE 1995	FYE 1994
Contractual Adjustments	5,560,869	5,896,043	7,037,256	7,349,270
Bad Debts	1,609,735	1,263,897	1,086,495	744,656
Charity Care	789,916	657,991	602,970	583,328
Total	7,960,520	7,817,931	8,726,721	8,677,254

Note: Charity Care appears to average between 2.5% and 3.3% of Gross Revenues.

APPROVED RATES

As described in the Official Statement under "Bondholders' Risks - Revenue Refunding Bonds - Rate Review," the Hospital's rates for nongovernmental payors are subject to review and approval by the West Virginia Health Care Authority (the "Authority"). The Hospital requested an increase for the 1998 fiscal year of 7.1% for both its inpatient and outpatient rates. By order entered August 5, 1997, the Authority denied the requested increase and limited the Hospital to its projected actual charge for FY 1997. The Hospital also requested increases, in varying amounts, for its distinct parts: its swing-bed unit, skilled nursing, Mountain Top Clinic, orthopedic clinic, pediatric practice and OB/GYN practice. The Authority granted the requests for all but the skilled nursing unit. However, the Authority notified the Hospital that it cannot subsidize losses in the Mountain Top Clinic, orthopedic clinic and pediatric practice with acute care revenues. The budget for the Hospital has been revised to reflect the rates approved by the Authority.

HUMAN RESOURCES

The Hospital has a record of achievement and cooperation with its medical, administrative and support staffs. While the completion of the Project may require hiring additional personnel to accommodate various outpatient programs, Management of the Hospital anticipates no financial or resource problems arising from any such requirement. Management of the Hospital is not aware of any current or pending union organization activities at the Hospital. The Hospital anticipates a continued supply of qualified nurses for available positions and has established a nursing program with Shepherd College-South Branch to ensure this availability. While recruitment of physicians must remain a top administrative priority, Management of the Hospital is confident that the Medical Staff will remain stable and cost effective.

EMPLOYEES

Grant Memorial Hospital has a total of 350 employees or a total of 316 full-time equivalents.

The Hospital provides varying degrees of benefits to these employees including retirement, health insurance, long-term disability, vacation, personal and sick leave.

Grant Memorial Hospital enjoys a low turnover rate. Typically, there are fewer than twenty employees that leave in a given year. Of that number, half are nursing staff. However, Grant Memorial Hospital has been able to maintain appropriate staffing levels and compares favorably with its peers.

NURSING RECRUITMENT

Grant Memorial Hospital recruits the majority of its registered nurse staff from the two-year associate degree program at Shepherd College, Shepherdstown, West Virginia. The current nursing program with Shepherd College-South Branch that is sponsored by the Hospital will ensure the continued availability of professional staff. Four year degree program nurses are recruited primarily from West Virginia University.

Most of the nursing assistants who are employed at the Hospital received their initial training at the South Branch Votechnical Center, Petersburg, West Virginia, which is affiliated with the Grant County Board of Education, Petersburg, West Virginia.

Grant Memorial Hospital has not been actively recruiting Licensed Practical Nurses during the past year; however, most of the LPNs employed at the Hospital received their training at the Mineral Vocational Center, Keyser, West Virginia.

STRATEGIC PLAN

The Hospital maintains a formal strategic planning process which focuses on strategy formulation based upon examination of Hospital industry trends, the market that the Hospital serves, and a strengths and weaknesses analysis of specific competitors. The approach taken to the planning process is multi-disciplined and includes substantial participation by leadership of the Board, Medical Staff and Management. The Board appointed a Strategic Planning Committee in 1997, which is to report to the Board quarterly.

RETIREMENT

Grant Memorial Hospital has a funded defined contribution pension plan available to all active full-time employees who have completed two years of service. Each employee contributes 2% of his gross wages up to $14,400 and 5% is contributed by the Hospital. For gross wages over $14,400 the employee contributes 4% and the Hospital contributes 10%. The Hospital contributed $270,200, $235,730 and $190,699 for the years ended June 30, 1997, 1996 and 1995, respectively. The Hospital has no additional liability to the plan. Pension plan contributions are included with administrative operating expenses.

MALPRACTICE INSURANCE COVERAGE

In September 1986, the Hospital converted its malpractice insurance from an occurrence-basis policy to a claims-made policy. A claims-made policy covers only claims reported to the insurance carrier during the policy term while an occurrence-basis policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. Since the Hospital does not purchase tail coverage, under a claims-made policy a health care provider must accrue the cost for those claims and incidents that are not reported to the insurance carrier. Management of the Hospital estimates the cost of such incidents to be $269,000 at June 30, 1997.

CONTRACTUAL

Revenues generated by Medicare, Medicaid and most third-party payors, including Blue Cross, are recorded by the Hospital at full established billing rates. Medicare and Medicaid rates are set as described in the Official Statement under "Bondholders' Risks - Revenue Refunding Bonds - Medicare and Medicaid." In addition, the Hospital has various contractual agreements which determine the amount to be received. Amounts received are generally less than the established billing rates, and the difference is recorded as contractual adjustments and deducted from operating revenue.

In addition to its traditional Blue Cross contract, the Hospital has preferred provider contracts with Blue Cross for its hospital services, skilled nursing and swing beds and home health services. The Hospital also has discount contracts with MedSelect and the West Virginia Accountable Health Plan (the latter is not effective until approved by the Authority). These contracts limit the Hospital to the agreed-upon, discounted rates.

CHARITABLE

The Hospital is a non-profit organization and is owned by a governmental entity. The Hospital has established criteria to provide services to patients who lack the financial resources to pay for such services. In addition, the Hospital was subject to a financial obligation under Hill-Burton to provide charity care to patients meeting federal guidelines. While this obligation was fulfilled several years ago, the Hospital continues to provide uncompensated services pursuant to charitable policies. All charity services are recorded at the full established billing rate and then either reduced partially or completely to a level appropriate with the financial resources of the patient.

BAD DEBT

In addition to those patients unable to pay, there are some patients receiving services who will not pay. The Hospital has established credit and collection policies to hold such costs to a minimum.

BUDGETING PROCESS

The Hospital's budgeting process commences approximately five (5) months prior to the beginning of each Fiscal Year. Management establishes major assumptions and overall volumes for routine services for the year based on historical, industry and market share trends. Ancillary services are then projected based on historical relationships and trends experienced. Throughout this process department managers are involved and changes are made to volume forecasts as necessary. Department managers, along with the Chief Financial Officer, jointly develop budgets for each department. Staffing changes or new programs must be justified as part of the budget preparation process. The Finance Department is responsible for estimating the rates the Hospital will be authorized to charge in the budget year. Following the review and modifications by management, the budgets are presented to the Board of Trustees for final approval. Operating budgets are now subject to analysis and approval by the Authority.

INTERNAL FINANCIAL REPORTING

The financial department investigates all significant revenue and expense volume variances. In the review of variances, areas are highlighted in which action to improve operations is necessary. Communication with department managers is made to further investigate significant variances.

Monthly financial reports are submitted to the Board monthly. The monthly report includes variation analysis, actual financial statement including prior year and budget statement (monthly and year to date for comparison purposes), balance sheet, accounts receivable analysis and cash flow analysis.

The Board has divided the Hospital's funds into three categories: A - operating funds; B - capital improvement funds, which includes memorial and special gifts; and C - other Board-designated funds.

MANAGEMENT INFORMATION SYSTEM

The Hospital has transferred its management information system into a new corporation, Grant Memorial Hospital Information Systems, Inc. The Hospital and the new corporation have entered into an agreement with Valley Health Systems, Inc., the parent of Winchester Medical Center, Winchester, Virginia ("Winchester"), for the operation of the management information system and the provision of management information services. Winchester also provides the Hospital with its patient accounting manager, for whom the Hospital reimburses Winchester.

AFFILIATIONS

In addition to the management information system agreement described above, the Hospital has agreements or arrangements with several other entities. The Hospital participates in collective purchasing either from or through Winchester. The Hospital is an active participant in efforts to form a rural provider network in the Eastern Panhandle of West Virginia. Whether those efforts will be successful can not be determined at this time. As with most West Virginia hospitals, the Hospital routinely considers agreements and arrangements to enable it to operate more efficiently and compete more effectively in the health care market.

[This Page is Intentionally Left Blank]

APPENDIX C

FINANCIAL STATEMENTS OF THE COUNTY COMMISSION

[This Page is Intentionally Left Blank]

GRANT COUNTY, WEST VIRGINIA

* * * * * * * * * * * * * * *

INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS

* * * * * * * * * * * * * * * * * * *

FOR THE YEAR ENDED JUNE 30, 1996

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 North Oak Street • P.O. Box 1916
Clarksburg, West Virginia 26302-1916

TABLE OF CONTENTS

	Page
County Officials	1
Index of Funds	2
Independent Auditor's Report	3-4
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types - Budgetary Basis	7-8
Notes to General Purpose Financial Statements	9-20
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:	
Combining Balance Sheet - Special Revenue Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	22
Combining Balance Sheet - Debt Service Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	24
Combining Balance Sheet - Capital Projects Funds	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Funds	26
Combining Statement of Changes in Assets and Liabilities - Agency Funds	27
Combining Statement of Changes in Assets and Liabilities - State Funds (Agency Funds)	28
Combining Statement of Changes in Assets and Liabilities - Municipal Funds (Agency Funds)	29
SUPPLEMENTARY SCHEDULES:	
Schedule of Cash Receipts and Disbursements - Office of the Sheriff	30
Schedule of Cash Receipts and Disbursements - Office of the Clerk of the County Commission	31
Schedule of Cash Receipts and Disbursements - Office of the Clerk of the Circuit Court	32
Schedule of Cash Receipts and Disbursements - Office of the Assessor	33

TABLE OF CONTENTS (Cont'd)

	Page
Schedule of Cash Receipts and Disbursements - Assessor's Valuation Fund	34
Schedule of Costs for the Care and Feeding of Prisoners	35
Independent Auditor's Report on Compliance	36-37
Schedule of Findings and Questioned Costs	38-48
Independent Auditor's Report on Internal Controls	49-50
Schedule of Weaknesses in Internal Controls	51
SINGLE AUDIT ACT:	
Independent Auditor's Report on Schedules of Federal and State Financial Assistance	52-53
Schedule of Federal and State Financial Assistance	54
Independent Auditor's Report on Compliance with the General Requirements Applicable to Federal and State Financial Assistance Programs	55-56
Independent Auditor's Report on Compliance with the Specific Requirements Applicable to Major Programs	57-58
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Nonmajor Federal and State Financial Assistance Program Transactions	59-60
Independent Auditor's Report on the Internal Control Structure Used in Administering Federal and State Financial Assistance Programs	61-63
Schedule of Weaknesses in Internal Controls	64

[This Page is Intentionally Left Blank]

GRANT COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 1996

Office	Name	Term
	Elective	
County Commission	Arthur E. Kessel	01/01/91-12/31/96
	Robert F. Sites	01/01/93-12/31/98
	David L. Jones, III	01/01/95-12/31/01
Clerk of the County Commission	Harold G. Hiser	01/01/93-12/31/98
Clerk of the Circuit Court	Betty C. Moomau	01/01/93-12/31/98
Sheriff	John R. Leatherman	01/01/93-12/31/96
Prosecuting Attorney	Dennis V. Di Benedetto	01/01/93-12/31/96
Assessor	Ralph G. Layton	01/01/93-12/31/96

GRANT COUNTY, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Tax
General School
Magistrate Court
Worthless Check
Dog and Kennel
Home Confinement
Health Insurance Reserve
Communications
Terminal Insurance Reserve
Sheriff's Vehicles
Flood Disaster
Concealed Weapon
Development Authority Grant
County Hospital Bond
County Hospital Excess Levy
Hospital Series A Securities
Hospital Series B Securities

Debt Service Funds

Grant County Nursing Home
Bond Grant County Memorial Hospital
Excess Grant County Memorial Hospital

Capital Projects Funds

Flood Control
Dam Site #7
Airport Extension

FIDUCIARY FUND TYPE

Agency Funds

State Funds
School Fund
Municipal Funds
Forfeited and Delinquent Land
Sale of Land Surplus
Tax Lien Surplus
Delinquent and Nonentered Lands
Assessor's Valuation
Health

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Grant County Commission
Petersburg, West Virginia 26847

We have audited the accompanying primary government general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the Grant County, West Virginia management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in the notes, the financial statements referred to above do not include financial statements of the general fixed asset account group which should be included to conform with generally accepted accounting principles. The amount that should be recorded in such account group is not known.

In addition, as described more fully in the notes, the County has not recorded vacation and sick leave which should be recorded to conform with generally accepted accounting principles. The effects on the financial statements of this departure have not been determined.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED
• NATIONAL ASSOCIATED CPA FIRMS

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect of such adjustments, if any, for the effects of the items referred to in the two preceding paragraphs, the primary government general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position of the County, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds of Grant County, West Virginia, as of June 30, 1996 and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of component units of Grant County, West Virginia, do not purport to, and do not, present fairly the financial position of Grant County, West Virginia, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 23, 1997 on our consideration of Grant County, West Virginia's internal control structure and a report dated May 23, 1997 on its compliance with laws and regulations.

Tetrick, Bartlett & Co

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1996

	Governmental Fund Types						
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Types Agency	Account Group General Long-Term Debt	Total (Memorandum Only)
Cash	$ 1,077,172	$ 535,081	$ -0-	$ 89,192	$ 78,296	$ -0-	$ 1,779,741
Investments	-0-	1,359,319	-0-	-0-	-0-	-0-	1,359,319
Receivables, net of allowances:							
Taxes	14,184	-0-	-0-	-0-	-0-	-0-	14,184
Restricted:							
Deposits with Municipal Bond Commission	-0-	-0-	760,940	-0-	-0-	-0-	760,940
Other:							
Amount available in debt service fund	-0-	-0-	-0-	-0-	-0-	760,940	760,940
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	-0-	-0-	1,819,060	1,819,060
TOTAL ASSETS	$ 1,091,356	$ 1,894,400	$ 760,940	$ 89,192	$ 78,296	$ 2,580,000	$ 6,494,184
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	$ 48,648	$ 5,532	$ -0-	$ -0-	$ -0-	$ -0-	$ 54,180
Due to:							
Other governmental entities	-0-	-0-	-0-	-0-	78,296	-0-	78,296
Deferred revenues - taxes	9,885	-0-	-0-	-0-	-0-	-0-	9,885
General obligation bonds payable	-0-	-0-	-0-	-0-	-0-	1,740,000	1,740,000
Excess obligation bonds payable	-0-	-0-	-0-	-0-	-0-	840,000	840,000
Total liabilities	58,533	5,532	-0-	-0-	78,296	2,580,000	2,722,361
Fund Balance							
Reserved for capital projects	-0-	-0-	-0-	89,192	-0-	-0-	89,192
Reserved for debt service	-0-	-0-	760,940	-0-	-0-	-0-	760,940
Unreserved	1,032,823	1,888,868	-0-	-0-	-0-	-0-	2,921,691
Total fund balances	1,032,823	1,888,868	760,940	89,192	-0-	-0-	3,771,823
TOTAL LIABILITIES AND FUND BALANCE	$ 1,091,356	$ 1,894,400	$ 760,940	$ 89,192	$ 78,296	$ 2,580,000	$ 6,494,184

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996

	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues					
Taxes (including interest and penalties)	$ 1,794,887	$ 1,237,570	$ 1,238,809	$ -0-	$ 4,271,266
Intergovernmental:					
Federal	-0-	491,593	-0-	155,378	646,971
State	-0-	271,300	-0-	16,829	288,129
Interstate Commission	-0-	-0-	-0-	153,000	153,000
Fines and forfeitures	-0-	86,468	-0-	-0-	86,468
Licenses and permits	7,227	8,214	-0-	-0-	15,441
Charges for services	52,348	28,753	-0-	-0-	81,101
Interest	61,353	201,546	43,409	2,285	308,593
Property transfer tax	25,160	-0-	-0-	-0-	25,160
Rents and reimbursements	111,605	-0-	-0-	-0-	111,605
Franchise fees	5,392	-0-	-0-	-0-	5,392
Wine and liquor tax	331	-0-	-0-	-0-	331
In-lieu-of taxes	18,355	-0-	-0-	-0-	18,355
Miscellaneous	29,091	249,423	-0-	81	278,595
Total revenues	2,105,749	2,574,867	1,282,218	327,573	6,290,407
Expenditures					
General government	1,594,647	921,765	-0-	-0-	2,516,412
Public safety	422,968	39,649	-0-	-0-	462,617
Health and sanitation	528	-0-	-0-	-0-	528
Culture and recreation	145,892	-0-	-0-	-0-	145,892
Equipment purchases	-0-	22,400	-0-	-0-	22,400
Principal retirement	-0-	-0-	830,000	-0-	830,000
Interest and other charges	-0-	-0-	204,185	-0-	204,185
Miscellaneous	-0-	-0-	88,917	-0-	88,917
Capital projects	-0-	3,856,763	-0-	256,826	4,113,589
Total expenditures	2,164,035	4,840,577	1,123,102	256,826	8,384,540
(Deficiency) excess of revenues (under) over expenditures before other financing sources (uses)	(58,286)	(2,265,710)	159,116	70,747	(2,094,133)
Other Financing Sources (Uses)					
Operating transfers in	76,922	-0-	79,146	12,889	168,957
Operating transfers (out)	-0-	(92,035)	-0-	-0-	(92,035)
Total other financing sources (uses)	76,922	(92,035)	79,146	12,889	76,922
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	18,636	(2,357,745)	238,262	83,636	(2,017,211)
Fund balances at beginning of year (restated)	1,014,187	4,246,613	522,678	5,556	5,789,034
Fund balances at end of year	$ 1,032,823	$ 1,888,868	$ 760,940	$ 89,192	$ 3,771,823

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Coal Severance Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes (including interest and penalties)	$ 2,750,427	$ 1,794,887	$(955,540)	$ -0-	$ -0-	$ -0-	$ 2,750,427	$ 1,794,887	$(955,540)
Intergovernmental:									
Federal	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
State	-0-	-0-	-0-	50,000	269,606	219,606	50,000	269,606	219,606
Fines and forfeitures	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Licenses and permits	16,550	7,227	(9,323)	-0-	-0-	-0-	16,550	7,227	(9,323)
Charges for services	47,519	52,348	4,829	-0-	-0-	-0-	47,519	52,348	4,829
Interest	20,000	61,353	41,353	7,500	8,193	693	27,500	69,546	42,046
Property transfer tax	12,000	25,160	13,160	-0-	-0-	-0-	12,000	25,160	13,160
Rents and reimbursements	25,000	111,605	86,605	-0-	-0-	-0-	25,000	111,605	86,605
Franchise fees	2,000	5,392	3,392	-0-	-0-	-0-	2,000	5,392	3,392
Wine and liquor tax	4,000	331	(3,669)	-0-	-0-	-0-	4,000	331	(3,669)
In-lieu-of taxes	13,000	18,355	5,355	-0-	-0-	-0-	13,000	18,355	5,355
Miscellaneous	27,900	29,091	1,191	-0-	6,830	6,830	27,900	35,921	8,021
Total revenues	2,918,396	2,105,749	(812,647)	57,500	284,629	227,129	2,975,896	2,390,378	(585,518)
Expenditures									
General government	2,340,912	1,582,827	758,085	233,670	180,125	53,545	2,574,582	1,762,952	811,630
Public safety	495,697	422,968	72,729	24,000	24,000	-0-	519,697	446,968	72,729
Health and sanitation	600	437	163	45,000	22,400	22,600	45,600	22,837	22,763
Culture and recreation	158,109	143,425	14,684	-0-	-0-	-0-	158,109	143,425	14,684
Total expenditures	2,995,318	2,149,657	845,661	302,670	226,525	76,145	3,297,988	2,376,182	921,806
(Deficiency) excess of revenues (under) over expenditures before other financing sources (uses)	(76,922)	(43,908)	33,014	(245,170)	58,104	303,274	(322,092)	14,196	336,288

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Coal Severance			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses)									
Operating transfers in	$ 76,922	$ 76,922	$ -0-	$ -0-	$ -0-	$ -0-	$ 76,922	$ 76,922	$ -0-
Operating transfers (out)	-0-	-0-	-0-	-0-	(12,889)	12,889	-0-	(12,889)	12,889
Total other financing sources (uses)	76,922	76,922	-0-	-0-	(12,889)	(12,889)	76,922	89,811	(12,889)
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	$ -0-	33,014	$ 33,014	$(245,170)	45,215	$ 290,385	$(245,170)	78,229	$ 323,399
Fund balances at beginning of year		1,014,187			245,171			1,259,358	
Adjustments to conform with generally accepted accounting principles:									
To recognize accrued payables for financial statement purposes recognized on cash basis for budget		(14,378)			(1,585)			(15,963)	
Fund balances at end of year		$ 1,032;823			$ 288,801			$ 1,321,624	

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies of Grant County, West Virginia, is presented below.

(a) Reporting Entity

The County's financial statements include the operations of all organizations for which the county commission exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Fund Accounting

The accounts of this County are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types under the following broad fund categories:

Governmental Funds

General Fund: The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds: Debt Service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Projects Funds: Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

The accompanying independent auditor's report is an integral part of these notes.

Fiduciary Funds

Agency Funds: Agency Funds are used to account for assets held by the County in an agency capacity. Agency funds are excluded from the County's combined statement of revenues, expenditures and changes in fund balances.

(c) Account Group

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the County and for those long-term liabilities to be liquidated with resources to be provided in future periods.

(d) Property, Plant and Equipment

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. Grant County records the purchase of property, plant and equipment used in governmental fund type operations as expenditures in the various funds and does not account for such purchases as capital expenditures. Generally accepted accounting principles prescribed that all such expenditures be accounted for in the general fixed asset group of accounts, and accordingly, the failure to properly record such assets is not in accordance with generally accepted accounting principles.

(e) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

(f) Budgets and Budgetary Accounting

County Commissions within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. Prior to March 2nd of each year, the various elected officials submit to the county commission proposed requests for their respective offices for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner by March 28th for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

A) Unused appropriations for all annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(g) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of the formal budgetary process. Encumbrances outstanding at year end should be reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(h) Cash and Investments

Cash on hand and deposits with banking institutions either in checking, money market accounts or certificates of deposits with maturities of ninety days or less are presented as cash in the accompanying financial statements. Such deposits at June 30, 1996 were not entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the County's name.

Counties are authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

(i) Inventories

The County considers inventories of materials and supplies utilized in governmental fund type operations as expended at the time of purchase therefore, they do not appear in the County's financial statements.

(j) Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. These absences should be accounted for in accordance with the provisions of National Council on Governmental Accounting (NOGA) Statement No. 4. In governmental funds, since the primary emphasis is on the flow of financial resources, only the current portion of the liability should be reported in the fund; the remainder should be reported in the general long-term debt account group. In proprietary funds, compensated absences should be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

The County does not account for compensated absences in accordance with generally accepted accounting principles.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Total Columns on Combined Statements

Total columns on the combined and combining financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation since interfund activities have not been eliminated in the aggregation of the data.

2. Component Units

Component units are defined as legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police, social services, recreation activities and culture events. Blended component units, although legally separate entities, are in substance part of the primary government's operation and should be included as part of the primary government. This county does not account for activities of component units in the financial statements. Accordingly, the county does not comply with general accepted accounting principles for component units.

In accordance with the criteria established by the Governmental Accounting Standards Board for defining a reporting entity, the following component units should be included in the financial statements of the county, to conform with generally accepted accounting principles:

Grant County Board of Health, Grant County Housing Authority, Grant County Parks and Recreation Commission, Grant County Development Authority, Grant County Ambulance Authority, Grant County Airport Authority, Grant County Memorial Hospital, Grant County Nursing Home, Grant County Public Service District, and the Dorcas Public Service District.

This list of component units is comprised of all component units that were made known to us through the audit. Other component units may or may not exist. The effects of these component units on the financial statement are not known.

3. Deposits and Investments

The County reporting entity considers highly liquid investments with an original maturity of one year or less when purchased to be cash equivalents.

Deposits

It is the County's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The County's deposits are categorized to give an indication of the level of risk assumed by the County at June 30, 1996. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the County or its agent in the County's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3 - Uncollateralized.

Non-Pooled Deposits	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Checking and money market funds	$ 1,303,821	$ 1,235,377	$ 68,444	$ -0-	$ 1,155,871
Certificates of deposit	623,870	623,870	-0-	-0-	623,870
Total deposits	$ 1,927,691	$ 1,859,247	$ 68,444	$ -0-	$ 1,779,741

Investments

Investment pools are under the custody of the County. Investing is performed in accordance with investment policies complying with State Statutes. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements.

The County's investments are categorized to give an indication of the level of risk assumed by the County at June 30, 1996. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the County or its agent in the County's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the County's name.

Type of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Treasury Obligations	$ 1,359,319	$ -0-	$ -0-	$ 1,359,319	$ 1,359,319
Restricted Assets					
Deposits with municipal bond commission				760,940	760,940
Total investment				$ 2,120,259	$ 2,120,259

The accompanying independent auditor's report is an integral part of these notes.

4. Changes in Long-Term Debt

The following is a summary of the general long-term debt account group at June 30, 1996.

	Balance June 30, 1995	Additions	Retirements	Balance June 30, 1996
a. County Hospital Series A Securities	$ 1,770,000	$ -0-	$ 30,000	$ 1,740,000
b. County Hospital Series B Securities	1,640,000	-0-	800,000	840,000
Total revenue bonds payable at June 30, 1996	$ 3,410,000	$ -0-	$ 830,000	$ 2,580,000

a. County Hospital Series A Securities

On November 9, 1994, the County issued $1,800,000 of general obligation bonds secured by tax levies laid by the County Commission. These bonds were issued in denominations of $5,000. The bonds carry an interest rate of 7.00% payable semiannually on April 1, and October 1 of each year.

The bonds mature between April 1, 1995 and April 1, 2019. Bonds maturing on or after April 1, 2003 are subject to redemption at the option of the County Commission in whole at any time or in part on April 1 or October 1, beginning April 1, 2002 at the redemption prices as follows:

Redemption Periods	Price
April 1, 2002 - March 31, 2003	102%
April 1, 2003 - March 31, 2004	101%
April 1, 2004 and thereafter	100%

The following is the debt service requirements under current conditions as of June 30, 1996.

Maturity - June 30,	Principal	Interest	Total
1997	$ 35,000	$ 121,189	$ 156,189
1998	35,000	118,739	153,739
1999	40,000	116,202	156,202
2000	40,000	113,402	153,402
2001	45,000	110,514	155,514
2002	50,000	107,278	157,278
2003	50,000	103,777	153,777
2004	55,000	100,190	155,190
2005	60,000	96,253	156,253
2006	65,000	91,966	156,966
2007	65,000	87,415	152,415
2008	70,000	82,779	152,779

Maturity - June 30,	Principal	Interest	Total
2009	$ 75,000	$ 77,791	$ 152,791
2010	85,000	72,366	157,366
2011	90,000	66,330	156,330
2012	95,000	59,942	154,942
2013	100,000	53,205	153,205
2014	110,000	46,030	156,030
2015	115,000	38,243	153,243
2016	115,000	30,193	145,193
2017	115,000	22,143	137,143
2018	115,000	14,093	129,093
2019	115,000	6,043	121,043
Total Debt Service Requirement	$ 1,740,000	$ 1,736,083	$ 3,476,083

b. County Hospital Series B Securities

On November 9, 1994, the County issued $2,400,000 of excess levy bonds secured by additional tax levies to be laid by the County Commission for the fiscal years beginning July 1, 1994, July 1, 1995 and July 1, 1996. These bonds were issued in denominations of $5,000. The bonds carry interest rates of 4.70%-4.75% payable semiannually on April 1, and October 1 of each year. The bonds mature between April 1, 1995 and April 1, 1997.

The following is the debt service requirements under current conditions as of June 30, 1996.

Maturity - June 30,	Principal	Interest	Total
1997	$ 840,000	$ 29,952	$ 869,952

Total debt service requirements on all general long-term debt obligations under current conditions as of June 30, 1996 is as follows:

Maturity - June 30,	Principal	Interest	Total
1997	$ 875,000	$ 151,141	$ 1,026,141
1998	35,000	118,739	153,739
1999	40,000	116,202	156,202
2000	40,000	113,402	153,402
2001	45,000	110,514	155,514
2002	50,000	107,278	157,278
2003	50,000	103,777	153,777

The accompanying independent auditor's report is an integral part of these notes.

Maturity - June 30,	Principal	Interest	Total
2004	$ 55,000	$ 100,190	$ 155,190
2005	60,000	96,253	156,253
2006	65,000	91,966	156,966
2007	65,000	87,415	152,415
2008	70,000	82,779	152,779
2009	75,000	77,791	152,791
2010	85,000	72,366	157,366
2011	90,000	66,330	156,330
2012	95,000	59,942	154,942
2013	100,000	53,205	153,205
2014	110,000	46,030	156,030
2015	115,000	38,243	153,243
2016	115,000	30,193	145,193
2017	115,000	22,143	137,143
2018	115,000	14,093	129,093
2019	115,000	6,043	121,043
Total Debt Service Requirement	$ 2,580,000	$ 1,766,035	$ 4,346,035

5. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a County may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

All counties within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.3¢); on Class II property, twenty-eight and six-tenths cents (28.6¢); and on Class III and IV property, fifty-seven and two-tenths cents (57.2¢). In addition, counties may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The accompanying independent auditor's report is an integral part of these notes.

The levy rates levied by Grant County, West Virginia, per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 1996 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	$ 17,008,230	10.88¢	7.06¢	1.01¢
Class II	109,442,999	21.76¢	14.12¢	2.02¢
Class III	329,463,020	43.52¢	28.24¢	4.04¢
Class IV	31,569,635	43.52¢	28.24¢	4.04¢

6. Employees Retirement System

Grant County, West Virginia, elected to become a participating public employer under the West Virginia Public Employees Retirement System for the coverage of all eligible employees. Eligible Employees wages amounted to $878,756 for the fiscal year. The County's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 1996 was:

Percentage of Payroll		Amount
Employer share	9.50%	$ 83,481
Employee share	4.50%	39,544
Total contribution	14.00%	$ 123,025

According to the latest actuarial study dated November 20, 1992 of the West Virginia Public Employees Retirement System prepared by Foster Higgins & Co., Inc., the unfunded actuarial accrued liability as of June 30, 1992 was $67,850,000 for state employees. For non-state employees, there was no unfunded actuarial liability; fund assets exceeded the present value of accrued benefits by $245.4 million.

A summary of the principal findings of the evaluation are as follows:

(a) Plan assets exceed the actuarial liability for vested benefits for both the state and non-state groups.

(b) The system will continue to be in a net investment position through at least the next 15 years (the period measured), i.e., plan contributions plus anticipated investment income may be expected to exceed benefit and expense outflow for the 15 year period.

7. Cost for the Care and Feeding of Prisoners

As reflected in the schedule of costs for the care and feeding of prisoners, the total cost incurred for the care and feeding of all prisoners incarcerated in the Grant County Jail during fiscal year ended June 30, 1996 was $33,965 or an average cost of $87.99 per prisoner day.

In accordance with West Virginia Code §7-5-15, the cost associated with the care and feeding of prisoners incarcerated by magistrates for misdemeanor offenses is payable from the General School Fund; the cost for the care and feeding of all other prisoners is payable from the General County Fund. The amount chargeable to the General County Fund was determined by multiplying the number of jail days for all prisoners except those incarcerated by magistrates by the cost per jail day. The balance of costs was charged to the General School Fund.

8. Assessor Valuation Fund

In 1990, West Virginia House Bill 4127 required the West Virginia State Board of Investments to loan counties necessary funds to conduct county wide property reappraisals. The Grant County Assessor's Valuation Fund had satisfied this obligation by June 30, 1996.

9. Excess Levy

At a special election held on December 4, 1993, the county was authorized to lay an excess levy to provide approximately $881,333.33 annually, during the three fiscal years ended June 30, 1995, through June 30, 1997. The excess levy was approved by the voters for the following purposes:

> The financing of a portion of the costs of acquiring, constructing and erecting an addition to, and enlarging, extending, reconstructing, and improving Grant Memorial Hospital, including the emergency department, the surgical unit, the radiology department, the obstetrical unit, the laboratory, the physical therapy department, outreach services areas, ancillary services areas, patient rooms, heating and air conditioning systems, the medical offices and the administrative and support facilities thereof and acquiring and procuring the necessary apparatus therefor, including architectural, engineering and inspection costs, cost of issuance associated with the levy bonds and such other costs, costs of insurance associated with the levy bonds and such other costs, fees and expenses as may be necessary or properly incurred in connection therewith, with the issuance of levy bonds by the County Commission of Grant County payable from such additional levies, all according to and so more fully described in the order of The County Commission of Grant County, West Virginia.

10. Restatement of Fund Balance

County Hospital Bond Fund

It was determined during this audit that the beginning fund balance of the County Hospital Bond Fund required restatement as follows:

Fund Balance at beginning of year, as originally reported	$ -0-
Add: Cash which was not recorded as of June 30, 1995	1,146
Fund Balance - restated	$ 1,146

Supplementary Schedule

It was determined during this audit that the beginning account balance of the Office of the Assessor - Supplementary Schedule required restatement as follows:

Account balance at beginning of year, as originally reported	$ 176
Less: Amount of money not deposited from June 30, 1994 audit - not deposited in the current year	(175)
Account Balance - restated	$ 1

11. Pending Litigation

Grant County has been named as defendant in several cases which in the opinion of the Grant County Prosecuting Attorney and other attorneys representing the County will not have a material adverse effect to the County.

12. Reclassification of Funds

It was determined during this audit that the classification of the Petersburg Current Fund, Petersburg Excess Fund, and Bayard Current Fund which are all Municipal Funds (Agency Funds) were inadvertently reversed in the preparation of the June 30, 1995 financial statements by the State of West Virginia Department of Tax and Revenue. Therefore, this error was corrected and is properly stated as of June 30, 1996.

The accompanying independent auditor's report is an integral part of these notes.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1996

	Coal Severance Tax	General School	Magistrate Court	Worthless Check	Dog and Kennel	Home Confinement	Health Insurance Reserve	Communications	Terminal Insurance Reserve	Sheriff's Vehicles	Flood Disaster	Concealed Weapon	Development Authority Grant	County Hospital Bond	County Hospital Excess Levy	Hospital Series A Securities	Hospital Series B Securities	Total (Memorandum Only)
ASSETS																		
Cash	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ -0-	$ -0-	$ 535,081
Investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	529,129	830,190	1,359,319
TOTAL ASSETS	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,894,400
LIABILITIES AND FUND BALANCE																		
Liabilities																		
Accounts payable	$ 4,942	$ -0-	$ 275	$ -0-	$ -0-	$ 315	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 5,532
Total liabilities	4,942	-0-	275	-0-	-0-	315	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,532
Fund Balances (Deficiency)																		
Unreserved	288,801	30,427	(275)	580	7,461	31,194	39,018	55,364	40,298	9,825	12,864	1,517	-0-	1,564	10,911	529,129	830,190	1,888,868
Total fund balances (deficiency)	288,801	30,427	(275)	580	7,461	31,194	39,018	55,364	40,298	9,825	12,864	1,517	-0-	1,564	10,911	529,129	830,190	1,888,868
TOTAL LIABILITIES AND FUND BALANCES	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,894,400

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Coal Severance Tax	General School	Magistrate Court	Worthless Check	Dog and Kennel	Home Confinement	Health Insurance Reserve	Communications	Terminal Insurance Reserve	Sheriff's Vehicles	Flood Disaster	Concealed Weapon	Development Authority Grant	County Hospital Bond	County Hospital Excess Levy	Hospital Series A Securities	Hospital Series B Securities	Total (Memorandum Only)
Revenues																		
Taxes (including interest and penalties	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 79,798	$ 1,157,772	$ -0-	$ -0-	$ 1,237,570
Intergovernmental:																		
Federal	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	$26,645	-0-	$464,948	-0-	-0-	-0-	-0-	$491,593
State	269,606	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,694	-0-	-0-	-0-	-0-	-0-	-0-	271,300
Fines and forfeitures	-0-	73,855	12,613	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	86,468
Licenses and permits	-0-	-0-	-0-	-0-	6,384	-0-	-0-	-0-	-0-	-0-	-0-	1,830	-0-	-0-	-0-	-0-	-0-	8,214
Charges for services	-0-	-0-	-0-	350	-0-	21,418	-0-	6,985	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	28,753
Interest	8,193	-0-	-0-	-0-	-0-	-0-	528	-0-	-0-	431	-0-	-0-	-0-	205	1,201	105,519	85,469	201,546
Miscellaneous	6,830	-0-	-0-	-0-	9	-0-	98,050	-0-	144,534	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	249,423
Total revenues	284,629	73,855	12,613	350	6,393	21,418	98,578	6,985	144,534	431	28,339	1,830	464,948	80,003	1,158,973	105,519	85,469	2,574,867
Expenditures																		
General government	181,559	73,611	12,888	-0-	6,040	-0-	59,560	-0-	107,245	-0-	15,475	-0-	464,948	439	-0-	-0-	-0-	921,765
Public safety	24,151	-0-	-0-	-0-	-0-	8,628	-0-	-0-	-0-	6,557	-0-	313	-0-	-0-	-0-	-0-	-0-	39,649
Equipment purchases	22,400	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	22,400
Capital projects	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,156,000	1,425,806	1,274,957	3,856,763
Total expenditures	228,110	73,611	12,888	-0-	6,040	8,628	59,560	-0-	107,245	6,557	15,475	313	464,948	439	1,156,000	1,425,806	1,274,957	4,840,577
Excess (deficiency) of revenues over (under) expenditures before other financing sources	56,519	244	(275)	350	353	12,790	39,018	6,985	37,289	(6,126)	12,864	1,517	-0-	79,564	2,973	(1,320,287)	(1,189,488)	(2,265,710)
Other Financing (Uses)																		
Operating transfers (out)	(12,889)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(79,146)	-0-	-0-	-0-	(92,035)
Total other financing (uses)	(12,889)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(79,146)	-0-	-0-	-0-	(92,035)
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	43,630	244	(275)	350	353	12,790	39,018	6,985	37,289	(6,126)	12,864	1,517	-0-	418	2,973	(1,320,287)	(1,189,488)	(2,357,745)
Fund balance at beginning of year - (restated)	245,171	30,183	-0-	230	7,108	18,404	-0-	48,379	3,009	15,951	-0-	-0-	-0-	1,146	7,938	1,849,416	2,019,678	4,246,613
Fund balance (deficiency) at end of year	$ 288,801	$ 30,427	$ (275)	$ 580	$ 7,461	$ 31,194	39,018	55,364	40,298	9,825	12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,888,868

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 1996

	Grant County Nursing Home	Bond Grant County Memorial Hospital	Excess Grant County Memorial Hospital	Total (Memorandum Only)
ASSETS				
Restricted				
Deposits with Municipal Bond Commission	$ 1,221	$ 109,170	$ 650,549	$ 760,940
TOTAL ASSETS	$ 1,221	$ 109,170	$ 650,549	$ 760,940
FUND BALANCE				
Reserved for debt service	$ 1,221	$ 109,170	$ 650,549	$ 760,940
TOTAL FUND BALANCE	$ 1,221	$ 109,170	$ 650,549	$ 760,940

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Grant County Nursing Home	Bond Grant County Memorial Hospital	Excess Grant County Memorial Hospital	Total (Memorandum Only)
Revenues				
Taxes (including interest and penalties	$ -0-	$ 85,847	$ 1,152,962	$ 1,238,809
Interest	1,635	5,761	36,013	43,409
Total revenues	1,635	91,608	1,188,975	1,282,218
Expenditures				
Debt Service				
Principal retirement	-0-	30,000	800,000	830,000
Interest and other charges	-0-	124,285	79,900	204,185
Miscellaneous	88,917	-0-	-0-	88,917
Total expenditures	88,917	154,285	879,900	1,123,102
(Deficiency) excess of revenues (under) over expenditures before other financing sources	(87,282)	(62,677)	309,075	159,116
Other Financing Sources				
Operating transfers in	-0-	79,146	-0-	79,146
Total other financing sources	-0-	79,146	-0-	79,146
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(87,282)	16,469	309,075	238,262
Fund balances at beginning of year	88,503	92,701	341,474	522,678
Fund balances at end of year	$ 1,221	$ 109,170	$ 650,549	$ 760,940

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 1996

	Flood Control	Dam Site #7	Airport Extension	Total (Memorandum Only)
ASSETS				
Cash	$ 82,785	$ 4,789	$ 1,618	$89,192
TOTAL ASSETS	$ 82,785	$ 4,789	$ 1,618	$89,192
FUND BALANCE				
Reserved for capital projects	$ 82,785	$ 4,789	$ 1,618	$89,192
TOTAL FUND BALANCE	$ 82,785	$ 4,789	$ 1,618	$89,192

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Flood Control	Dam Site #7	Airport Extension	Total (Memorandum Only)
Revenues				
Intergovernmental:				
Federal	$ 13,670	$ -0-	$ 141,708	$ 155,378
State	-0-	3,956	12,873	16,829
Interstate Commission	153,000	-0-	-0-	153,000
Interest	2,285	-0-	-0-	2,285
Miscellaneous	-0-	81	-0-	81
Total revenues	168,955	4,037	154,581	327,573
Expenditures				
Capital projects	86,170	3,668	166,988	256,826
Excess (deficiency) of revenues over (under) expenditures before other financing sources	82,785	369	(12,407)	70,747
Other Financing Sources				
Operating transfers in	-0-	-0-	12,889	12,889
Excess of revenues over expenditures and other financing sources	82,785	369	482	83,636
Fund balance at beginning of year - reserved for capital projects	-0-	4,420	1,136	5,556
Fund balance at end of year - reserved for capital projects	$ 82,785	$ 4,789	$ 1,618	$ 89,192

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	State Funds	School Fund	Municipal Funds	Forfeited and Delinquent Land	Sale of Land Surplus	Tax Lien Surplus	Delinquent and Nonentered Lands	Assessor's Valuation	Health	Total (Memorandum Only)
ASSETS										
Cash June 30, 1995 (restated)	$ 19,128	$ 10,116	$ 2,429	$ 10	$ 58	$ 961	$ -0-	$ 68,097	$ 40,063	$ 140,862
Additions	209,167	3,385,649	189,389	-0-	-0-	3,720	50	110,133	551,508	4,449,616
Deductions	212,367	3,390,086	191,098	10	58	1,690	-0-	161,091	555,782	4,512,182
Cash June 30, 1996	$ 15,928	$ 5,679	$ 720	$ -0-	$ -0-	$ 2,991	$ 50	$ 17,139	$ 35,789	$ 78,296
LIABILITIES										
Due to:										
Other governmental entities June 30, 1995	$ 19,128	$ 10,116	$ 2,429	$ 10	$ 58	$ 961	$ -0-	$ 68,097	$ 40,063	$ 140,862
Additions	209,167	3,385,649	189,389	-0-	-0-	3,720	50	110,133	551,508	4,449,616
Deductions	212,367	3,390,086	191,098	10	58	1,690	-0-	161,091	555,782	4,512,182
Due to: Other governmental entities June 30, 1996	$ 15,928	$ 5,679	$ 720	$ -0-	$ -0-	$ 2,991	$ 50	$ 17,139	$ 35,789	$ 78,296

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STATE FUNDS (AGENCY FUNDS)
FOR THE YEAR ENDED JUNE 30, 1996

	State Current	Court Reporter	Criminal Charges	Pistol Licenses	Vehicle Licenses	State Fines	Total (Memorandum Only)
ASSETS							
Cash June 30, 1995	$ 283	$ -0-	$ -0-	$ 50	$ 18,795	$ -0-	$ 19,128
Additions	19,757	2,539	11,815	1,150	173,846	60	209,167
Deductions	19,657	2,539	11,815	1,200	177,096	60	212,367
Cash June 30, 1996	$ 383	$ -0-	$ -0-	$ -0-	$ 15,545	$ -0-	$ 15,928
LIABILITIES							
Due to:							
Other governmental entities June 30, 1995	$ 283	$ -0-	$ -0-	$ 50	$ 18,795	$ -0-	$ 19,128
Additions	19,757	2,539	11,815	1,150	173,846	60	209,167
Deductions	19,657	2,539	11,815	1,200	177,096	60	212,367
Due to:							
Other governmental entities June 30, 1996	$ 383	$ -0-	$ -0-	$ -0-	$ 15,545	$ -0-	$ 15,928

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MUNICIPAL FUNDS (AGENCY FUNDS)
FOR THE YEAR ENDED JUNE 30, 1996

	Petersburg Current	Petersburg Excess	Bayard Current	Total (Memorandum Only)
ASSETS				
Cash June 30, 1995	$ 1,662	$ 672	$ 95	$ 2,429
Additions	126,321	53,901	9,167	189,389
Deductions	127,544	54,385	9,169	191,098
Cash June 30, 1996	$ 439	$ 188	$ 93	$ 720
LIABILITIES				
Due to:				
Other governmental entities				
June 30, 1995	$ 1,662	$ 672	$ 95	$ 2,429
Additions	126,321	53,901	9,167	189,389
Deductions	127,544	54,385	9,169	191,098
Due to:				
Other governmental entities				
June 30, 1996	$ 439	$ 188	$ 93	$ 720

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE SHERIFF
FOR THE YEAR ENDED JUNE 30, 1996

	Sheriff's Earnings	Committee Accounts	Total (Memorandum Only)
Receipts			
Charges for services	$ 4,093	$ -0-	$ 4,093
Committee receipts	-0-	778	778
Total receipts	4,093	778	4,871
Disbursements			
Remittances to General County Fund	4,093	-0-	4,093
Committee expenses	-0-	115	115
Total disbursements	4,093	115	4,208
Excess of receipts over disbursements	-0-	663	663
Account balance at beginning of year	-0-	7,455	7,455
Account balance at end of year	$ -0-	$ 8,118	$ 8,118

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE CLERK OF THE COUNTY COMMISSION
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Recording fees	$ 8,425	
Copy fees	1,722	
Property transfer stamps	52,939	
Marriage licenses	1,587	
Hunting and fishing licenses	7,171	
Fiduciary appointment fees	147	
UCC filing fees	598	
Miscellaneous	1,947	$ 74,536
Disbursements		
Remittances to:		
County treasurer	37,847	
State auditor	26,248	
Department of Natural Resources	7,429	
Other parties	40	71,564
Excess of receipts over disbursements		2,972
Account balance at beginning of year		7,800
Account balance at end of year		$ 10,772

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE CLERK OF THE CIRCUIT COURT
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Circuit clerk's fees	$ 8,613	
Sheriff's fees	3,060	
Prosecuting attorney's fees	280	
Court reporter's fees	2,728	
Court appointed attorney's fees	8,852	
Jury and witness fees	559	
Magistrate court costs	109	
Crime victims compensation	92	
Law enforcement training	26	
Domestic violence	1,800	
Regional jail authority fees	5,645	
State fines and forfeits	25	
Family law master	4,915	
Interest	574	
Probation	1,749	
Other fees and collections	801	
Collections for other parties	113,479	$ 153,307
Disbursements		
Remittances to:		
County treasurer	25,449	
State treasurer	14,242	
Other parties	160,230	199,921
(Deficiency) of receipts (under) disbursements		(46,614)
Account balance at beginning of year		64,846
Account balance at end of year		$ 18,232

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE ASSESSOR
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Head tax on dogs	$ 7,101	
Building permits	1,300	
Farm use decals	226	
Mobile home permits	16	$ 8,643
Disbursements		
Remittances to:		
County treasurer	7,225	
Municipalities	581	
Assessor's commission	775	8,581
Excess of receipts over disbursements		62
Account balance at beginning of year (restated)		1
Account balance at end of year		$ 63

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ASSESSOR'S VALUATION FUND
FOR THE YEAR ENDED JUNE 30, 1996

Revenues:		
Intergovernmental:		
Local:		
County Commission	$ 38,397	
Board of Education	66,049	
Municipalities	2,661	
Interest	2,771	
Municipals	255	
Total revenues		$ 110,133
Expenditures:		
Personnel	76,922	
Current Expense:		
Office expense	1,179	
Contractual and professional services	12,489	
Training and education	926	
Interest	19,230	
Capital outlay	8,000	
Total expenditures		118,746
(Deficiency) of revenues (under) expenditures		(8,613)
Due to other Governments at beginning of year		25,752
Due to other Governemnts at end of year		$ 17,139

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF COSTS FOR THE CARE AND FEEDING OF PRISONERS
FOR THE YEAR ENDED JUNE 30, 1996

	Total Costs	Disallowed Costs	Total Adjusted Costs	Total Jail Days	Cost Per Jail Day
Food	$ 3,489.82	$ -0-	$ 3,489.82		$ 9.04
Salaries and related costs	23,476.15	-0-	23,476.15		60.82
Utilities	3,492.98	-0-	3,492.98		9.05
Telephone	1,872.26	1,872.26	-0-		-0-
Inmate transport	1,372.70	1,372.70	-0-		-0-
Regional jail authority	89,740.00	89,740.00	-0-		-0-
Medical and drugs	489.48	-0-	489.48		1.27
Supplies	1,366.64	-0-	1,366.64		3.54
Repairs, services, other	1,649.55	-0-	1,649.55		4.27
	$ 126,949.58	$ 92,984.96	$ 33,964.62	386.00	$ 87.99

Distribution of Costs

Total adjusted costs	$ 33,964.62
Less costs chargeable to General County Fund (120 days @ $87.99 per day)	(10,558.80)
Balance of costs chargeable to General School Fund - current year	23,405.82
Less amount paid directly from General School Fund - current year	-0-
Amount remaining unpaid from General School Fund for current year	23,405.82
Plus amount remaining unpaid from General School Fund - fiscal year ending June 30, 1995	296,695.50
Total	320,101.32
Less amount paid during current year from General School Fund to General County Fund	(73,610.70)
Balance due General County Fund from General School Fund at June 30, 1996	$ 246,490.62

The accompanying independent auditor's report and notes are integral parts of this schedule.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of failure to record general fixed assets, and accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Grant County, West Virginia is the responsibility of the County's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Grant County, West Virginia's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed instances of noncompliance as noted in the accompanying schedule that are required to be reported herein under Government Auditing Standards and that are material to the financial statements, the effects of which have been corrected in Grant County West Virginia's June 30, 1996 financial statements.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

We considered these instances of noncompliance in forming our opinion on whether Grant County, West Virginia's June 30, 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated May 23, 1997 on those financial statements.

This report is intended solely for the use of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Sheriff's Record of Receipts and Disbursements

Finding #1

We noted during our audit that certain securities were in the name of the Grant County Commission instead of in the name of the Grant County Sheriff as treasurer of the county.

West Virginia Code §7-5-1 states in part that:

> "The sheriff shall be ex officio county treasurer and as such treasurer shall receive, collect and disburse all moneys due such county or any district thereof. He shall keep in his office a fair and accurate account of all receipts and disbursements by him, showing the time when, from whom, to whom and on what account received and paid, and he shall so arrange his books that the amount received and paid on account of separate and distinct funds, or specific appropriations, shall be exhibited in separate and distinct accounts, and he shall also keep separate and distinct accounts for the funds of each fiscal year.
>
> When any money is paid to the sheriff, except for taxes, the sheriff shall give to the person paying the same duplicate receipts therefor, stating briefly the fund or account for which paid; one of which receipts such person shall forthwith deposit with the clerk of the county court (county commission), who shall, in a well-bound book to be kept by him in his office for the purpose, charge the sheriff therewith and preserve such receipt in his office."

Recommendation

We recommend that the Grant Count Commission review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Collection of Home Incarceration Services

Finding #2

It came to our attention during our audit that the Circuit Clerk and the Magistrate Court Clerk failed to collect the fees for Home Incarceration Fund. Specifically, the sheriff's tax office and/or the sheriff's deputies have been collecting these fees.

West Virginia Code §62-11B-7 as amended states in part:

> "All home incarceration fees ordered by the circuit court shall be paid to the circuit clerk, who shall monthly remit the fees to the sheriff. All home incarceration fees ordered by a magistrate shall be paid to the magistrate court clerk, who shall monthly remit the fees to the county sheriff. The county sheriff shall establish a special fund designated the home incarceration services fund, in which the sheriff shall deposit all home incarceration fees remitted by the clerks."

Recommendation

We recommend that the Circuit Clerk and the Magistrate Court Clerk collect the fees for services that are assigned to their court docket for these individuals.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Bond of Depositories

Finding #3

We noted during our audit that at certain times public moneys were deposited in a county depository in excess of the securities pledged by that banking institution.

West Virginia Code §7-6-2 states in part:

> "No such designation shall be binding on such county, nor shall any public money be deposited thereunder, until the banking institution designated shall execute bond with good and sufficient sureties, to be accepted and approved by the county court (county commission), payable to the State of West Virginia, in such sum as the county court (county commission) shall direct, and which shall not be less than the maximum sum that shall be deposited in the depository at any one time."

Recommendation:

We recommend that the Grant County Commission and the Grant County Sheriff insure that all county depositories have provided sufficient sureties and that moneys are not deposited in a depository in excess of such sureties.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Homestead Exemptions

Finding #4

We noted during this audit that the Grant County Assessor failed to adhere to the statutory provisions regarding the exemption for homestead. Specifically, the Assessor granted Homestead Exemptions when the exemptions were not properly applied for. A review disclosed that applications were accepted and exemptions allowed after the October 1 deadline.

West Virginia Code §11-6B-4 states in part:

> "*General.* - No exemption shall be allowed under this article unless a claim of exemption is filed with the assessor of the county in which the homestead is located, on or before the first day of October following the July first assessment day...;
>
> "*Senior citizens.* - If the claimant is age sixty-five or older, then after the claimant has filed for the exemption once with his assessor, there shall be no need for that claimant to refile unless the claimant moves to a new homestead...;
>
> "*Waiver of exemption.* - Any person not filing his claim for exemption on or before the first day of October shall be determined to have waived his right to exemption for the next tax year."

Recommendation:

We recommend that the Grant County Commission and the Grant County Assessor review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Exonerations

Finding #5

We noted during our audit that the Grant County Assessor and the Grant County Commission failed to adhere to the statutory provisions regarding the issuance of exonerations. Specifically, the assessor and the county commission granted relief from taxes without an application for exoneration signed by the owner.

West Virginia Code §11-3-27 states in part:

> "Any taxpayer, claiming to be aggrieved by any entry in the property books of the county, resulting from a clerical error, or a mistake occasioned by an unintentional or inadvertent act as distinguished from a mistake growing out of negligence or the exercise of poor judgment, may within one year from the time the property books are delivered to the sheriff or within one year from the time such clerical error or mistake is discovered or reasonably could have been discovered, apply for relief to the county commission of the county in which such books are made out...
>
> In the event it is ascertained that the applicant is entitled to relief, any excess taxes already paid shall be refunded and, if charged but not paid, the applicant shall be released from the payment of such excess..."

Recommendation:

We recommend that the Grant County Assessor and the Grant County Commission review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Basis of Accounting

Finding #6

We noted during our audit that the Grant County Commission has failed to maintain its accounting records in accordance with generally accepted accounting principles (GAAP). Specifically, the county's financial statements do not disclose the debt of the county which includes several bond issues and monies due to vendors for goods and services received.

The Tax Commissioner as the ex officio Chief Inspector and Supervisor of Public Offices has directed all counties throughout the state to maintain their financial records of all funds on the GAAP basis of accounting. The Governmental Accounting Standards Board (GASB) is recognized as the authoritative source on generally accepted accounting principles for governmental entities. Pronouncements of the GASB apply to financial reports of all state and local governmental entities.

West Virginia Code §6-9-2 states in part:

> "The Chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies."

Recommendation:

We recommend that the Clerk of the Grant County Commission as the chief financial officer maintain the financial records of all funds in accordance with generally accepted accounting principles.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Non-Compliance with Excess and Bond Levy Call

Finding #7

We noted during our audit that the Grant County Commission failed to comply with the provisions of the levy call which was voted on and passed on December 3, 1993. Specifically, the General County Fund was not reimbursed the cost of the special election, which costs exceeded $14,000.00.

The levy call states in part that:

> "(3). A portion of the proceeds from the sale of the Levy Bonds will be to pay expenses with respect to the special levy election."

Recommendation:

We recommend that the Grant County Commission review this levy call and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Guardianship and Conservatorship Act

Finding #8

We noted during our audit that the Grant County Commission appointed the Sheriff of Grant County as guardian for five individuals on February 27, 1996, after their powers of appointment were discontinued on July 1, 1994.

West Virginia Code §44A-1-2 states in part that:

> (c) "From and after the effective date of this chapter, the circuit courts shall have exclusive jurisdiction of all matters involving determinations of mental incompetency, mental retardation or mental handicap, including the jurisdiction of any proceedings pending as of such effective date. All orders entered prior to the effective date of this chapter in such cases shall remain in full force and effect until terminated, revoked or modified as provided herein."

Recommendation:

We recommend that the Grant County Commission review this statute and comply with the provisions set forth therein. These matters should be forwarded to the circuit court for proper handling.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Health Insurance Coverage

Finding #9

It was noted during a prior audit that the Grant County Commission has private health insurance company coverage for county employees. It was also noted that the county had established, within the county's personnel policy, the criteria which must be met to be eligible for insurance coverage. It was further noted that insurance coverage was provided for certain employees employed on a part year or part time basis, or who do not work on a full time basis, as described in the county personnel policy.

The county personnel policy states in part, that:

> "Group hospitalization and life insurance is available to all regular full time employees."
>
> "A regular full time employee is one who regularly works 35-40 hours per week and a minimum of five days per week and has met all minimum standards required by the county."

Recommendation:

The County Commission is directed to review the county personnel policy on insurance and comply with the provisions set forth therein.

Filing of Reports and Accountings

Finding #10

We noted during our audit that the Grant County Sheriff is not filing reports as guardian or accountings as conservator on the individuals for whom the Sheriff has such authority. The reports should be filed with the Grant County Circuit Clerk.

West Virginia Code §44A-3-11 states in part that:

> "(a) Reports of guardians and accountings of conservators, as described in this article shall be filed with the circuit clerk of the county in which appointed, within sixty days following the first anniversary of the appointment and:
> (1) At least annually thereafter;
> (2) When the court orders additional reports or accountings to be filed;
> (3) When the guardian or conservator resigns or is removed; and
> (4) When the appointment of the guardian or conservator is terminated, except that in the case of a guardian, the court may determine that there is no need for a report upon such termination; and in the case of a conservator, no accounting will be required if the persons entitled to the estate consent thereto.
> b) A guardian or conservator may elect to file a periodic report or accounting on a calendar-year basis; however, in no event may such a report or accounting cover a period of more that one year. A calendar-year report or accounting shall be filed with the circuit clerk no later that the fifteenth day of April of the succeeding year."

Recommendation:

We recommend that the Grant County Sheriff review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Expenditures in Excess of Amounts Allocated in the Levy Estimate-General Fund

Finding #11

It was determined during this examination that the Grant County Commission incurred expenditures for certain items in the General Fund in excess of the amounts allocated for those items in the official estimate (budget) as last revised. The following categories exceeded the approved budget amount:

Account Number	Department	Budget	Actual	Over Expenditure
404	Sheriff - Treasurer	$ 118,692	$ 119,805	$ 1,113

This over expenditure did not cause the total levy estimate (budget) of the General Fund to be over expended; however, West Virginia code §11-8-26 states in part that:

"...a local body shall not expend money or incur obligations:

(1) In an unauthorized manner;
(2) For an unauthorized purpose;
(3) In excess of the money allocated to the fund in the levy order;
(4) In excess of the funds available for current expenses..."

Recommendation:

The Grant County Commission is directed to implement effective budgetary controls to insure that actual expenditures do not exceed the amounts allocated for those expenditures in the official levy estimate (budget) as approved by the State Tax Commissioner. Revisions are authorized with prior written approval if submitted prior to the end of the fiscal year.

Prior Year Findings

All of the current year's findings were also found in the June 30, 1995 audit except for Filing of Reports and Accountings. With the exception of the findings noted during this audit, all other findings reported on the June 30, 1995 Schedule of Findings and Questioned Costs were resolved.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996 and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Grant County, West Virginia is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED
• NATIONAL ASSOCIATED CPA FIRMS

In planning and performing our audit of the financial statements of Grant County, West Virginia, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants as disclosed in the accompanying schedule. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, as disclosed in the accompanying schedule, we noted matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Grant County, West Virginia, for the year ended June 30, 1996.

This report is intended solely for the use of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF WEAKNESSES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 1996

Material Weaknesses in Internal Control Systems

Comment #1

We noted during our audit that the Assessor's Office dog tax collections were not remitted to the various levying bodies within the county in a timely manner.

It was also noted that the prior year's supplementary schedule note concerning the $175 not deposited from the June 30, 1994 fiscal year has not been recovered as of June 30, 1996, but was subsequently recovered on May 23, 1997.

Recommendation

We recommend that the Assessor's Office remit in a more timely manner the various levying bodies' share of the dog taxes, and not hold the funds in the office.

Comment #2

We noted during our audit that the County does not have a proper segregation of duties. Segregation of duties requires that the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Recommendation

We recommend that the responsibility of approval, execution, recording and custody be distributed among the staff in each department. However, we recognize the fact that complete segregation of duties is not feasible due to the limited number of staff in each department.

Comment #3

We noted during our audit that the Emergency Office of Communications does not issue prenumbered receipts for all monies received by employees in that office. The use of prenumbered receipts allows for the accountability and proper classification of receipts in sequential order and strengthens controls over the receiving function.

Recommendation

We recommend that the Emergency Office of Communications implement the use of prenumbered receipts into their internal control system. Voided receipts should be maintained for accountability.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. These financial statements are the responsibility of Grant County, West Virginia management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia taken as a whole. The accompanying schedule of federal and state financial assistance is presented for purposes of additional analysis

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules taken as a whole.

Tetrick, Bartlett & G.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1996

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency Pass-through Number	Program or Award Amount	Federal/State Revenues	Federal/State Expenditures
Federal Assistance Programs					
Economic Development Administration - Grant County Commission passed funds through to the Grant County Development Authority	11.3002**	01-01-3347	$ 990,000	$ 464,948	$ 464,948
Department of Army US Army Corps of Engineers	N/A	N/A	13,670	13,670	13,670
Small Cities Block Grant Passed through to the West Virginia Development Office	14.219	93-268	287,321	3,956	3,956
Federal Emergency Management Assistance Passed to through the state of West Virginia	N/A	FEMA-1096-DR	28,339	28,339	28,339
Federal Aviation Administration Airport Improvement Project	20.106	3-54-0019-0895	141,708	141,708	141,708
State of WV Department of Transportation State Aeronautics Commission	N/A	3-54-0019-0895	12,873	12,873	12,873
			$ 1,473,911	$ 665,494	$ 665,494

** Denotes Major Program

The accompanying independent auditor's report and notes are integral parts of the above schedule.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We have applied procedures to test Grant County, West Virginia's compliance with the following requirements applicable to its federal and state financial assistance programs, which are identified in the Schedule of Federal and State Financial Assistance, for the year ended June 30, 1996:

General Requirements

Political activity	Federal Financial Reports
Davis Bacon Act	Allocable Costs/Cost Principles
Civil Rights	Drug-Free Workplace Act
Cash Management	Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grant County, West Virginia's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Grant County, West Virginia, had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We have also audited Grant County, West Virginia's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal and state financial assistance programs, which are identified in the accompanying Schedule of Federal and State Financial Assistance, for the year ended June 30, 1996. The management of Grant County, West Virginia, is responsible for Grant County, West Virginia's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about the whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about Grant County, West Virginia's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of non-compliance with the requirements referred to in the second paragraph.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

In our opinion, Grant County, West Virginia, complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal and state programs for the year ended June 30, 1996.

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NON-MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

In connection with our audit of the financial statements of Grant County, West Virginia, and with our consideration of Grant County, West Virginia's control structure used to administer federal and state financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments", we selected certain transactions applicable to certain nonmajor federal and state financial assistance programs for the year ended June 30, 1996.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements and amounts: claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grant County, West Virginia's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Grant County, West Virginia had not complied, in all material respects, with those requirements.

The results of our audit did not disclose any immaterial instances of non-compliance with the requirements referred to in the second paragraph.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units. We have also audited the compliance of Grant County, West Virginia, with requirements applicable to major federal and state financial assistance programs and have issued our report thereon dated May 23, 1997.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Grant County, West Virginia, complied with laws and regulations, noncompliance with which would be material to a major federal and state financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered the internal control structure of Grant County, West Virginia, in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of Grant County, West Virginia, and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal and state financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated May 23, 1997.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

The management of Grant County, West Virginia, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal and state financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal and state financial assistance programs in the following categories:

Accounting Controls

Cycles	Accounting Applications
Budgetary accounting	Cash receipts
Revenue control	Purchasing and receiving
Expenditure control	Cash disbursements
External financing reporting	

Controls Used in Administering Federal and State Programs

General Requirements	Specific Requirements
Political activity	Types of services
Civil rights	Eligibility
Cash management	Matching, level of effort, and earmarking
Federal financial reports	Cost allocation
Allowable costs/cost principles	Special requirements
Drug-free workplace	Reporting
Administrative requirements	
Davis-Bacon Act	

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Grant County, West Virginia, expended 86.91 percent of its total federal and state financial assistance under major federal and state financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of Grant County, West Virginia's major federal and state financial assistance programs, which are identified in the accompanying Schedule of Federal and State Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants, as disclosed in the accompanying schedule. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Grant County, West Virginia's ability to administer federal and state financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal and state financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal and state financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, as disclosed in the accompanying schedule, we noted matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Grant County, West Virginia with requirements applicable to its major federal and state financial assistance programs for the year ended June 30, 1996, and this report does not affect our report thereon dated May 23, 1997.

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF WEAKNESSES IN INTERNAL CONTROLS
FOR THE YEAR ENDED JUNE 30, 1996

Material Weaknesses in Internal Control Systems

Comment #1

We noted during our audit that the County does not have a proper segregation of duties. Segregation of duties requires that the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Recommendation

We recommend that the responsibility of approval, execution, recording and custody be distributed among the staff in each department. However, we recognize the fact that complete segregation of duties is not feasible due to the limited number of staff in each department.

APPENDIX D

FINANCIAL STATEMENTS OF THE HOSPITAL

[This Page is Intentionally Left Blank]

GRANT MEMORIAL HOSPITAL

Financial Report

June 30, 1997

GRANT MEMORIAL HOSPITAL

Financial Report

June 30, 1997

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	I
FINANCIAL STATEMENTS	
Balance sheets	1a-1b of 15
Statements of operations - unrestricted funds	2 of 15
Statements of changes in fund balance	3 of 15
Statements of cash flows	4a-4b of 15
Notes to financial statements	5-15 of 15
INDEPENDENT AUDITOR'S REPORT ON THE ACCOMPANYING FINANCIAL INFORMATION	II
ACCOMPANYING FINANCIAL INFORMATION	
Revenue detail	1-2 of 4
Expense detail	3-4 of 4

[This Page is Intentionally Left Blank]

Doak, Cuppett & Poling a.c.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grant Memorial Hospital
Petersburg, West Virginia

We have audited the accompanying balance sheets of Grant Memorial Hospital as of June 30, 1997 and 1996, and the related statements of operations - unrestricted funds, changes in fund balances, and cash flows for the years ended June 30, 1997, 1996, and 1995. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grant Memorial Hospital as of June 30, 1997 and 1996, and the results of its operations, changes in fund balance and cash flows for the years ended June 30, 1997, 1996, and 1995 in conformity with generally accepted accounting principles.

Doak, Cuppett & Poling a.c.

Clarksburg, West Virginia
September 5, 1997

GRANT MEMORIAL HOSPITAL

BALANCE SHEETS
As of June 30, 1997 and 1996

ASSETS	1997	1996
CURRENT ASSETS		
Cash	$ 1,494,615	$ 1,541,328
Certificates of deposit	2,090,820	1,642,802
Patient receivables, net	3,908,058	3,485,375
Due from third-party payors	121,637	111,139
Accounts receivable, other	42,657	82,333
Grants receivable	175,772	98,917
Supplies inventories	428,538	397,079
Prepaid expenses and deposits	171,024	163,145
Total current assets	8,433,121	7,522,118
ASSETS WHOSE USES ARE LIMITED, non-current		
By Board for capital improvements	2,936,975	2,450,681
Under grant arrangements	1,122,509	1,128,488
By Board for malpractice insurance arrangement	88,092	83,345
By Hospice Board for Hospice program	25,712	16,400
Under bond indenture	1,682,195	5,055,456
Total assets whose uses are limited	5,855,483	8,734,370
PROPERTY AND EQUIPMENT, at cost		
Land and improvements	325,541	315,601
Buildings	2,697,653	2,697,653
Equipment	5,072,230	4,031,583
	8,095,424	7,044,837
Less accumulated depreciation	(5,346,071)	(4,876,214)
	2,749,353	2,168,623
Construction-in-progress	7,451,458	4,344,128
Net property and equipment	10,200,811	6,512,751
OTHER ASSETS		
Bond issue costs, net	357,137	373,128
Total assets	$ 24,846,552	$ 23,142,367

GRANT MEMORIAL HOSPITAL

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
For the Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
REVENUE			
Net patient service revenue	$ 17,697,438	$ 16,562,339	$ 15,745,836
Other revenues	814,946	603,483	412,849
Total operating revenues	18,512,384	17,165,822	16,158,685
EXPENSES			
Salaries and wages	7,288,840	6,944,508	6,673,908
Employee health and welfare	1,482,276	1,382,067	1,345,308
Supplies	2,768,607	2,635,596	2,417,069
Purchased services	2,524,844	2,129,713	2,251,139
Utilities	196,574	173,790	146,579
Insurance	149,605	138,746	139,282
Interest	1,851	4,910	9,922
Depreciation and amortization	485,848	461,467	428,232
Other operating expenses	1,289,327	1,258,086	1,052,237
Provision for bad debts	1,609,735	1,263,897	1,086,495
Total operating expenses	17,797,507	16,392,780	15,550,171
Income from operations	714,877	773,042	608,514
NONOPERATING GAINS			
Interest income	316,437	271,622	195,700
Contributions	54,831	11,071	30,658
Transfers from County Commission	3,386	1,159	31,219
Total nonoperating gains	374,654	283,852	257,577
Revenue and gains in excess of expenses	$ 1,089,531	$ 1,056,894	$ 866,091

The Notes to Financial Statements are an integral part of these statements.

GRANT MEMORIAL HOSPITAL

STATEMENTS OF CHANGES IN FUND BALANCE
Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
UNRESTRICTED			
Fund balance, beginning	$ 15,681,339	$ 14,118,263	$ 9,045,251
Revenue and gains in excess of expenses	1,089,531	1,056,894	866,091
Assets purchased with grant monies, included in property and equipment	67,098	6,182	6,921
Contribution from the State of West Virginia		500,000	
Contribution from Grant County Commission from sale of general obligation and levy bonds			4,200,000
Fund balance, ending	$ 16,837,968	$ 15,681,339	$ 14,118,263
RESTRICTED			
Fund balance, beginning	$ 1,128,488	$ 888,385	$ 564,809
Grant funds received	533,922	495,730	419,100
Grant funds released from restrictions	(599,475)	(306,298)	(128,896)
Interest income	59,574	50,671	33,372
Fund balance, ending	$ 1,122,509	$ 1,128,488	$ 888,385

The Notes to Financial Statements are an integral part of these statements.

GRANT MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenues and gains in excess of expenses	$ 1,089,531	$ 1,056,894	$ 866,091
Adjustments to reconcile revenues and gains in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	485,848	461,467	428,232
Decrease (increase) in patient receivables	(422,683)	(81,625)	544,373
(Increase) in supplies inventories	(31,459)	(73)	(35,872)
(Increase) decrease in prepaid expenses	(7,879)	(49,856)	1,461
(Increase) decrease in amounts due from third-party payors	(10,498)	(68,243)	175,520
Decrease (increase)in grant receivable	(76,855)	(23,917)	(38,544)
(Increase) decrease in accounts receivable other	39,676	(7,982)	(8,194)
Increase (decrease) in accounts payable and accrued expenses	510,942	729,835	(202,110)
Increase in amounts due to third-party payors	42,592	281,344	204,067
Increase (decrease) in deferred revenue	(5,978)	165,102	382,859
Increase in interest payable			53,325
Net cash provided by operating activities	1,613,237	2,462,946	2,371,208
CASH FLOWS FROM INVESTING ACTIVITIES			
(Investment in) use of certificates of deposit	(448,018)	(85,479)	(946,155)
Use of (additions to) assets whose use is limited	2,878,887	1,310,643	(7,434,247)
Purchases of property and equipment	(4,157,917)	(4,177,369)	(1,130,627)
Net cash (used in) investing activities	(1,727,048)	(2,952,205)	(9,511,029)

	1997	1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from Grant County Commission	$	$	$ 4,200,000
Contribution from the State of West Virginia		500,000	
Proceeds from revenue bonds			3,150,000
Principal payments on borrowings		(29,290)	(172,903)
Grant funding for equipment and building	67,098	6,182	6,921
Payment of bond issue costs			(399,781)
Net cash provided by financing activities	67,098	476,892	6,784,237
(Decrease) increase in cash	(46,713)	(12,367)	(355,584)
Cash at beginning of year	1,541,328	1,553,695	1,909,279
CASH AT END OF YEAR	$ 1,494,615	$ 1,541,328	$ 1,553,695
Supplemental disclosure of cash flow information:			
Cash used for non-capitalized interest payments	$ 1,851	$ 4,910	$ 9,922

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Description of Organization

Organization

Grant Memorial Hospital is a nonprofit, county-owned facility providing acute, emergency, long-term nursing care, home health, and physician clinic medical services to Grant, Hardy, and Pendleton counties in West Virginia and their surrounding communities.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant Accounting Policies

Basis of Financial Reporting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles including guidelines recommended by the Health Care Committee and the Health Care Audit and Accounting Guide Task Force of the American Institute of Certified Public Accountants.

Taxes

The Hospital is a governmental entity which has also been identified as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is subject to the Health Care Provider Tax imposed by the state of West Virginia.

Cash

For purposes of the statement of cash flows, cash includes checking and savings deposits. Certificates of deposit and amounts whose use is limited by Board designation or other arrangements under trust agreements are not included.

Significant Accounting Policies (Continued)

Patient Receivables, Net

Patient receivables include amounts due from third-party payors for patient accounts and are disclosed net of allowances for uncollectibles and contractual adjustments of $5,749,429 in 1997 and $4,359,155 in 1996. The majority of patients and residents at Grant Memorial Hospital are from Grant, Hardy and Pendleton Counties and their surrounding communities.

Supplies Inventories

Supplies inventories consist of medical, pharmacy, dietary, housekeeping, and office supplies which are valued at average cost.

Assets Whose Uses are Limited

Assets whose uses are limited consist of certificates of deposit under a grant agreement and an indenture agreement. Additionally, this classification includes amounts set aside by the Board of Trustees for future capital improvements and self-insurance malpractice claims, over which the Board retains control and may at its discretion subsequently use for other purposes.

Property and Equipment

Property and equipment is recorded at cost or fair value at date of donation. The Hospital computes depreciation on the straight-line method based on estimated service lives established by the American Hospital Association. Depreciation on equipment acquired under capital lease obligations has been included with depreciation on owned property and equipment.

Construction-in-Progress

Construction-in-progress consists primarily of costs incurred in connection with expansion and renovation of Hospital facilities as described in other Notes to Financial Statements.

Bond Issue Costs

Bond issue costs include expenditures relating to costs incurred in connection with the 1995 bond issue for expansion and renovation of Hospital facilities. Bond issue costs are being amortized over the life of the bond issue by the straight-line method.

Estimated Malpractice Costs

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for both claims and claims incurred but not reported.

Significant Accounting Policies (Continued)

Statements of Revenue and Expenses

For the purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital has established criteria under its charity care policies to provide services to those patients without the financial resources to pay for the services. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Interest Costs

Interest costs incurred for the years ending June 30, 1997 and 1996 amounted to $215,151 and $219,860, respectively, of which $213,300 and $214,950, respectively, have been capitalized and are included with property and equipment on the Balance Sheets. All interest costs incurred for the year ended June 30, 1995 has been expensed.

Bad Debts

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to hold these costs to a minimum. These costs have been recorded as an expense in the Statements of Operations net of any collections received subsequent to write-off.

Investment Income

Investment income from all investments is reported as nonoperating gains. Investment income earned on assets held under bond indenture during the year ended June 30, 1997 and 1996, amounted to $309,293 and $463,006, respectively, which has been capitalized and included with property and equipment on the Balance Sheets.

Significant Accounting Policies (Continued)

Compensated Absences

A liability has been established for vacation rights earned, but not paid, as of the end of each fiscal year.

Malpractice Coverage

The Hospital maintains claims-made malpractice coverage through Medical Assurance of West Virginia. The coverage premium is based on experience of participating hospitals and of the Hospital.

Restatement of Prior Year Financial Statements

Prior year financial statements are restated to conform with present year format.

Assets Whose Uses are Limited

Assets whose use is limited are presented at fair market value. The composition of assets whose uses are limited at June 30, 1997 and 1996 is as follows:

	1997 Cost	1997 Market	1996 Market Value
By Board for designated purposes:			
Capital improvements			
Cash - checking account	$ 74,762	$ 74,762	$ 30,804
Cash - savings account	18,796	18,796	18,096
Cash - certificates of deposit	2,843,417	2,843,417	2,401,781
	2,936,975	2,936,975	2,450,681
Under grant arrangements:			
Cash - checking account	34,280	34,280	162,644
Grant receivable	43,496	43,496	
Cash - certificates of deposit and money market	1,044,733	1,044,733	965,844
	1,122,509	1,122,509	1,128,488
Self-insurance malpractice arrangement			
Cash - certificates of deposit	88,092	88,092	83,345

Assets Whose Uses are Limited (Continued)

By Hospice Board for Hospice Program			
Cash - checking account	$ 15,432	$ 15,432	$ 15,432
Cash - certificates of deposit	10,280	10,280	9,729
	25,712	25,712	25,161
Under bond indenture:			
Construction related accounts			
Cash equivalents	887,226	887,226	439,990
U.S. Treasury Securities	491,250	486,875	4,314,603
Debt service reserve account			
Cash equivalents	18,094	18,094	8,516
U.S. Treasury Securities	290,000	290,000	292,887
	1,686,570	1,682,195	5,055,996
	$ 5,859,858	$8,855,483	$ 8,743,671

Estimated Third-Party Payor Settlements

Estimated third-party payors settlements consists of amounts due from/to Medicare and Medicaid programs for settlement of current and prior years' cost reports. Identification of the receivable/payable program is as follows:

	1997	1996
Due from intermediary		
Medicare	$	$
Disproportionate share	121,637	111,139
	$ 121,637	$ 111,139
Due to intermediary		
Medicaid	$ 130,000	$ 115,000
Medicare	120,000	155,000
Disproportionate share	497,401	434,809
	$ 747,401	$ 704,809

Bonds Payable

General Obligation Bonds, Series 1994A and Levy Bonds, Series 1994B

On November 30, 1994, the County Commission of Grant County issued $1,800,000 of General Obligation Bonds, Series 1994A and $2,400,000 of Levy Bonds, Series 1994 B. The proceeds from the sale of the bonds were used to provide an equity contribution of $4,200,000 to the Hospital. The Hospital has use of the funds for the sole purpose of completing the Grant Memorial Hospital Project. The Hospital is not responsible for the repayment of the principal or interest on the Series 1994A and 1994B bonds.

Hospital Revenue Bonds, Series 1994C

On November 30, 1994 the County Commission of Grant County issued $3,150,000 in Hospital Revenue Bonds, Series 1994C. The proceeds from the sale are to be used for the acquisition and construction of certain improvements to the Hospital, to capitalize interest for 30 months, to fund a Debt Service Reserve Fund for the Series 1994C Bonds, and to pay the cost of issuance. The repayment of the Series 1994C Bonds is the responsibility of the Hospital and is secured by the net revenues of the Hospital pledged under the Bond Trust Indenture. The bonds bear interest at rates of 5% to 7.3% payable semi-annually on April and October 1. Scheduled principal payments are due as follows during years ending June 30:

1998	$ 60,000
1999	70,000
2000	70,000
2001	75,000
2002	80,000
Later years	2,795,000
	$ 3,150,000

Certain required bond funds are maintained for security of the Bonds, Series 1994C as summarized in other Notes to the Financial Statements. The bond indentures contain covenants which impose compliance requirements by the Hospital.

Third-Party Payor Arrangements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare Program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under either a fee schedule or cost-based system. Those outpatient services subject to a cost-based reimbursement methodology are paid at a tentative rate with final settlement determined after submission of annual cost report by the Hospital and settlements thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare intermediary through June 30, 1994.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates. In years prior to 1997, a cost reimbursement methodology was in place. Under the cost reimbursement methodology the Hospital was reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 1993.

The state of West Virginia has a Medicaid Disproportionate Share Program which allows eligible hospitals to receive additional reimbursement based on Medicaid utilization and other factors. For the years ended June 30, 1997, 1996 and 1994, the Hospital reduced contractual adjustments by $501,908, $533,948, and $562,472, respectively, as a result of participation in this program.

Other

The Hospital has also entered into payment agreements with certain commercial carriers. The West Virginia Public Employees Insurance Association has imposed limitations on payments. The basis for payments to the Hospital under these agreements includes discounts from established charges.

Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided:

	1997	1996	1995
Charges foregone, based on established rate	$ 789,916	$ 657,991	$ 602,970

Net Patient Service Revenue

A summary of patient revenues, contractuals, and charity care included as net patient service revenue in the Statements of Operations is as follows:

	1997	1996	1995
Gross Patient Revenues	$ 24,048,223	$ 23,116,373	$ 23,386,062
Charges foregone for charity	(789,916)	(657,991)	(602,970)
Adjusted gross patient revenue	23,258,307	22,458,382	22,783,092
Contractual adjustments	5,560,869	5,896,043	7,037,256
Net patient revenue	$ 17,831,212	$ 16,562,339	$ 15,745,836

Pension Plan

Grant Memorial Hospital has a funded defined contribution pension plan available to all active full-time employees who have completed two years of service. Each employee is required to contribute 2% of gross wages up to $14,100 and 5% is contributed by the Hospital. For gross wages over $14,100 the employee contributes 4% and the Hospital contributes 10%. The Hospital contributed $270,200, $235,730, and $190,699 for the years ended June 30, 1997, 1996, and 1995, respectively. The Hospital has no additional liability to the plan. Pension plan contributions are included with employee health and welfare.

The total payroll for the years ended June 30, 1997 and 1996 was $7,288,840 and $6,944,508, respectively. The payroll of employees covered by the basic plan for 1997 and 1996 was $4,382,072 and $3,954,599, respectively. The Hospital contribution as a percent of annual covered payroll for the year ended June 30, 1997 and 1996 was 6.2% and 6.0%, respectively.

Assets Held in Trust

The Hospital is an income beneficiary of a trust. Because the assets of the trust are not controlled by the Hospital, they are not included in the Hospital's financial statements. At June 30, 1997, 1996 and 1995, respectively, the market value of the trust assets totaled $532,452, $498,641, and $438,368.

Self-Insurance Trust

The Hospital is self-insured for health insurance claims. The Hospital deposits monthly premiums in a trust fund maintained by the Health Plan of West Virginia, the trustee of the funds. Any foreign claims, claims for services provided at other hospitals, are paid from this trust fund along with monthly service fees and stop loss premiums. At June 30, 1997, the balance in this trust fund was $414,072. Estimated outstanding foreign claims were $120,000. These balances were not included in the Hospital's financial statements.

Grant Revenue

Rural Health Initiative Grant

On July 1, 1992, the Hospital entered into an agreement with the University of West Virginia System Board of Trustees to serve as the lead agency for the rural health initiative health education site. The purpose of the grant is to improve health education programs, increase the placement of students, interns, medical residents, faculty and other care providers and education in rural areas and to improve the health care services in the Hospital's service area. The trustees have agreed to provide financial support to this program by providing monies in the form of a restricted grant. Grants relating to future program services to be provided are recorded as deferred grant income. As the program services are provided, the costs will be included in operating expenses and the deferred income will be included in other operating revenue. In 1997 the Hospital purchased equipment for $20,210 and incurred salaries and other expenses of $280,475.

Grant Revenue (Continued)

Other Grants

The Hospital also receives various grants for implementation of Rural Health Networking and for provision of health care related services to the community. Grant revenues earned under these programs amounted to $251,902 in 1997 and $96,412 in 1996.

The use of unexpended grant funds is limited under the terms of the grant agreements. Unexpended funds on hand reported in assets limited as to use in the balance sheet, with the related liability reported as restricted fund balance. Grant funds released from restrictions are reported in operating revenue in the statements of operations - unrestricted funds.

Facilities Expansion

The Hospital has received Certificate of Need approval from the West Virginia Health Care Cost Review Authority to renovate and expand the existing facility. The primary areas affected include surgery, emergency, radiology, laboratory, obstetrics, mechanical, public and administrative space. The contract price for construction is approximately $12,700,000 which is being financed through a county contribution of $4,200,000, excess levy funds to be received, a hospital equity contribution of $900,000, a contribution from the State of West Virginia of $500,000 and the sale of Hospital Revenue Bonds of $3,150,000. At June 30, 1997, the Hospital had incurred various costs of construction of $7,451,458 including capitalized interest costs of $554,918 and net of capitalized interest income of $907,558.

West Virginia Health Care Authority

The State of West Virginia has legislation which allows a state agency the authority to review the annual budget and establish gross revenue limits from non-Medicare/Medicaid/PEIA patients for all hospitals located in West Virginia. Under the legislation, hospitals which exceed the revenue limits will either have revenue limits in future years reduced or be requested to pay the excess revenues to the State.

The ability of the Hospital to remain within the revenue limitations and to maintain its existing rate structure cannot be determined.

Disclosure of Cash Balances in Excess of FDIC Insurance

The Company maintains accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) insures a maximum of $100,000 per depositor. In addition to the FDIC insurance, the banks have supplemental coverage on these funds through investments in U.S. Government Agencies. Differences between bank and book balances exist due to deposits-in-transit, outstanding checks, and other reconciling items. Management believes the credit risk related to these deposits is minimal. The following excess exist at June 30, 1997:

	Bank Balance	Book Balance
Amount on deposit	$ 7,798,912	$ 7,615,633
FDIC and additional coverage	5,770,000	5,770,000
Uninsured excess	$ 2,028,912	$ 1,845,633

ACCOMPANYING FINANCIAL INFORMATION

Doak, Cuppett & Poling a.c.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE ACCOMPANYING FINANCIAL INFORMATION

To the Board of Trustees
Grant Memorial Hospital
Petersburg, West Virginia

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 1997, 1996 and 1995 accompanying financial information on pages 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Doak, Cuppett & Poling a.c.

Clarksburg, West Virginia
September 5, 1997

[This Page is Intentionally Left Blank]

GRANT MEMORIAL HOSPITAL
REVENUE DETAIL
Years Ended June 30, 1997, 1996, and 1995

	1997			1996			1995		
	Inpatient	Outpatient	Extended Care	Inpatient	Outpatient	Extended Care	Inpatient	Outpatient	Extended Care
PATIENT SERVICE REVENUES									
Routine	$ 2,389,598	$	$ 687,628	$ 2,380,441	$	$ 678,552	$ 2,165,841	$	$ 673,021
Intensive care	486,966			471,128			450,276		
Nursery	95,707			80,785			84,901		
Obstetrics	243,508			208,276			232,214		
	3,215,779		687,628	3,140,630		678,552	2,933,232		673,021
OTHER NURSING SERVICES									
Operating room	503,822	550,770		662,407	586,526		574,696	565,065	
Recovery room	61,707	218,860		74,861	211,197		59,063	182,336	
Observation room		152,638		55,838	150,439		42,264	158,892	
Delivery room	52,005	62,331		65,697	84,314		95,738	89,169	
Emergency room	77,267	519,323		78,779	404,942		68,128	363,334	
Medical and surgical supplies	560,226	455,677	66,863	640,994	432,572	56,143	632,182	429,842	61,210
Intravenous solutions	732,582	139,415	112,141	704,583	128,947	83,114	608,987	119,575	46,577
Home health		1,195,583			1,013,746			1,151,685	
Hospice		245,317			122,445			74,879	
	1,987,609	3,539,914	179,004	2,283,159	3,135,128	139,257	2,081,058	3,134,777	107,787
OTHER PROFESSIONAL SERVICES									
Laboratory	1,439,794	1,701,008	123,541	1,546,221	1,678,425	129,575	1,591,862	1,628,633	112,675
Electrocardiology	271,565	226,758	2,129	303,552	220,441	2,370	271,624	207,150	2,009
Electroencephalography	2,298	7,972		1,930	4,129		3,721	8,531	
Radiology	257,975	796,169	17,770	237,932	708,712	12,323	431,770	1,106,939	15,925
Nuclear medicine	10,601			3,413			3,604		555
CT scan	198,769	437,253	1,924	226,860	366,411	41	179,609	316,664	395
Pharmacy	1,748,769	371,844	482,816	1,766,319	315,982	368,696	1,729,393	290,201	282,242
Anesthesiology	120,848	185,205		196,842	197,796		167,226	185,431	
Physical therapy	43,890	200,970	159,090	41,099	159,759	194,918	43,175	186,147	173,220
Physician fees	241,634	1,000,917	30	247,159	838,641		262,420	864,180	
Inhalation therapy	1,102,914	163,858	276,012	946,969	140,327	174,458	1,009,712	153,354	173,821
Mt. Top Clinic		61,684			48,875			50,070	
Orthopedic Clinic		70,695			55,245			44,664	
Ambulance service	9,073	157,980		6,665	142,829		7,395	122,061	
OB/GYN practice		2,101,628			2,144,373			2,492,631	
Pediatric practice		343,906			310,360			337,178	
	5,448,130	7,926,847	1,063,312	5,524,961	7,332,305	882,381	5,701,511	7,993,834	760,842
	10,651,518	11,466,761	1,929,944	10,948,750	10,467,433	1,700,190	10,715,801	11,128,611	1,541,650
Total patient service revenues		24,048,223			23,116,373			23,386,062	
Less charges foregone for charity		789,916			657,991			602,970	
Gross patient service revenues		23,258,307			22,458,382			22,783,092	
Less contractual adjustments		5,560,869			5,896,043			7,037,256	
Net patient service revenue		$ 17,697,438			$ 16,562,339			$ 15,745,836	

GRANT MEMORIAL HOSPITAL
REVENUE DETAIL (CONTINUED)
Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
OTHER REVENUES			
Pharmacy items sold to nonpatients	$ 124,385	$ 122,859	$ 122,045
Cafeteria	122,661	117,125	114,842
Grant programs revenue	532,377	300,116	121,975
Gain on disposal		9,850	
Miscellaneous income	35,523	53,533	53,987
Total other revenues	$ 814,946	$ 603,483	$ 412,849

GRANT MEMORIAL HOSPITAL

EXPENSE DETAIL
Years Ended June 30, 1997, 1996 and 1995

	1997		1996		1995	
	Salaries	Other	Salaries	Other	Salaries	Other
NURSING SERVICES						
Administration	$ 188,917	$	$ 219,789	$	$ 240,325	$
Routine	874,893	55,478	815,263	47,929	774,206	59,167
Obstetrics	230,075	22,353	206,902	12,542	194,651	11,817
Intensive care	317,023	9,216	270,085	5,087	267,290	3,721
Emergency room	375,276	84,191	286,914	60,908	218,611	49,665
Nursery	80,110	5,520	81,618	4,983	82,217	3,011
Delivery room	73,072		68,708		67,220	
Extended care	359,128	30,094	385,273	29,282	415,410	26,953
Operating room	239,848	80,439	233,735	89,954	258,992	76,788
Recovery room	86,429		80,317		73,083	
Intravenous therapy		169,254		158,203		139,070
Home health	519,312	233,375	519,549	146,816	534,505	110,155
Hospice	40,942	8,388	22,612	7,090	21,042	2,536
	3,385,025	698,308	3,190,765	562,794	3,147,552	482,883
	$ 4,083,333		$ 3,753,559		$ 3,630,435	
OTHER PROFESSIONAL SERVICES						
Laboratory	$ 389,665	$ 374,120	$ 371,652	$ 374,120	$ 347,850	$ 354,449
Electrocardiology	10,900	19,149	10,505	14,574	10,061	15,836
Electroencephalography		4,001		2,368		4,147
Nuclear medicine		4,978		1,328		5,245
Radiology	365,162	154,308	355,639	194,857	290,486	172,766
CT scan		442,092		442,246		301,661
Radiologist				370,830		370,830
Respiratory therapy		2,131		2,320		4,388
Respiratory therapy fees		370,800		360,000		360,000
Pharmacy	200,037	828,442	196,812	733,367	185,161	724,857
Anesthesiology	56,700	(14,083)	55,861	17,579	54,132	17,065
Physical therapy		6,233		12,577		12,363
Physical therapy fees		232,357		183,710		181,144
Pathology fees		3,156		3,920		3,538
ER physician fees		800,569		686,768		680,425
Mt. Top Clinic	38,298	78,133	36,174	75,257	35,108	72,499
Moorefield Clinic				(5,000)		
Orthopedic Clinic	6,071	44,849	9,438	34,158	5,244	27,975
Ambulance	226,059	22,169	218,422	29,256	209,257	25,225
OB/GYN practice	572,031	359,253	569,726	267,158	539,016	231,320
Pediatric practice	195,686	49,939	189,265	15,212	241,525	14,837
Rural Health	72,032	178,406	63,201	113,075	32,657	53,550
Rural Transition Program	46,754	7,470	14,253			
Health Services Network	24,691	108,876	26,070	12,441		
	2,204,086	4,077,991	2,117,018	3,576,291	1,950,497	3,634,120
	$ 6,282,077		$ 5,693,309		$ 5,584,617	

GRANT MEMORIAL HOSPITAL

EXPENSE DETAIL (CONTINUED)
Years Ended June 30, 1997, 1996 and 1995

	1997		1996		1995	
	Salaries	Other	Salaries	Other	Salaries	Other
GENERAL SERVICES						
Central supply	$ 48,786	$ 297,214	$ 45,635	$ 324,503	$ 44,773	$ 300,415
Medical records	146,875	17,178	132,564	43,505	127,376	4,789
Dietary	227,772	172,720	219,148	163,282	207,620	155,801
Plant operation	141,044	368,588	146,241	469,033	122,834	273,837
Housekeeping	178,290	45,201	159,486	36,592	153,735	33,636
Laundry	68,448	45,712	67,798	25,389	66,285	27,936
Social service	56,045	28,057	55,250	31,167	52,508	16,988
	867,260	974,670	826,122	1,093,471	775,131	813,402
	$ 1,841,930		$ 1,919,593		$ 1,588,533	
ADMINISTRATIVE SERVICES						
Administration	$ 827,478	$ 918,620	$ 810,146	$ 945,936	$ 804,101	$ 919,042
Medical support	4,990	109,764	457	18,693	(3,373)	17,577
Employee health and welfare		1,221,074		1,138,796		1,154,609
Insurance		149,605		138,746		139,282
Pension		261,202		243,271		190,699
	832,468	2,660,265	810,603	2,485,442	800,728	2,421,209
	$ 3,492,733		$ 3,296,045		$ 3,221,937	
OTHER EXPENSES						
Interest		$ 1,851		$ 4,910		$ 9,922
Depreciation		485,848		461,467		428,232
Provision for bad debts		1,609,735		1,263,897		1,086,495
		2,097,434		1,730,274		1,524,649
	$ 2,097,434		$ 1,730,274		$ 1,524,649	
Total expenses	$ 17,797,507		$ 16,392,780		$ 15,550,171	

APPENDIX E

DEFINITION OF CERTAIN TERMS AND SUMMARY OF INDENTURE

[This Page is Intentionally Left Blank]

DEFINITION OF CERTAIN TERMS; SUMMARY OF G.O. REFUNDING BOND ORDER AND BOND INDENTURE

DEFINITIONS

Set forth below are summary definitions of certain terms used in the summaries of the G.O. Refunding Bond Order and Bond Indenture contained in the Official Statement, including this Appendix E.

"Adjusted Annual Revenues" means, as of any date of determination thereof, the total Revenues of the Property for a given fiscal year, including, without limitation, patient service revenues, other operating income and nonoperating income and the income therefrom that would in each case be excluded from a statement of revenues and expenses, less contractual adjustments with third-party payors and adjustments for free or reduced services relating to such fiscal year, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Balloon Debt" means Long-Term Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12-month period if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period.

"Beneficial Owner" means, whenever used with respect to a Refunding Bond, the Person in whose name such Refunding Bond is recorded as the beneficial owner of such Refunding Bond by a Participant on the records of such Participant or such Person's subrogee.

"Board Representative" means the Person or Persons at the time designated to act on behalf of the Board in a written certificate furnished to the Issuer and the Bond Commission with respect to the G.O. Refunding Bonds or the Bond Trustee with respect to the Revenue Refunding Bonds, containing the specimen signature or signatures of such Person or Persons and signed by an officer of the Board.

"Bond Commission" means the West Virginia Municipal Bond Commission and any successor to the functions thereof.

"Bond Fund" means the Bond Fund created pursuant to the Bond Indenture, and the terms "Interest Account," "Principal Account" and "Redemption Account" mean the respective accounts established in said fund.

"Bond Insurer" or "Insurer" means Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York, or any successor thereto.

"Bond Register" means the registration books maintained pursuant to the G.O. Refunding Bond Order or the Indenture, as the case may be.

"Bond Trustee" means Wesbanco Bank Parkersburg, a state banking institution with principal offices in Parkersburg, West Virginia, and any successor to its duties under the Bond Indenture.

"Bond Trust Indenture," "Bond Indenture" or "the Indenture" means the Bond Trust Indenture, dated as of May 1, 1998, as amended or supplemented from time to time.

"Book Value," when used in connection with any Property, means the value of such Property, net of accumulated depreciation and amortization of capitalized lease assets, determined in accordance with generally accepted accounting principles.

"Business Day" means any day on which the principal corporate trust offices of the Bond Trustee and commercial banks located in New York, New York, are open for the transaction of business.

"Cash on Hand" means the total of unrestricted cash, investments and Board-designated funds of the Hospital on the date of determination.

"Certified Resolution," with respect to the Issuer, means a copy of an order or resolution certified by the Clerk to have been duly entered or adopted by the Issuer at a meeting duly called and convened; and, with respect to the Board, means a copy of a resolution of the Board certified by the Secretary of the Board to have been duly adopted at a meeting duly called and convened.

"Clerk" means the Clerk of the Issuer or any acting Clerk duly appointed or elected to such office.

"Code" means the Internal Revenue Code of 1986, as amended, and any applicable Regulations. Reference in the G.O. Refunding Bond Order or the Indenture to any specific provision of the Code are deemed to refer to any successor provision of the Code.

"Commitment Debt" means the indebtedness referred to in Subsection 7.06(e) of the Bond Indenture and hereinafter described.

"Completion Debt" means any Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of the Hospital Facilities or any portion thereof with respect to which prior Indebtedness for borrowed money has been incurred by the Issuer or the Board in accordance with the provisions of the Bond Indenture, and (b) in a principal amount not in excess of the amount required to provide a completed and equipped facility of substantially the same type and scope contemplated at the time such prior Indebtedness was originally incurred, to provide for any requisite capitalized interest or reserve funds and to pay the cost and expenses of issuing such Completion Indebtedness, as shown by an Officer's Certificate delivered to the Bond Trustee at the time of issuance thereof, which Officer's Certificate shall be supported, as to the cost of completion of such facility, by a certificate of an Independent Architect.

"Costs of Issuance Account" means the account created pursuant to the Bond Indenture and hereinafter described.

"Covered Debt" means Balloon Debt, Completion Debt, Guaranteed Debt, Letter of Credit Debt and Long-Term Debt and excluding Commitment Debt except to the extent drawn upon as in Section 7.06(e) of the Bond Indenture and hereinafter described.

"Current Value," when used in connection with any Property, means the current fair market value of such Property as shown by an appraisal made by an independent appraiser satisfactory to the Bond Trustee.

"Days Cash on Hand" means the amount equal to (i)(x) Cash on Hand as of the last day of the prior Fiscal Year divided by (y) total Operating Expenses for the prior Fiscal Year times (ii) 365.

"Debt Service Reserve Fund" means the fund created pursuant to the Bond Indenture and hereinafter described.

"Debt Service Reserve Fund Requirement" means an amount equal to the lesser of (i) Maximum Annual Debt Service or (ii) 10 percent of the proceeds (as defined by the Code) of the Revenue Refunding Bonds.

"Defaulted Interest" means Defaulted Interest as defined in Section 2.02 of the Indenture and hereinafter described.

"Default Rate" means an interest rate per annum equal to the rate from time to time announced by the Insurance Trustee as its base lending rate, plus three percent (3%).

"Event of Default" means any of the events defined as an event of default in the Indenture and hereinafter described.

"Financial Guaranty Insurance Policy" or "Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the G.O. Refunding Bonds or the Revenue Refunding Bonds, as the case may be, as respectively provided therein.

"Fiscal Year" or "fiscal year" means the 12-month period ending on June 30 of each year.

"G.O. Refunding Bonds" means The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A, issued by the Issuer pursuant to the G.O. Refunding Bond Order.

"Government Obligations" means certificates or interest-bearing notes or obligations of the United States of America or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

"Hospital Act" means Chapter 7, Article 3, Sections 14 through 17 of the Code of West Virginia, 1931, as amended.

"Hospital Facilities" means the existing Hospital facilities owned by the Issuer and operated under the management and supervision of the Board, together with any replacements thereof, extensions, betterments or improvements thereto, and equipment therefor.

"Indebtedness" means (i) all indebtedness of the Issuer or the Board, as appropriate, for borrowed money relating to the ownership and operation through the Board of the Hospital Facilities, and (ii) all installment sales, guaranties, conditional sales and capital lease obligations, incurred or assumed by the Issuer

or the Board, as appropriate, relating to the ownership and operation through the Board of the Hospital Facilities, in each case whether constituting Long-Term Indebtedness or Short-Term Indebtedness, but excluding indebtedness payable from ad valorem property taxes levied by the Issuer.

"Independent" or "independent" means, as regards any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member, director, officer or employee of the Board, the Hospital or the Issuer and, as regards any individual, one who is not a member, director, officer or employee of the Board, the Hospital or the Issuer; provided, in either case, that the fact that a Person is retained regularly by or transacts business with the Board, the Hospital or the Issuer shall not, in and of itself, cause such Person to be deemed an employee of the Board, the Hospital or the Issuer for the purposes hereof.

"Insurance Trustee" means The United States Trust Company of New York.

"Interest Payment Date" means each April 1 and October 1 of each year, commencing October 1, 1998.

"Investment Securities" means and includes, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.

(iii) Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association.

(iv) Repurchase agreements with primary dealers and banks, or either thereof, rated, at all times, AA and AA2 or better by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively, collateralized with the obligations described in (i) or (ii) above, held by a third party custodian, at the

levels set forth below, which repurchase agreements have been approved by the Bond Insurer;

(v) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Bond Trustee or an affiliate of the Bond Trustee acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.

(vi) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., provided that such certificates of deposit are fully secured by the obligations described in (i) or (ii) above, at the levels set forth below, the Bond Trustee has a perfected first security interest in the obligations securing the certificates and the Bond Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates.

(vii) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association, which certificates are fully insured by the Federal Deposit Insurance Corporation.

(viii) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc., and A-1+ by Standard & Poor's Corporation.

(ix) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof, which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc., in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

(x) Any other investment approved by the Bond Insurer.

Collateral Levels for United States Government Securities

	Remaining Maturity				
	1 Year or Less	5 Years or Less	10 Years or Less	15 Years or Less	30 Years or Less
Frequency of Valuation					
Daily	102%	105%	106%	107%	113%
Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly ...	106	118	128	130	135

Further Requirements: (1) On each valuation date the market value of the collateral will be an amount equal to the requisite collateral percentage of the obligation (including unpaid accrued interest) that is being secured. (2) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: One business day for daily valuations, two business days for weekly valuations, and one month for monthly and quarterly valuations. The use of different restoration periods affects the requisite collateral percentage. (3) The Bond Trustee shall terminate the repurchase agreement upon a failure to maintain the required collateral percentage after the restoration period and, if not paid by the counterpart in federal funds against transfer of the repo securities, liquidate the collateral.

No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Refunding Bonds without the prior written consent of the Bond Insurer.

"Issuer" means The County Commission of Grant County, a body corporate and a governmental instrumentality of the State, acting on behalf of Grant County, a political subdivision of the State of West Virginia.

"Issuer Representative" means the President of the Issuer or such other Person as the Issuer may designate to act on its behalf by written certificate furnished to the Board and the Bond Commissioner with respect to the G.O. Refunding Bonds or the Bond Trustee with respect to the Revenue Refunding Bonds, containing a specimen signature of such Person and signed on behalf of the Issuer by the Clerk, which Person may be the Board Representative.

"Letter of Credit Indebtedness" or "Letter of Credit Debt" means the Indebtedness referred to in Section 7.06(d) of the Indenture and hereinafter described.

"Long-Term Indebtedness" or "Long Term Debt" means (i) all Indebtedness for borrowed money or which has been incurred in connection with the acquisition of assets (other than trade accounts payable and accrued employee compensation), and (ii) the capitalized value of liability under any lease of real or personal property which is properly capitalized on a balance sheet, in each case having a final maturity of more than one year from the date of creation thereof (or which is or may be renewable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Management Consultant" means an Independent firm selected by the Board and acceptable to the Bond Trustee and the Bond Insurer, qualified to pass upon questions relating to the financial affairs, conditions and operations of hospitals and having a favorable reputation for skill and experience in the analysis of such financial affairs.

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

"Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Bond Trustee.

"Net Income Available for Debt Service" means, for any period of determination thereof, Adjusted Annual Revenues for such period minus total Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles, (ii) gain or loss on the extinguishment of indebtedness, and (iii) proceeds of insurance policies owned or held by the Issuer or the Board, as appropriate, other than policies for use and occupancy or business interruption insurance, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Net Revenues" means the balance of the Adjusted Annual Revenues remaining after deduction of Operating Expenses.

"Non-Recourse Indebtedness" or "Non-Recourse Debt" means Long-Term Indebtedness incurred subsequent to the date of execution and delivery of the Bond Indenture for the purpose of financing the purchase or acquisition of tangible personal property secured by a security interest in the property being purchased or acquired and evidenced by an instrument which expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of the Issuer or the Hospital nor to any other Property.

"Officer's Certificate" means a certificate signed by the chief executive officer or the chief financial officer of the Hospital or any other Person duly appointed to act on behalf of the Board by written certificate furnished to the Issuer and the Bond Trustee containing a specimen signature of such Person and signed on behalf of the Board by its President.

"Operating Expenses" means the reasonable, proper and necessary costs or repair, maintenance and operation of the Hospital Facilities, paid or accrued, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those paid from the proceeds of the 1994 Bonds or the Refunding Bonds, fees and expenses of fiscal agents, the Bond Trustee, other than those paid from the proceeds of the 1994 Bonds or the Refunding Bonds, salaries, wages, food, supplies, medicines, payments to pension or retirement funds, taxes relating and chargeable solely to the Hospital Facilities, the accumulation of appropriate reserves for charges not annually recurrent but which may reasonably be expected to be incurred, and such other reasonable operating costs and expenses as should normally and regularly be included for a hospital under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Refunding Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Opinion of Counsel" means an opinion of counsel (who may be counsel to the Issuer or to the Board) satisfactory to the Bond Trustee.

"Outstanding" or "outstanding," when used with reference to Refunding Bonds, means, at any date as of which the amount of Outstanding G.O. Refunding or Revenue Refunding Bonds is to be determined, all G.O. Refunding Bonds or Revenue Refunding Bonds which have been theretofore authenticated and delivered in accordance with the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, except:

(a) Refunding Bonds canceled or required to be canceled at or prior to such date;

(b) Refunding Bonds for the full payment of the principal of and premium, if any, and interest on which cash shall have been theretofore deposited with the Paying Agent or the Bond Trustee, as the case may be, and which (i) shall have matured by their terms but shall not have been surrendered for payment or (ii) shall have been purchased by the Paying Agent or the Bond Trustee, as the case may be, in lieu of paying such Refunding Bond upon presentation thereof;

(c) Refunding Bonds for the payment of which, at the maturity or redemption date thereof, cash or Government Obligations, or both, shall have been theretofore deposited with the Bond Commission pursuant to the G.O. Refunding Bond Order or with the Bond Trustee pursuant to Article III or Article IX of the Bond Indenture, as the case may be; provided that, if such Refunding Bonds are to be redeemed, (i) notice of redemption shall have been given as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, or waiver of such notice, satisfactory in form to the Bond Commission or the Bond Trustee, as the case may be, shall have been filed with the Bond Commission or the Bond Trustee, as the case may be, or (ii) irrevocable instructions to call the Refunding Bonds for redemption shall have been given to the Bond Commission or the Bond Trustee, as the case may be, as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be; and

(d) Refunding Bonds in lieu of which others have been authenticated and delivered.

Notwithstanding the foregoing, in determining whether the Owners of the requisite principal amount of Outstanding Refunding Bonds have given any request, demand, authorization, direction, notice,

consent or waiver under the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, Refunding Bonds owned by the Issuer or the Board shall be disregarded and deemed not to be Outstanding, except that in determining whether the Bond Commission or the Bond Trustee, as the case may be, shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Refunding Bonds which the Bond Commission or the Bond Trustee, as the case may be, knows to be so owned shall be disregarded. Refunding Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Bond Commission or the Bond Trustee, as the case may be, the pledgee's right so to act with respect to such Refunding Bonds and that the pledgee is not the Issuer or the Board.

"Owner," or any similar term, means the Person in whose name a Refunding Bond is registered in the Bond Register.

"Paying Agent" means either the West Virginia State Treasurer or Wesbanco Bank Parkersburg, or both, as required by the G.O. Refunding Act.

"Permitted Encumbrances" means those Permitted Encumbrances set forth in the Indenture and hereinafter described.

"Person" means an individual, a corporation or any division thereof, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Principal Installments" means, as of any date of calculation, so long as any G.O. Refunding or Revenue Refunding Bonds are Outstanding, (i) the principal amount of G.O. Refunding Bonds or Revenue Refunding Bonds, as the case may be, due on a certain future date for which no Mandatory Redemption Requirements have been established or (ii) the unsatisfied balance (determined as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be) of any such Mandatory Redemption Requirements due on a certain future date for G.O. Refunding Bonds or Revenue Refunding Bonds, in a principal amount equal to said unsatisfied balance of such Mandatory Redemption Requirements.

"Principal Payment Date" means any date on which the principal of any G.O. Refunding Bond or Revenue Refunding Bond shall become due, whether at maturity, by redemption, by acceleration or to satisfy Mandatory Redemption Requirements.

"Projected Long-Term Indebtedness" or "Projected Long Term Debt" means, as of the date of any determination thereof, Long-Term Indebtedness maturing in substantially equal annual payments of principal and interest over a period equal to the remaining term of the underlying Indebtedness, but in no event longer than twenty (20) years from the date of issuance thereof, at the actual rate of interest thereon or, if the interest is at a variable rate, at a rate of interest equal to either (i) the average annual rate of interest attributable to debt securities issued by or for the benefit of entities engaged in operating one or more general acute care hospitals having a comparable credit rating maturing over a comparable period in such substantially equal annual payments then being offered for sale, as shown by a certificate of an underwriting or investment banking firm experienced in marketing such securities, or (ii) if a determination of Projected Long-Term Indebtedness is being made with respect to Indebtedness that has been outstanding for at least 12 months, the average annual rate of interest on such Indebtedness over the most recent 12 months, as shown in an Officer's Certificate.

"Property" means any and all rights, titles and interests of the Issuer, as managed and supervised by the Board, in and to any and all property constituting the Hospital Facilities, whether real or personal, tangible or intangible, and wherever situated.

"Regulations" means rules and regulations promulgated by or on behalf of the United States Treasury Department pursuant to the Code or any predecessor thereto.

"Revenues" means all receipts, revenues, income and other moneys received by or on behalf of the Board or by or on behalf of the Issuer in connection with the Hospital, including, without limitation, contributions, donations and pledges, whether in the form of cash, securities or other personal property, revenues derived from the operation of all facilities of the Hospital, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Board or by the Issuer in connection with the Hospital; provided, however, that the proceeds of the Refunding Bonds shall not constitute "Revenues"; provided, further, that gifts, grants, bequests, donations and contributions heretofore and hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, shall be excluded from "Revenues"; and provided, further, that all rents, income and profits from Property subject to Permitted Encumbrances shall be excluded from "Revenues" to the extent required by such Permitted Encumbrances.

"Revenue Refunding Bonds" means The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C, issued by the Issuer pursuant to the Bond Indenture.

"S&P" means Standard and Poor's Corporation, its successors and their assigns, and, if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Bond Trustee.

"Short-Term Indebtedness" means all Indebtedness and the current portion of Long-Term Indebtedness, incurred or assumed by the Issuer or the Board, as appropriate, for any of the following:

(i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) years or less; and

(iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

"State" means the State of West Virginia.

"Subordinated Indebtedness" or "Subordinated Debt" means any Indebtedness evidenced by an instrument or instruments subordinated to the payment of amounts payable under the Bond Indenture.

"Supplement" means an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Issuer and the Bond Trustee in accordance with Article XIII of the Bond Indenture, as hereinafter described.

G.O. REFUNDING BOND ORDER

Constitutional and Statutory Limit

The G.O. Refunding Bonds are payable from a direct annual tax levied and collected on all taxable property in the County, in the ratio as between the several classes or types of such taxable property specified in Section 1, Article X of the Constitution, sufficient to pay annually the interest on and principal of the G.O. Refunding Bonds falling due in each year, which tax levy shall be laid separate and apart from levies laid for the current general expenses of the County, such tax to be levied and collected by the same officers, at the same time and in the same manner as the general taxes of the County. Said tax shall be levied within the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia; and, in the levy, collection and disbursement of taxes within Constitutional and statutory limits, the levy for the interest on and the principal of the G.O. Refunding Bonds shall have preference over all other taxes collected by the Issuer for any purpose whatsoever except the payment of interest or the sinking fund requirements on bonds which may hereafter be authorized and issued, there being no such bonds previously authorized and issued and there being no outstanding indebtedness of the Issuer created prior to October 1, 1938.

The Issuer determined that the aggregate amount of the G.O. Refunding Bonds does not exceed or violate any provisions or limitations in any manner provided by the Constitution or statutory provisions of the State of West Virginia, and that, after laying and allocating all the levies for payment for both principal and interest requirements of the G.O. Refunding Bonds, there will be out of the levies authorized by law and apportioned for current expenses a sufficient levy authorized by law which, when added to other income, will be sufficient to carry on the proper and requisite functions of the County Commission.

Bond Insurance Covenants

So long as the G.O. Refunding Bonds are insured by Asset Guaranty Insurance Company (and the Insurer is not in default under the terms of the Policy), the following terms, provisions and covenants apply:

(1) At least three (3) days prior to all interest payment dates, the Bond Commission will determine whether there will be sufficient funds to pay the principal of or interest on the G.O. Refunding Bonds on such interest payment date. If the Bond Commission determines that there will be insufficient funds, the Bond Commission shall so notify the Paying Agent and the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the G.O. Refunding Bonds to which such deficiency is applicable and whether such G.O. Refunding Bonds will be deficient as to principal or interest, or both.

(2) The Paying Agent shall, after receiving notice as provided in (1) above, make available to the Insurer and the Insurance Trustee the registration books of the Issuer maintained by the Paying Agent. The Bond Commission shall, after giving notice as provided in (1) above, make available to the Insurer and the Insurance Trustee all records relating to the funds maintained for the G.O. Refunding Bonds by the Bond Commission.

(3) The Paying Agent shall provide the Insurer and the Insurance Trustee with a list of registered owners of G.O. Refunding Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (a) to mail checks or drafts to the registered owners of G.O. Refunding Bonds entitled to receive full or partial interest payments from the Insurer and (b) to pay principal upon G.O. Refunding Bonds surrendered to the Insurance Trustee by the registered owners of G.O. Refunding Bonds entitled to receive full or partial principal payments from the Insurer.

(4) The Paying Agent shall, immediately after receiving notice pursuant to (1) above, notify registered owners of G.O. Refunding Bonds entitled to receive the payment of principal thereof or interest thereon from the Insurer (a) as to the fact of such entitlement, (b) that the Insurer will remit to them all or part of the interest payments next coming due upon proof of owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Insurer, of an appropriate assignment of the registered owner's right to payment, (c) that, should they be entitled to receive full payment of principal from the Insurer, they must surrender their G.O. Refunding Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurer to permit ownership of such G.O. Refunding Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Paying Agent, and (d) that, should they be entitled to receive partial payment of principal from the Insurer, they must surrender their G.O. Refunding Bonds for payment thereon first to the Paying Agent, who shall note on such G.O. Refunding Bonds the portion of the principal paid by the Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(5) In the event that the Paying Agent has notice that any payment of principal of or interest on a G.O. Refunding Bond which has become due for payment and which is made to a registered owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall immediately notify the Insurance Trustee of such fact and shall at the same time notify all registered owners that, in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the G.O. Refunding Bonds which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments are made.

(6) The Insurer shall, to the extent it makes payment of principal of or interest on G.O. Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (a) in the case of subrogation as to claims for past due interest, the Paying Agent shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon receipt from the Insurer of proof of the payment of interest thereon to the

registered owners of the G.O. Refunding Bonds and (b) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon surrender of the G.O. Refunding Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(7) Unless otherwise provided, the Insurer's consent shall be required for the following purposes: (a) execution and delivery of any amendment or supplement to the G.O. Refunding Order or any other document executed in connection with the issuance of the G.O. Refunding Bonds; (b) removal of the Paying Agent; and (c) initiation or approval of any action not described in (a) and (b) above which requires G.O. Refunding Bond owner consent.

(8) Anything in the G.O. Refunding Bond Order to the contrary notwithstanding, upon the occurrence and continuance of an event of default on the G.O. Refunding Bonds, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the G.O. Refunding Bonds or any trustee appointed for the benefit of the owners under applicable law.

(9) While the Policy is in effect, the Issuer shall furnish to the Insurer a copy of any information filed by the Issuer with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR

(10) In the event that the principal and interest, or either thereof, due on the G.O. Refunding Bonds shall be paid by the Insurer pursuant to the Policy, the G.O. Refunding Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of such registered owners.

(11) The insured G.O. Refunding Bonds may be defeased only in accordance with Chapter 13, Article 3, of the Code of West Virginia, 1931, as amended, and with other applicable provisions of law, and only if the following conditions are complied with:

(a) only non-redeemable Governmental Obligations may be used to defease the G.O. Refunding Bonds;

(b) a verification report by a verifier acceptable to the Insurer shall be rendered to the Issuer in form and substance satisfactory to the Insurer; and

(c) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of the G.O. Refunding Bond Order and said statute and laws for defeasance of the G.O. Refunding Bonds have been complied with.

(12) The Insurer shall be included as a party in interest (third party beneficiary) with respect to the G.O. Refunding Bond Order and any other documents relating to the G.O. Refunding Bonds.

(13) Notwithstanding any other provision of the G.O. Refunding Bond Order, in determining whether the rights of the registered owners of the G.O. Refunding Bonds will be adversely affected by any action

taken pursuant to the terms and provisions of the G.O. Refunding Bond Order, the Paying Agent shall consider the effect on the registered owners without regard to the Policy.

(14) Amounts due from the Issuer in respect of the principal and interest on the G.O. Refunding Bonds, or either thereof, shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%) (the "Default Rate"). To the extent the Default Rate exceeds the rate on the G.O. Refunding Bonds, it shall be payable from the Net Revenues of the Hospital. Payments at the Default Rate on account of principal shall be credited against payment of interest that would otherwise be due on the outstanding principal of the G.O. Refunding Bonds.

(15) Redemption of the G.O. Refunding Bonds shall be permitted at any time without the Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Bond Commission, a trustee or the Paying Agent prior to rendering notice of redemption to the registered owners of the G.O. Refunding Bonds or, in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer.

(16) All funds on deposit in connection with the G.O. Refunding Bonds, including the proceeds thereof and the sinking funds established therefor, shall be invested only in Investment Securities, and the Issuer shall so instruct the sheriff of the County (the "Sheriff") and the Bond Commission. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the G.O. Refunding Bonds without the prior written consent of the Insurer.

(17) The Issuer shall cure a default of any covenant set forth in the G.O. Refunding Bond Order with respect to the G.O. Refunding Bonds within 30 days after notice of the default, and failure to pay interest on the G.O. Refunding Bonds shall be an immediate event of default.

No waivers shall be granted by any party with respect to the G.O. Refunding Bonds without the prior written consent of the Insurer.

Prior to an event of default the Insurer shall have the right to remove the Paying Agent for cause, and, after an event of default, the Insurer shall have the right to remove the Paying Agent for any reason.

To the extent allowable under applicable law, upon the occurrence of an event of default, the Insurer may direct the appointment of a trustee to preserve the assets of the trust estate and to seek all legally available remedies.

(18) Any rating agency rating the G.O. Refunding Bonds must receive notice of each amendment to the G.O. Refunding Bond Order and any other documents relating to the G.O. Refunding Bonds and a copy thereof at least 15 business days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings rating to the execution of any such amendment.

(19) The Issuer shall request the Sheriff to make regular deposits of the tax revenues received for the G.O. Refunding Bonds to the Bond Commission and, specifically, to transfer all such monies received by the County to the Bond Commission at least 20 days prior to each April 1 and October 1.

(20) The Issuer covenants that it will not permit at any time or times any of the proceeds of the Refunding Bonds or any other funds of the Issuer or the Hospital to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Refunding Bonds to be "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

(21) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to or related to the G.O. Refunding Bond Order, whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with the G.O. Refunding Bond Order or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Issuer shall pay any reasonable fee charged by the Insurer as a condition to executing any amendment, waiver or consent proposed in respect of the G.O. Refunding Order. Payments as described in this paragraph are to be made to the Insurer from the net revenues derived from the operation of the Hospital. The obligation of the Issuer to the Insurer shall survive discharge and termination of the G.O. Refunding Bond Order.

BOND INDENTURE

General Covenants and Provisions

Payment of Bonds. The Issuer covenants that it will promptly pay or cause to be paid, but solely out of the Net Revenues derived from, or in connection with, the operation of the Hospital Facilities, or from the Revenue Refunding Bond proceeds or other funds deposited in the Bond Fund or the Debt Service Reserve Fund, the principal of and premium, if any, and interest on every Revenue Refunding Bond on the dates and in the manner provided in the Bond Indenture and the Revenue Refunding Bonds.

Amounts paid by the Bond Insurer in respect to the principal of and interest on the Revenue Refunding Bonds, or either thereof, shall bear interest until repaid to the Bond Insurer at the Default Rate. Interest paid at the Default Rate on amounts paid by the Bond Insurer in respect of principal of the Revenue Refunding Bonds shall be credited against the interest payments otherwise due on the Revenue Refunding Bonds. In addition, the Issuer and the Hospital shall pay the difference between the Default Rate and the rate of interest borne by the G.O. Refunding Bonds if the Bond Insurer pays amounts in respect of principal of and interest on the G.O. Refunding Bonds, from Net Revenues.

Covenants and Representations Regarding Section 148 of the Code. The Issuer and the Board recognize that the Revenue Refunding Bonds are being sold on the basis that the interest payable on the Revenue Refunding Bonds is excludable from gross income of the recipients thereof for federal income tax purposes. The

Issuer and the Board covenant and agree with the Bond Trustee and the Owners of the Revenue Refunding Bonds that (a) no use of the proceeds of the Revenue Refunding Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Revenue Refunding Bonds, would have caused the Revenue Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Issuer, the Board and the Bond Trustee shall be obligated to comply with the requirements of Section 148 of the Code, and the applicable Regulations thereunder, through the term of the Revenue Refunding Bonds; and (b) the Issuer and the Board will not take any action or fail to take any action with respect to the investment of the proceeds of any Revenue Refunding Bonds or otherwise which may result in constituting the Revenue Refunding Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

Special Obligations. The Revenue Refunding Bonds and the interest and any premium thereon are special obligations of the Issuer and are payable solely from the Net Revenues, and from the funds maintained under the Bond Indenture, all at the times and subject to the conditions set forth in the Bond Indenture. The principal of the Revenue Refunding Bonds and the premium, if any, and the interest thereon shall not constitute or be deemed to constitute a debt or a pledge of the faith and credit or taxing power of the State, the County or any municipality or any other political subdivision thereof but are special obligations of the Issuer, payable solely from the Net Revenues and other sources pledged by the Issuer therefor. The Owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the Issuer or the taxing authority of any municipality or any other political subdivision of the State for payment of the principal of or premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Revenue Refunding Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the operation of the Hospital Facilities. Such Net Revenues in an amount sufficient to pay the principal of and premium, if any, and interest on and other payments for the Revenue Refunding Bonds, and to make the payments into the Bond Fund required by the Bond Indenture, are irrevocably pledged to the payment of the principal of and premium, if any, and interest on the Revenue Refunding Bonds as the same become due.

Bond Fund, Debt Service Reserve Fund

Bond Fund. (a) The Bond Indenture establishes with the Bond Trustee a trust fund in respect to the Revenue Refunding Bonds to be designated the "Bond Fund." The Bond Fund shall consist of an "Interest Account," a "Principal Account" and a "Redemption Account."

(b) There shall be deposited in the Bond Fund (i) any amount required to be paid thereto pursuant to the Bond Indenture; (ii) from the Net Revenues, into the Interest Account, 1/6 of the interest coming due on the Revenue Refunding Bonds on the next Interest Payment Date and 1/12 of the principal coming due on the next Principal Payment Date; (iii) except as otherwise provided, all interest and other income received on investments of the Bond Fund; and (iv) all other moneys received by the Bond Trustee in respect of the Revenue Refunding Bonds unless otherwise provided. The amounts described in clause (ii) shall be adjusted as necessary to accommodate less than 6 months prior to the first payment of interest from Net Revenues and less than 12 months prior to the first Principal Payment Date and to account for Revenue Refunding Bond proceeds deposited into the Bonds Fund, moneys transferred to the Bond Fund from the Bond Fund for the 1994 Revenue Bonds, or the earnings thereon, as required by the Bond Indenture. In each case, and for each Interest and Principal

Payment Date thereafter, moneys to make the payments of interest or principal coming due shall be on deposit with the Bond Trustee not less than 30 days prior to the applicable Interest or Principal Payment Date.

(c) The moneys in the Interest Account, the Principal Account and the Redemption Account shall be used solely for the purposes of paying the Principal Installments or redemption price of, and interest on, the Revenue Refunding Bonds and of retiring such Revenue Refunding Bonds at or prior to maturity in the manner provided in the Bond Indenture. Moneys set aside from time to time with the Bond Trustee for the payment of such Principal Installments or redemption price of and interest on the Revenue Refunding Bonds shall be held in trust for the Owners of the Revenue Refunding Bonds in respect of which the same shall have been so set aside. Until so set aside for the payment of Principal Installments, redemption price or interest, as aforesaid, all moneys in such accounts shall be held in trust for the benefit of the Owners of all Revenue Refunding Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Revenue Refunding Bonds.

(d) In the event there shall be, on any Interest Payment Date, a deficiency in the Interest Account, or, on any Principal Payment Date, a deficiency in the Interest Account or in the Principal Account or both, the Bond Trustee shall make up such deficiencies from the Debt Service Reserve Fund by the withdrawal of moneys from the Debt Service Reserve Fund and the deposit thereof into the appropriate account in the Bond Fund for that purpose and by the sale or redemption of securities held in the Debt Service Reserve Fund, if necessary, in such amounts as will, at the respective times, provide moneys in the Interest Account and the Principal Account sufficient to make up any such deficiency or deficiencies.

(e) The Bond Trustee shall deposit in the Interest Account the amounts required by the Bond Indenture and the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Interest Account, including the moneys credited thereto pursuant to the Bond Indenture, the interest becoming due on the Revenue Refunding Bonds on each Interest Payment Date or the date for the payment of Defaulted Interest. The Bond Trustee shall also pay out of the Interest Account, on or before any redemption date for the Revenue Refunding Bonds, the interest on the Revenue Refunding Bonds then to be redeemed, to the extent not otherwise provided pursuant to the Bond Indenture.

Thirty days prior to any Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, if the balance in the Interest Account is insufficient for the payment of interest becoming due on the Revenue Refunding Bonds on the next ensuing Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(f) The Bond Trustee shall deposit in the Principal Account the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Principal Account, including the moneys credited thereto as described above, the Principal Installment due on the Revenue Refunding Bonds on each Principal Payment Date.

Thirty days prior to any Principal Payment Date, if the balance in the Principal Account is insufficient for the payment of such principal, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Principal Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(g) The Bond Trustee shall deposit in the Redemption Account the payments made by the Board to the Bond Trustee but not required by Item (b)(ii) above. The Bond Trustee shall use moneys in the Redemption Account in the Bond Fund, as a Issuer Representative may direct, to purchase Revenue Refunding Bonds then Outstanding on the most advantageous terms obtainable with reasonable diligence or in such other manner as the Issuer shall so direct, without regard as to whether the purchase price paid for such Revenue Refunding Bonds so purchased is less than the redemption price of such Revenue Refunding Bonds. The purchase price of such Revenue Refunding Bonds, interest accrued thereon and all expenses in connection with such purchases shall be paid from the Redemption Account in the Bond Fund.

(h) If any installment of the required payments described above should be insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall so notify the Issuer and request that each future installment of the required payments be increased as may be necessary to make up any previous deficiency or any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

Debt Service Reserve Fund. The Indenture creates and establishes with the Bond Trustee a separate trust fund in respect of the Revenue Refunding Bonds to be known as the "Debt Service Reserve Fund." The Debt Service Reserve Fund shall be funded upon the issuance of the Revenue Refunding Bonds in an amount equal to the Debt Service Reserve Fund Requirement as provided by the Indenture.

The Bond Trustee shall immediately notify the Issuer in the event that moneys are withdrawn from the Debt Service Reserve Fund. The Issuer shall cause the Board to make up such deficiency through monthly payments beginning in the month following the month in which the withdrawal was made equal to (a) 1/12th of the amount by which the Debt Service Reserve Fund Requirement exceeded the amount on deposit in the Debt Service Reserve Fund on the day that such withdrawal was made or (b) any lesser amount which will result in the amount on deposit in the Debt Service Reserve Fund equaling the Debt Service Reserve Fund Requirement. Any deficiency in the Debt Service Reserve Fund determined upon the quarterly valuation thereof shall be replenished in three equal monthly payments prior to the next succeeding valuation date.

Nonpresentment of Revenue Refunding Bonds. In the event any Revenue Refunding Bonds shall not be presented for payment when the principal thereof becomes due, or at the date fixed for redemption thereof, if funds sufficient to pay such Revenue Refunding Bonds shall be held by the Bond Trustee for the benefit of the Owner or Owners thereof, all liability of the Issuer and the Hospital to the Owner thereof for the payment of such Revenue Refunding Bond shall forthwith terminate and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such fund or funds without liability for interest thereon, for the benefit of the Owner of such Revenue Refunding Bond, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Revenue Refunding

Bond. Such funds shall not be deemed to be part of the Bond Fund after the due date and shall not be subject to investment.

Any moneys held by the Bond Trustee for the payment of the principal of or the premium, if any, or interest on any Bond and remaining unclaimed for two (2) years after such principal, premium, if any, or interest has become due and payable shall, upon the request of a Issuer Representative to the Bond Trustee, be paid to the Board to the extent permitted by the law of the state in which the Bond Trustee is domiciled. After the payment of such unclaimed moneys to the Board, the Owner of such Revenue Refunding Bond shall thereafter look only to the Board for the payment thereof, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease.

Payment Procedures Pursuant to the Policy. The Bond Trustee or any paying agent shall not make a claim for payment on the Policy until any and all funds held by it pursuant hereto have been fully drawn to pay debt service on the Revenue Refunding Bonds. As long as the Policy shall be in full force and effect, the Issuer, the Hospital, the Bond Trustee and any paying agent agree to comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Bond Trustee or paying agent, if any, will determine whether there will be sufficient funds to pay the principal of or interest on the Revenue Refunding Bonds on such Interest Payment Date. If the Bond Trustee or paying agent, if any, determines that there will be insufficient funds, the Bond Trustee or paying agent, if any, shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Revenue Refunding Bonds to which such deficiency is applicable and whether such Revenue Refunding Bonds will be deficient as to principal or interest, or both. The Bond Insurer will make payments of principal or interest due on the Revenue Refunding Bonds on or before the first day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Bond Trustee or paying agent, if any.

(b) The Bond Trustee or paying agent, if any, shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Bond Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, and all records relating to the funds maintained under the Indenture.

(c) The Bond Trustee or the paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of the Revenue Refunding Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered Owners of Revenue Refunding Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Revenue Refunding Bonds surrendered to the Insurance Trustee by the registered Owners of the Revenue Refunding Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Bond Trustee or the paying agent, if any, shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered Owners of Revenue Refunding Bonds entitled to receive the payment of principal or interest thereon from the Bond

Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Bond Insurer, of an appropriate assignment of the registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer to permit ownership of such Revenue Refunding Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Bond Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds for payment thereon first to the Bond Trustee or paying agent, if any, who shall note on such Revenue Refunding Bonds the portion of the principal paid by the Bond Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Bond Trustee and paying agent, if any, have notice that any payment of principal of or interest on a Revenue Refunding Bond which has become due for payment and which is made to a registered Owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Trustee or paying agent, if any, shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Trustee or paying agent, if any, shall furnish to the Insurance Trustee and the Bond Insurer its records evidencing the payments of principal of and interest on the Revenue Refunding Bonds which have been made by the Bond Trustee or paying agent, if any, and subsequently recovered from registered Owners and the dates on which such payments are made.

(f) In addition to those rights granted the Bond Insurer under the Bond Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Revenue Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners of the Revenue Refunding Bonds and (ii) in the case of subrogation as to claims for past due principal, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon surrender of the Revenue Refunding Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Deposit of Revenues upon Event of Default. Upon the occurrence and continuance of an Event of Default, the Bond Trustee shall establish a special account, to be designated the "Revenue Fund." All Revenues from or of the Hospital shall be deposited immediately upon receipt in the Revenue Fund and shall be used only to pay the reasonable and necessary Operating Expenses of the Hospital and as set forth in the Bond Indenture.

Costs of Issuance Account. The Bond Indenture creates and establishes with the Bond Trustee a trust fund to be designated the "Costs of Issuance Account." The Bond Trustee shall deposit in the Costs of Issuance Account Revenue Refunding Bond proceeds in the amount set forth in the Bond Indenture. Upon receipt of an Officer's Certificate requesting the same, the Bond Trustee is authorized and directed to make disbursements from the Costs of Issuance Account to reimburse or pay the Board or any Person designated by the Board for the costs of issuance of the Revenue Refunding Bonds, without further authorization from the Issuer. Ninety days after the issuance of the Revenue Refunding Bonds, all moneys remaining in the Costs of Issuance Account shall be deposited in the Interest Account in the Bond Fund to be used as provided in the Bond Indenture, and the Bond Trustee shall thereafter file a statement of receipts and disbursements with respect to the Costs of Issuance Account with the Issuer and the Board.

Additional Covenants of Issuer and Board

Maintenance of the Hospital Facilities. Until all the Revenue Refunding Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Issuer under the Bond Indenture shall have been paid, or sufficient funds as provided in the Bond Indenture are held in trust for the payment of all such obligations, the Board shall, at its sole cost and expense, keep and maintain the Hospital Facilities, both inside and outside, in a good state of repair and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted, and will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times. The Board will not use or permit the use of the Hospital Facilities, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. The Board shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Hospital Facilities in an economical and efficient manner, consistent with generally acceptable medical facilities comparable to the Hospital Facilities. The Board will properly operate and maintain the Hospital Facilities and make all necessary equipment replacements and repairs while the Revenue Refunding Bonds are Outstanding.

Operation of the Facilities. The Issuer will, through the Board, maintain the Hospital Facilities in good condition and faithfully and efficiently administer, maintain and operate the Hospital Facilities primarily as a health care facility, and the Issuer and the Board further covenant and agree that:

(a) they shall use, maintain and operate the Hospital Facilities primarily as a health care facility upon a revenue-producing basis, at a reasonable cost, consistent with the obligations imposed under the Indenture and its status as a public corporation, for the care and treatment of patients and other related purposes, and for the welfare and benefit of the general public;

(b) the Board will at all times use its best efforts to maintain and operate the Hospital Facilities to meet the standards and requirements and provide health care of such quality and in such manner as shall enable the Hospital to participate in, and provide services in connection with, recognized medical insurance programs (including Medicare and Medicaid), unless the Board shall determine by a Certified Resolution filed with the Issuer and the Bond Trustee that it is in the best interest of the Hospital and the Bondholders to not so comply;

(c) the Board will comply with Title VI of the Civil Rights Act enacted by the Congress of the United States in the operation and maintenance of the Hospital Facilities and otherwise will conform to applicable federal and State laws prohibiting discrimination based on race, religion, creed, color, age, handicap, sex or national origin; and

(d) the Board will use the Hospital Facilities only in furtherance of the lawful corporate purposes of the Issuer, the Board and the Hospital.

Maintenance of Tax Exemption. Neither the Issuer nor the Board shall take any action that would adversely affect the exclusion of interest on any Revenue Refunding Bonds from the gross income of the recipient thereof for purposes of federal income taxation.

Sale of Hospital Facilities. Except as permitted by Sections 7.05, 7.06 and 7.08 of the Indenture, as hereinafter described, the Issuer will not sell, convey or otherwise transfer any portion of the Hospital Facilities.

Permitted Encumbrances. Neither the Issuer nor the Board will create or suffer or permit to exist any lien, charge, encumbrance or security interest on or in (a) all or any part of the Revenues or (b) the Hospital Facilities, except in each case for Permitted Encumbrances. Permitted Encumbrances shall include the following as of any particular time:

(i) liens and encumbrances on the Property in existence on the date of the execution and delivery of the Indenture;

(ii) liens for ad valorem taxes and special assessments not then delinquent or, if delinquent, being in good faith contested in appropriate proceedings;

(iii) utility, access and other easements and rights-of- way, restrictions and exceptions that will not materially interfere with or impair the operations of the Hospital Facilities;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Hospital Facilities and as do not in the aggregate materially impair the Property affected thereby for the purpose for which it was acquired or is held;

(v) leases of portions of the Hospital Facilities to be used as offices for physicians, other providers of health care and other organizations;

(vi) leases of various departments of the Hospital Facilities such as food facilities, the emergency room, the laboratory, the radiology department, a gift shop, the pharmacy and other similar departments;

(vii) zoning laws and similar restrictions and liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith, and such other liens and charges at the time required by law as a condition precedent to the transaction of the health care activities of the Hospital, the Board or the Issuer, as applicable, or the exercise of any privileges or licenses;

(viii) liens or security interests securing Non-Recourse Indebtedness;

(ix) liens on moneys deposited by patients or others with the Hospital, the Board or the Issuer, as applicable, as security for or as prepayment for the cost of patient care;

(x) liens on Property received by the Hospital, the Board or the Issuer, as applicable, through gifts, grants or bequests, due to restrictions on such gifts, grants or bequests of Property or the income thereon, provided the Indebtedness, if any, secured by such lien is not assumed by the Hospital, the Board or the Issuer, as applicable;

(xi) liens on Property due to rights of third-party payors for recoupment of amounts paid to the Hospital, the Board or the Issuer, as applicable;

(xii) rights of the United States of America under Title 42 of the United States Code, Section 291, or by reason of any loan, grant or subsidy made available by the United States of America, and similar rights under state statutes;

(xiii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Hospital, the Board or the Issuer, as applicable, to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit-sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(xiv) any lien granted in connection with a sale of accounts receivable described in Paragraph (C) of "Transfers of Property" below; and

(xv) any lien consented to in writing by the Bond Insurer.

Permitted Indebtedness. Neither the Issuer nor the Board shall incur, assume or guarantee any indebtedness or liability in connection with the Hospital Facilities required by generally accepted accounting principles from time to time in effect to be shown or noted on the liability side of a balance sheet except for:

(a) Indebtedness and liabilities existing on the date of execution and delivery of the Indenture;

(b) Liabilities (other than for borrowed money) incurred in the regular course of the operations of the Hospital Facilities, including, without limitation, contributions to self-insurance programs, liabilities for accrued and unpaid vacation pay, unfunded pension liabilities, bank overdrafts incurred in the ordinary course of operations, and liabilities as lessee under leases of real or personal property which are not required to be capitalized on the balance sheet of the Hospital in accordance with such accounting principles, or, if such liabilities have not been so incurred, for the payment of which moneys have been deposited in a fund restricted for such purpose;

(c) Long-Term Debt, in addition to any Long-Term Debt included within the foregoing paragraphs (a) and (b); provided that, except as provided in the next succeeding clause (1) and (2), there shall at the time of issuance thereof be delivered to the Bond Trustee either:

(1) Certificate as to Historical Coverage: An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, the annual Net Income Available for Debt Service was not less than 135% of the Maximum Annual Debt Service Requirement on all Covered Debt then outstanding, and the Long-Term Debt then proposed to be issued, adjusted for any rate increases in effect on the date of incurrence of such Long-Term Debt, the appeal period, if any, for which has expired; or

(2) Reports on Historical and Pro-Forma Coverage. The following reports or opinions:

(x) An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, Net Income Available for Debt Service was not less than 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding at the end of such Fiscal Year, including the Long-Term Debt then proposed to be issued; and

(y) a report or opinion of a Management Consultant to the effect that the estimated annual Net Income Available for Debt Service is not less than 135% of the Maximum Annual Debt Service Requirement on all Covered Debt to be outstanding, after giving effect to the issuance of such Long-Term Debt and the application of the proceeds thereof (i) for each of the two Fiscal Years following the completion of any acquisition, construction, renovation or replacement of any capital assets or improvements being financed with any of the proceeds of such Long-Term Debt or (ii) if none of the proceeds of such Long-Term Debt are being used to finance any such acquisition, construction,

renovation or replacement, then for each of the two Fiscal Years following the issuance of such Long-Term Debt, including the then current fiscal year;

provided, however, that notwithstanding the foregoing, the certificate, reports or opinions set forth in the foregoing clauses (1) and (2) need not be delivered if such Long-Term Debt is incurred for refunding or advance refunding purposes and, after giving effect to the issuance of such Long-Term Debt and to the application of the proceeds thereof, the Maximum Annual Debt Service Requirement on all Covered Debt then to be outstanding does not exceed 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding immediately prior to such issuance, as evidenced by an Officer's Certificate delivered to the Bond Trustee concurrently with such issuance;

(d) Letter of Credit Debt consisting of Indebtedness for borrowed money, whether or not constituting Long-Term Debt, secured by a commitment from a foreign or domestic financial institution provided that at the time of issuance of any such indebtedness there shall be delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Letter of Credit Debt were Projected Long-Term Debt;

(e) Commitment Debt consisting of Indebtedness under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the issuance of any Indebtedness; provided, however, if such liquidity or credit facility is used or drawn upon, then the liability represented by such use or draw shall be included in Indebtedness for all other purposes of the Indenture and the Indebtedness paid from the proceeds of the use or draw shall no longer be included in Indebtedness;

(f) Short-Term Indebtedness incurred in the ordinary course of business, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Short-Term Debt plus the current portion of Long-Term Indebtedness does not exceed twenty-five percent (25%) of the Adjusted Annual Revenues as shown on the most recently available audited financial statements; provided, however, that there shall be a period of at least twenty (20) consecutive calendar days during each Fiscal Year during which all Short-Term Indebtedness shall not exceed five percent (5%) of such Adjusted Annual Revenues;

(g) Non-Recourse Debt; provided, that all the Property which is subject to said Non-Recourse Debt may not produce greater than 25% of the Adjusted Annual Revenues of the Hospital;

(h) Balloon Debt, provided that at the time of issuance thereof there is delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Balloon Debt were Projected Long-Term Debt;

(i) Completion Debt, provided that at the time of issuance thereof the Board shall deliver to the Bond Trustee an Officer's Certificate (x) stating that at the time of the original issuance of the Indebtedness in respect of which such Completion Debt is being issued, the Issuer had reasonably expected such Indebtedness to be adequate to complete the facilities or portion thereof thereby being financed and (y) demonstrating how such Completion Debt would be repaid if it were Projected Long-Term Debt;

(j) Other Long-Term Debt in addition to the Indebtedness permitted by the preceding clauses (a) through (i), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof, the aggregate unpaid principal amount of all such Indebtedness incurred pursuant to this subparagraph (j) then Outstanding shall not exceed 25% of Adjusted Annual Revenue as shown on the most recently available audited financial statements;

(k) Subordinated Debt; provided, that prior to the issuance thereof the Board shall deposit with the Bond Trustee an Officer's Certificate indicating that the Hospital will comply with the Indenture for the next two Fiscal Years, assuming issuance of such Subordinated Debt. Any Subordinated Debt shall provide that such Subordinated Debt may not be accelerated without the consent of the Bond Insurer;

(l) Indebtedness repayable from ad valorem or other tax levies; and

(m) Any other Indebtedness approved by the Bond Insurer.

Any Indebtedness issued or guaranteed by the Issuer or the Board, as appropriate, pursuant to any of the preceding paragraphs may at any time and from time to time, if the same shall then be permitted to be issued or guaranteed pursuant to another paragraph, be reclassified as having been issued or guaranteed pursuant to such other paragraph by delivery to the Bond Trustee of an Officers' Certificate setting forth the fact of such reclassification, which Certificate shall be supported by the documents and showings, if any, which would be required if such Indebtedness or guaranty were then being issued pursuant to such other paragraph.

No Indebtedness shall be incurred by the Issuer or the Hospital unless no Event of Default shall have occurred and be continuing with respect to the Revenue Refunding Bonds.

Any Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds shall also be secured by a debt service reserve fund, funded upon the issuance of such Indebtedness and maintained in an amount equal to the maximum annual debt service on such Indebtedness (or, if the Indebtedness is issued with its interest excludable from gross income for federal income tax purposes, such lesser amount as is allowable under the Code).

Rates and Charges. The Board agrees to fix rates, fees and charges for the services furnished by the Hospital Facilities in amounts sufficient to maintain Net Income Available for Debt Service in an amount not less than 110% (a ratio of 1.1:1) of the Maximum Annual Debt Service Requirement on the Revenue Refunding Bonds and all other Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds and 100% (1:1 ratio) of the Maximum Annual Debt Service Requirement on all

Indebtedness and on required deposits to the Debt Service Reserve Fund and other deposits required pursuant hereto. In the event that the annual audit reports for any Fiscal Year shall disclose that the amount required by the preceding sentence is not being maintained, the Board shall, within 30 days following the delivery of such audit report, employ a Management Consultant to prepare a report containing recommendations, if any, as to changes in the operating policies of the Board designed to maintain such amount and the Board shall follow such recommendations, if any, to the extent deemed feasible. A copy of such report shall be delivered to the Bond Trustee.

Transfers of Property. (A) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), neither the Issuer nor the Board will, in any Fiscal Year sell, lease, dispose of or otherwise transfer any Property, in excess of the greater of (i) 5% of the Current Value of all Property or (ii) 5% of the Book Value of all property, each determined as of the end of the most recent fiscal year in respect for which audited financial statements are available, unless the Issuer or the Board, as appropriate, shall certify to the Bond Trustee that:

(a) the Property in question has, or will within two years of the date of such Certificate, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary; or

(b) the disposition in question consists of an exchange of such Property for other property of equal or greater value than the Property being disposed of; or

(c) such Property consists of assets which may not legally be used or sold to pay Indebtedness; or

(d) such Property consists of charitable contributions previously received which are being transferred to a not-for-profit corporation organized for charitable purposes and has been shown by an Appraisal to be within the limits set forth in (i) and (ii) of (A), above; or

(e) after giving effect to such disposition, the estimated ratio of Net Income Available for Debt Service for the then current and next succeeding fiscal year to the Maximum Annual Debt Service Requirement on all Covered Debt scheduled to be outstanding at the end of each such fiscal year shall not be reduced by more than 20% and shall not be less than 1.75:1.00. Any Officer's Certificate given pursuant to this subparagraph (e) must be supported by a report or opinion of a Management Consultant.

(B) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), the Board shall not, in any Fiscal Year, transfer cash in an amount greater than 10% of its average Cash on Hand for the prior Fiscal Year.

(C) Notwithstanding the foregoing, the Board may sell, lease, dispose of or otherwise transfer Property in the ordinary course of business and may sell, transfer or assign accounts receivable without recourse at a discount of not more than 25% of the face value (being the amount expected to be received by the Board after contractual allowances, discounts and the like) thereof.

Cash on Hand Requirement. The Hospital shall at all times maintain at least 40 Days Cash on Hand.

Reporting Requirements. While the Policy is in effect, the Hospital shall furnish to the Bond Insurer:

(i) annual audited financial statements within thirty (30) days of such statements being made available to the Hospital;

(ii) with respect to the project financed with the proceeds of the 1994 Bonds (the "Project"), a report on the disposition of funds contested with the general contractor in connection with the ongoing construction and completion of the Project, a final construction report with respect to the Project and a copy of the architect's certificate of completion regarding the Project;

(iii) with respect to the additional improvements described in this Official Statement, a description of such improvements, together with an estimate of the costs thereof, the source of funding therefor and the estimated timing thereof, a final construction report with respect to such improvements and an architect's certificate or, if no architect is involved with such improvements, an Officer's Certificate regarding completion of such improvements;

(iv) a copy of any notice or report required to be given to the Bond Trustee, the Insurance Trustee, any paying agent, the registered Owners of the Revenue Refunding Bonds or any other party to any of the documents executed in connection with the issuance of the Revenue Refunding Bonds, including, without limitation, notice of any redemption of or defeasance of Revenue Refunding Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the Revenue Refunding Bonds;

(v) a copy of any request to the West Virginia Health Care Authority to change the licensed bed component of the Hospital;

(vi) a copy of any information filed by the Hospital with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR; and

(vii) such additional information as the Bond Insurer may reasonably request.

The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to discuss the affairs, finances and accounts of the Hospital or any information the Bond Insurer may reasonably request regarding the security for the Revenue Refunding Bonds with appropriate officers of the Issuer or the Hospital. The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to have access to and make copies of all books and records relating to the Revenue Refunding Bonds, and the security therefor at any reasonable time.

Insurance. The Issuer or the Board shall continuously maintain insurance on the Hospital. As long as the Policy is in effect, such insurance shall be against such risks (including casualty, accident and workers'

compensation), in such amounts and with such deductibles, as are acceptable to the Bond Insurer; provided that such terms are consistent with customary coverage, as from time to time in effect, in connection with the operation of a hospital of type and size comparable to the Hospital and as maintained by a political subdivision similar to the Issuer, all as determined in the sole discretion of the Bond Insurer. All such insurance must be provided by a recognized insurance company acceptable to the Bond Insurer.

Also, as long as the Policy is in effect, the Board (i) shall cause an Independent insurance consultant acceptable to the Bond Insurer, which may be the Hospital's independent insurance broker, to review the Hospital's insurance coverage at least once every two years and to make recommendations; (ii) shall comply with such recommendations; and (iii) shall not self-insure for any risks not self-insured as of the date hereof without the consent of the Bond Insurer.

Environmental Covenants. The Issuer and the Board represent and, so long as the Policy is in effect, covenant that the operations or activities of the Hospital shall not result in the disposal or release of any contaminant other than in compliance with all current and future applicable environmental laws, and that the Hospital shall not engage in any activities that will result in the violation of such laws.

Investments

Investment of Moneys. Except as described below and as otherwise provided in the Indenture, any moneys held as a part of the funds created pursuant to the Indenture shall be invested or reinvested by the Bond Trustee at the direction of the Board, confirmed by an Officer's Certificate, only in Investment Securities; provided, however, that, in the absence of any direction from the Board, the Bond Trustee shall keep such funds invested in Government Obligations. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Revenue Refunding Bonds without the prior written consent of the Insurer (so long as the Policy is in effect and the Insurer is not in default thereunder). Accrued and capitalized interest on deposit in the Interest Account shall be invested only in Government Obligations. Moneys on deposit in the Debt Service Reserve Fund shall be invested only in instruments described in Paragraphs (i), (ii) and (v) of the definition of Investment Securities, with maturities of not longer than one year.

Except as otherwise specifically provided in the Indenture, any such investment shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund in which such moneys were originally held. Any loss resulting from such investments shall be charged to such fund. Except as otherwise provided in the Indenture, any interest or other gain from any fund from any investment or reinvestment shall be allocated and transferred as follows:

(a) Except as provided in (c) below, any interest or other gain realized as a result of any investments or reinvestments of moneys in the Principal Account or the Interest Account of the Bond Fund shall be credited to the Principal Account unless a deficiency exists in the Debt Service Reserve Fund, in which case such interest or other gain shall be paid into the Debt Service Reserve Fund forthwith.

(b) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund if a deficiency exists therein at that time. If a deficiency does not exist in the Debt Service Reserve Fund at that time, such interest or other gain shall be paid into the Principal Account at least semiannually.

(c) Any interest or gain realized as a result of any investments or reinvestments of Revenue Refunding Bond proceeds deposited in the Interest Account shall be maintained in the Interest Account.

At least quarterly, the Bond Trustee shall value the investments held for any fund at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the owner, including the value of accrued interest and giving effect to the amortization of discount. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient to make the payments required from such fund regardless of the loss on such liquidation. The Bond Trustee may make any and all investments permitted by the Bond Indenture through its own bond department.

In making investments of the moneys held hereunder the Bond Trustee may rely on the direction of the Board and shall not be liable for any investments made in violation of the covenant as to arbitrage contained in the Indenture or otherwise, if made pursuant to such direction.

Satisfaction and Discharge

Satisfaction and Discharge. All obligations of the Issuer and the Board under the Indenture shall terminate, and the estate and rights granted shall cease, determine and be void, and the Bond Trustee shall assign and deliver to the Board any moneys and investments in the Bond Fund and Debt Service Reserve Fund when:

(a) all fees and expenses of the Bond Trustee shall have been paid as provided for;

(b) the Issuer and the Board shall have performed all of their agreements in the Indenture;

(c) if, when the Revenue Refunding Bonds (i) shall have become due and payable in accordance with their terms or (ii) shall have been duly called for redemption or (iii) irrevocable instructions to call such Revenue Refunding Bonds for redemption or to pay such Revenue Refunding Bonds at their respective maturities or combination of such payment and redemption shall have been given by the Issuer, the whole amount of the principal and the interest and premium, if any, so due and payable upon all such Revenue Refunding Bonds then Outstanding shall be paid or sufficient moneys, or non-redeemable Government Obligations the principal of and the interest on which when due will provide sufficient moneys, shall be held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, for such purpose under the provisions of the Indenture and provision shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of the Owners of such Revenue Refunding Bonds in the revenues, funds and accounts mentioned in the Indenture shall thereupon cease, determine and become void, the Issuer shall have no obligation with respect to such Revenue Refunding Bonds except for the payment of the principal of, redemption premium, if any, and interest thereon solely from the moneys or Government Obligations

deposited as described herein, otherwise the Indenture shall be, continue and remain in full force and effect; provided, however, that in the event Government Obligations shall be deposited with and held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, as hereinabove provided, in addition to the requirements set forth in Article III of the Indenture, the Issuer shall within thirty (30) days after such Government Obligations shall have been deposited with the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, cause a notice to be mailed by first class mail, postage prepaid, to each Owner of such Revenue Refunding Bonds at the address listed in the Bond Register, of (i) the date, if any, designated for redemption of such Revenue Refunding Bonds or if a portion of such Outstanding Revenue Refunding Bonds are to be redeemed prior to their maturities or mandatory redemption dates, a statement to the effect that designated Revenue Refunding Bonds are being paid at maturity or prior mandatory redemption and designated Revenue Refunding Bonds are being redeemed in amounts and at a time which will satisfy the Principal Installments therefor, (ii) a description of the non-redeemable Government Obligations so held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, and (iii) that the Indenture has been repealed and canceled in accordance with the Indenture;

(d) if any portion of the Revenue Refunding Bonds are to be redeemed prior to the stated maturity date thereof, arrangements, satisfactory to the Bond Trustee, shall have been made for the giving of notice of redemption of such Revenue Refunding Bonds on the date required by the Indenture;

(e) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer, a certificate executed by the Issuer Representative and an Opinion of Counsel, each stating that all requirements of the Indenture for defeasance of the Revenue Refunding Bonds have been complied with; and

(f) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer a verification report by a verifier acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer (so long as the Policy is in effect).

Application of Trust Moneys. All moneys and Government Obligations deposited with or held by the Bond Trustee as described above shall be held in trust for the Owners of the Revenue Refunding Bonds and applied by it, in accordance with the provisions of such Revenue Refunding Bonds and the Indenture, to the payment to the persons entitled thereto, of the principal and interest for the payment of which such moneys and Government Obligations have been deposited with the Bond Trustee; but such moneys and Government Obligations need not be segregated from other funds except to the extent required by law. Such moneys and Government Obligations shall not be deemed to be "available" for purposes of the Indenture and shall not be subject to investment.

Subrogation. Notwithstanding anything in the Bond Indenture to the contrary, in the event that the principal and interest, or either thereof, due on the Revenue Refunding Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Revenue Refunding Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer or the Hospital, and all covenants, agreements and other obligations of the Issuer and the Hospital to the registered Owner shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

Defaults and Remedies

Events of Default. Each of the following shall be an "Event of Default" under the Indenture:

(a) Failure to pay the principal of, or the premium, if any, or interest on any of the Revenue Refunding Bonds when the same shall become due and payable at maturity, upon redemption or otherwise; or

(b) Failure by the Issuer or the Board to perform any of its covenants, conditions, agreements and provisions contained in the Revenue Refunding Bonds or in the Indenture other than as specified in (a) above, and such failure shall continue for the period and after the notice specified in the Bond Indenture; or

(c) Subject to any grace provisions therefor, failure to pay when due the principal of or interest on any other Indebtedness of or relating to the Hospital.

Notice of Default; Opportunity to Cure Such Default. No default described under (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Issuer and the Board by the Bond Trustee or by the Owners of not less than 25 percent in aggregate principal amount of all Revenue Refunding Bonds Outstanding and until the Issuer and the Board shall have had 30 days after receipt of such notice to correct such default, and shall not have corrected it; provided, however, if said default be such that it cannot be corrected within such 30 day period and with the consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Board within the applicable period and the default is corrected within 120 days after receipt of the notice to correct such default.

Acceleration; Cure. Upon the occurrence and continuance of any Event of Default, the Bond Trustee may, and, upon the written request of the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding, the Bond Trustee shall, by notice in writing delivered to the Issuer and the Board, declare the principal of all Revenue Refunding Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein without any presentment, demand, protest or other notice of any kind.

The above provisions, however, are subject to the condition that if, after the principal of the Revenue Refunding Bonds shall have been so declared to be due and payable, all arrears of interest upon the Revenue Refunding Bonds, and all other sums payable under the Indenture (except the principal of, and interest on, the Revenue Refunding Bonds which by such declaration shall have become due and payable) shall have been paid by or on behalf of the Issuer, and the Issuer and the Board also shall have performed all other things in respect of which they, or either of them, may have been in default hereunder, and shall have paid the reasonable charges of the Bond Trustee, its counsel and the Owners of the Revenue Refunding Bonds, including reasonable attorneys' fees paid or incurred, then and in every such case, the Owners of not less than a majority in aggregate principal amount of Revenue Refunding Bonds then Outstanding may, by written notice to the Issuer and to the Bond Trustee, waive such default and rescind and annul such declaration and its consequences, and such waiver shall be binding upon the Bond Trustee and upon all Owners of Revenue Refunding Bonds; but no such waiver,

rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Powers of Bond Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Bond Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding hereunder shall, proceed, subject to the provisions of the Bond Indenture, to protect and enforce its rights and the rights of the Owners under the laws of the State and under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained in the Indenture or in aid or execution of any power in the Indenture granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Upon the occurrence and continuance of an Event of Default and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Owners under the Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Hospital Facilities and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

The Bond Trustee may maintain any proceedings without the possession of any of the Revenue Refunding Bonds or the production thereof in connection with said proceeding.

If any proceeding taken by the Bond Trustee on account of any Event of Default is discontinued or abandoned for any reason, or determined adversely to the Bond Trustee, then and in every case the Issuer, the Hospital, the Bond Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bond Trustee shall continue as though no such proceeding had been taken.

Powers of Owner. The Owners of a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee under the Indenture.

Limitations on Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or any other remedy hereunder or on the Revenue Refunding Bonds, unless:

(a) such Owner previously shall have given to the Bond Trustee written notice of an Event of Default;

(b) the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have made written request of the Bond Trustee, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture above granted or to institute such action, suit or proceeding in its or their name;

(c) there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(d) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time.

Such notification, request and offer of indemnity are, at the option of the Bond Trustee, conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder; its being understood and intended that no Owner shall have any right in any manner whatever by his action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder or under the Revenue Refunding Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal and ratable benefit of all Owners of Outstanding Revenue Refunding Bonds affected thereby, subject to the provisions of the Indenture. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner to institute suit for the enforcement of payment of the principal of and the premium, if any, and interest on such Revenue Refunding Bond when due and payable in accordance with its terms, upon redemption or otherwise.

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

Delay or Omission of Bond Trustee. No delay or omission of the Bond Trustee or of any Owner of the Revenue Refunding Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given to the Bond Trustee and to the Owners of the Revenue Refunding Bonds with respect thereto may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. Any moneys received by the Bond Trustee while an Event of Default is continuing, and any available moneys held in any of the funds created hereunder shall, after first being applied to the payment of the reasonable fees and expenses of the Bond Trustee, be applied in the following order:

(a) Unless the principal of all the Revenue Refunding Bonds shall have been declared due and payable, all such moneys shall be applied to the payment to the Persons entitled thereto of all installments of interest then due on the Revenue Refunding Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

(b) If the principal of all the Revenue Refunding Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid on the Revenue Refunding Bonds, without preference or priority, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto; and

(c) To the extent of the surplus, if any, to the Board, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

For the purpose of the Indenture, moneys which, at the time an Event of Default occurs, are held in the Redemption Account in the Bond Fund for the redemption of any Revenue Refunding Bonds for which a notice of redemption has been given prior to such Event of Default, or in the Interest Account for the payment of interest which shall have become payable prior to such Event of Default, shall not be deemed "available," but shall be applied to such redemption or payment.

Whenever moneys are to be applied as described above, the Bond Trustee shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Revenue Refunding Bond until such Revenue Refunding Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Notice of Default. The Bond Trustee shall mail to all Owners of the Revenue Refunding Bonds, at their addresses as they appear on the Bond Register, written notice of the occurrence of any Event of Default set forth above within thirty (30) days after the Bond Trustee shall have notice of the same; provided, that, except upon the happening of an Event of Default specified in Paragraph (a) above, the Bond Trustee may withhold such notice if in its opinion such withholding is in the interest of the Owners; and provided further, that the Bond Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

Consent and Control of the Bond Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence of an Event of Default, the indebtedness evidenced by the Revenue Refunding Bonds shall not be accelerated without the Bond Insurer's prior written consent. At that time, the Bond Insurer may, in its discretion, either direct the Bond Trustee to accelerate payment of the Revenue Refunding Bonds or continue to pay principal and interest on the originally scheduled due dates of the Revenue Refunding Bonds.

No waivers shall be granted by the Bond Trustee or any paying agent without the prior written consent of the Bond Insurer.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as described above, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or any trustee appointed for the benefit of the Owners under the Indenture.

Bond Trustee

Bond Trustee. The Bond Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or the Board except as set forth in the Bond Indenture. The Bond Trustee has no obligation to perform any of the duties of the Issuer or the Board under the Bond Indenture. The Bond Trustee shall not be required to expend or risk its own funds or otherwise

incur any financial liability (except for its own negligence or willful misconduct) in the performance of its duties or in the exercise of any of its rights and powers. Except during the continuance of an Event of Default, the Bond Trustee is obligated to perform only such duties as are specifically set forth in the Bond Indenture. Except as expressly required in the Indenture, the Bond Trustee shall not be required to institute any suit or action or other proceeding in which it may be a defendant or to take any steps to enforce its rights and expose it to liability or be deemed liable for failure to take such action, unless and until it shall have been indemnified to its satisfaction against any and all reasonable costs, expenses, fees and other reasonable disbursements against all liabilities and damages.

Notice of Potential Default to Owners; Presumed Knowledge. Within 30 days after the occurrence of any event which would, with the passage of time or giving of notice or both, be an Event of Default of which the Bond Trustee has actual knowledge or has, or is deemed to have, notice, the Bond Trustee shall, unless such event shall no longer exists, mail notice thereof to all Owners; provided, however, that, except upon the happening of an Event of Default specified in Paragraph (a) of "Events of Default," such notice need not be given if the Bond Trustee determines that to give such notice is not in the best interest of the Owners.

For purposes of Articles X and XI of the Indenture, the Bond Trustee shall not be deemed to have actual knowledge of any such event unless a trust officer, assistant trust officer or other person charged with the administration of the obligations of the Bond Trustee hereunder shall during the course of his duties have actual knowledge thereof. Such person shall be deemed to have actual knowledge if notified in writing of such by the Owners of at least 15 percent in aggregate principal amount of Revenue Refunding Bonds then Outstanding.

Rights and Powers During Default. Subject to its responsibility to act upon the direction of Owners, the Bond Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that, if in the opinion of the Bond Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Right to Rely Upon Documents. The Bond Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine. The Bond Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Intervention by Bond Trustee. The Bond Trustee may intervene on behalf of the Owners in any judicial proceeding to which the Issuer is a party and which, in the opinion of the Bond Trustee and its counsel, has a substantial bearing on the interests of the Owners, and shall intervene if it is requested in writing by the Owners of at least 50 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding and provided indemnity. Such rights and obligations of the Bond Trustee are subject to the approval of a court of competent jurisdiction.

Board's Right of Possession and Use of Hospital Facilities. So long as the Issuer and the Board are in full compliance with the terms and provision of the Indenture, the Board shall be entitled to possess, use, operate and enjoy the properties and appurtenances constituting the Hospital Facilities without interference from, or entry on the Hospital Facilities by, and free from claims of, the Bond Trustee or persons claiming by, through or under it.

Consent and Control of the Bond Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence of an Event of Default, the indebtedness evidenced by the Revenue Refunding Bonds shall not be accelerated without the Bond Insurer's prior written consent. At that time, the Bond Insurer may, in its discretion, either direct the Bond Trustee to accelerate payment of the Revenue Refunding Bonds or continue to pay principal and interest on the originally scheduled due dates of the Revenue Refunding Bonds.

Supplemental Indenture; Amendments

Supplemental Indentures Without Consent of Owners. The Issuer and the Bond Trustee may without the consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Bond Trustee or either of them;

(c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new Bond Trustee under the Indenture;

(e) to provide for the issuance of Revenue Refunding Bonds as other than Book-Entry Bonds;

(f) to preserve the exclusion of interest on the Revenue Refunding Bonds from the gross income of the recipients thereof for federal income tax purposes;

(g) to obtain a favorable credit rating from Moody's and S&P, or any thereof, with respect to the Revenue Refunding Bonds;

(h) to make any other changes approved by the Bond Insurer; or

(i) to make any other change in the Indenture which, in the judgment of the Bond Trustee in reliance upon an Opinion of Counsel, does not materially adversely affect the rights of the Owners of any Revenue Refunding Bonds.

Modification of the Indenture with Consent of Owners. From time to time the Owners of not less than 67 percent (except in the case of a rescission of acceleration under the Bond Indenture) in aggregate principal amount of the Outstanding Revenue Refunding Bonds materially adversely affected by any waiver under, or modification or alteration of, the Indenture may, by an instrument or instruments in writing signed by such Owners and filed with the Bond Trustee, assent to and authorize any such waiver, modification or alteration that shall be proposed by the Issuer and the Board and consented to by the Bond Trustee; and any action authorized in the Indenture to be taken, with the assent or authority given as aforesaid, shall be binding upon the Owners of all of the Revenue Refunding Bonds and upon the Bond Trustee as fully as though such action were specifically and expressly authorized by the terms of the Indenture; provided, that, without the consent of the Owners of all Revenue Refunding Bonds affected thereby, no such waiver, modification or alteration shall permit: (a) the reduction of the portion of the Revenue Refunding Bonds the consent of the Owners of which is required for any waiver, modification or alteration of the Indenture or (b) the extension of the time or times of payment of the principal of or the premium, if any, or interest on the Revenue Refunding Bonds, whether at maturity, upon redemption or otherwise, or the reduction in the principal amount thereof or in the rate of interest or the amount of any premium thereon or any change in the currency for payment thereof. No modification of the rights, duties or immunities of the Bond Trustee shall be made without the written consent of the Bond Trustee.

Anything in the Indenture to the contrary notwithstanding, a supplemental indenture which affects any rights or obligations of the Board shall not become effective unless and until the Board shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Board at least 15 days prior to the proposed date of execution and delivery of any such supplemental indenture.

Consent of Bond Insurer Required. Unless otherwise provided in the Indenture and provided it is not in default under the Policy, the Bond Insurer's consent shall be required for the following purposes: (i) execution and delivery of any supplemental indenture or any amendment of or supplement to any other document executed in connection with the issuance of the Revenue Refunding Bonds; (ii) appointment of a paying agent; (iii) removal of the Bond Trustee or any paying agent; and (iv) initiation or approval of any action not described in (i), (ii) or (iii) above which requires Revenue Refunding Bond Owner consent. Provided it is not in default under the Policy, the Bond Insurer shall have the sole right to give the consent of the Owners required for any amendment, change, waiver, modification or alteration of the Bond Indenture, except in those instances requiring the consent of the Owners of all Revenue Revenue Refunding Bonds affected thereby or then Outstanding, in which case the consent of the Owners shall not be effective unless the consent of the Bond Insurance is also received.

Miscellaneous

Sole Benefit of Parties and Owners; Bond Insurer. Except as otherwise provided with respect to the Board and the Bond Insurer, nothing in the Indenture expressed or implied is intended or shall be construed to confer upon any Person other than the parties thereto (including the Board) and the Owners of the Revenue

Refunding Bonds any right, remedy or claim under or by reason of the Indenture, the Indenture's being intended to be for the sole and exclusive benefit of such parties hereto and the Owners of the Revenue Refunding Bonds.

The Bond Insurer shall be included as a party in interest (third party beneficiary) with respect to the Indenture and as a party entitled to (i) notify the Bond Trustee of the occurrence of an event of default, and (ii) request the Bond Trustee to intervene in judicial proceedings that affect the Revenue Refunding Bonds or the security therefor.

Severability of Provisions. In case any one or more of the provisions of the Indenture or of the Revenue Refunding Bonds shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture or of said Revenue Refunding Bonds, but the Indenture and the Revenue Refunding Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein.

CHASFS3:120206

[This Page is Intentionally Left Blank]

APPENDIX F

FORM OF PROPOSED BOND COUNSEL OPINION FOR G.O. REFUNDING BONDS

[This Page is Intentionally Left Blank]

[Jackson & Kelly letterhead]

_____, 1998

The County Commission of Grant County
5 Highland Avenue
Petersburg, WV 26847

RE: $_____ The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $_____ in aggregate principal amount of General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G.O. Refunding Bonds"), of The County Commission of Grant County, West Virginia (the "County Commission"), a body corporate and governmental instrumentality organized and existing under the laws of the State of West Virginia.

The G.O. Refunding Bonds are issued under and pursuant to Chapter 13, Articles 1 and 2 of the Code of West Virginia, 1931, as amended (the "Act"), and under and pursuant to orders entered by the County Commission on February 11, 1998 and _____ _____, 1998 (together, the "Bond Order").

The G.O. Refunding Bonds are being issued for the purpose of advance refunding the County Commission's $1,800,000 General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A (the "1994 G.O. Bonds").

We are of the opinion that:

[This Page is Intentionally Left Blank]

income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

On the date of delivery of the G.O. Refunding Bonds, the County Commission, the Hospital and the West Virginia Municipal Bond Commission (the "Bond Commission") will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the County Commission and the Hospital covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the G.O. Refunding Bonds will not, for the purposes of federal income taxation, be includable in gross income.

In rendering the opinion in paragraph 5 hereof, we have assumed continued compliance of the County Commission, the Hospital and the Bond Commission with the covenants, provisions and procedures set forth in the Tax Regulatory Agreement.

6. Under the Act, the G.O. Refunding Bonds are exempt from all taxation by the State of West Virginia or any political subdivision thereof.

7. The County Commission has designated the G.O. Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the amount of the refunding obligations does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the G.O. Refunding Bonds are "qualified tax-exempt obligations" within the meaning of § 265(b)(3) of the Code.

We express no opinion herein regarding other tax consequences arising with respect to the G.O. Refunding Bonds.

No opinion is expressed herein as to the effect upon enforceability of the G.O. Refunding Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or the exercise of judicial discretion or equitable principles in appropriate cases.

We have examined one of the executed G.O. Refunding Bonds and, in our opinion, the form of said G.O. Refunding Bond and its execution are regular and proper.

Very truly yours,

CHASFS3:115606

[Jackson & Kelly letterhead]

_____, 1998

The County Commission of Grant County
5 Highland Avenue
Petersburg, WV 26847

RE: $_____ The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $_____ in aggregate principal amount of Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C (the "Revenue Refunding Bonds"), of The County Commission of Grant County, West Virginia (the "County Commission"), a body corporate and governmental instrumentality organized and existing under the laws of the State of West Virginia.

The Revenue Refunding Bonds are issued under and pursuant to Chapter 7, Article 3 (the "Hospital Act"), and Chapter 13, Article 2E (the "Refunding Act") of the Code of West Virginia, 1931, as amended (the Hospital Act and the Refunding Act are hereinafter referred to together as the "Act"), and under and pursuant to orders entered by the County Commission on February 11, 1998, and _____, 1998 (together, the "Bond Order"), and a Bond Trust Indenture dated as of May 1, 1998 (the "Bond Indenture"), by and among the County Commission, Grant Memorial Hospital (the "Hospital") and Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as bond trustee (the "Bond Trustee").

The Revenue Refunding Bonds are being issued for the purpose of advance refunding the County Commission's $3,150,000 Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds").

We are of the opinion that:

1. The County Commission is a duly created and validly existing statutory corporation acting on behalf of Grant County, a duly created and validly existing political subdivision of the State of West Virginia, and is authorized by the Act to issue and sell the Revenue Refunding Bonds.

2. The County Commission has the right and power under the Act to enter the Bond Order, and the Bond Order has been duly and lawfully entered by the County Commission, is in full force and effect and is valid and binding upon the County Commission and enforceable in accordance with its terms, and no other authorization for the Bond Order is required. The Bond Order and the Bond Indenture create the valid pledge which they purport to create of the Net Revenues, as defined in the Bond Indenture, and the funds held in trust pursuant to the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

3. The County Commission is duly authorized and entitled to issue the Revenue Refunding Bonds, and the same have been duly and validly authorized and issued by the County Commission in accordance with the statutes of the State of West Virginia, including the Act, the Bond Order and the Bond Indenture and constitute valid, binding special obligations of the County Commission, enforceable in accordance with their terms and the terms of the Bond Order and the Bond Indenture and entitled to the benefits of the Act and of the Bond Order and the Bond Indenture.

4. The Bond Indenture has been duly authorized, executed and delivered by the County Commission and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and legally binding agreement by and among the parties thereto, enforceable in accordance with its terms.

5. Under existing statutes and court decisions, the interest on the Revenue Refunding Bonds is excludable from the 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"). In addition, interest on the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals or corporations. However, interest on the Revenue Refunding Bonds is included under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Revenue Refunding Bonds in order that, for federal income tax

[This Page is Intentionally Left Blank]

APPENDIX H

SPECIMEN INSURANCE POLICY

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This policy is non-cancelable for any reason. Premiums paid on this policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this policy to be issued to the Insurance Trustee for the benefit of the holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this __day of _____, 19__.

ASSET GUARANTY INSURANCE COMPANY

By: _____
Name:
Title:

SPECIMEN

This policy is not covered by the property/casualty insurance security fund established by Article 76 of the New York Insurance Law.

FINANCIAL GUARANTY INSURANCE POLICY

Obligor:

Bonds:

Bond Trustee:

Insurance Trustee:

Policy Number:

Premium:

SPECIMEN

Asset Guaranty Insurance Company ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the holders from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the due date, the Insurer shall, not later than such due date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this policy, in full. When referring to interest on the Obligation, "due date" means the stated date for payment of interest.

purposes, interest on the Revenue Refunding Bonds is not includable in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Revenue Refunding Bond proceeds, restrictions on the investment of Revenue Refunding Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Revenue Refunding Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

On the date of delivery of the Revenue Refunding Bonds, the County Commission, the Hospital and the Bond Trustee will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the County Commission and the Hospital covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Revenue Refunding Bonds will not, for the purposes of federal income taxation, be includable in gross income.

In rendering the opinion in paragraph 5 hereof, we have assumed continued compliance of the County Commission, the Hospital and the Bond Trustee with the covenants, provisions and procedures set forth in the Tax Regulatory Agreement.

6. Under the Refunding Act, the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes.

7. The County Commission has designated the Revenue Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the amount of the refunding obligations does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the Revenue Refunding Bonds are "qualified tax-exempt obligations" within the meaning of § 265(b)(3) of the Code.

We express no opinion herein regarding other tax consequences arising with respect to the Revenue Refunding Bonds.

No opinion is expressed herein as to the effect upon enforceability of the Revenue Refunding Bonds of bankruptcy, insolvency, reorganization, moratorium and other

laws affecting creditors' rights or the exercise of judicial discretion or equitable principles in appropriate cases.

We have examined one of the executed Revenue Refunding Bonds and, in our opinion, the form of said Revenue Refunding Bond and its execution are regular and proper.

Very truly yours,

CHASFS3:115599

NEW ISSUE — BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing statutes and court decisions, the interest on the G.O. Refunding Bonds and on the Revenue Refunding Bonds is excludable from the 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"). In addition, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax that may be imposed under the Code with respect to individuals or corporations; interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds, however, is includable under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. Under the G.O. Refunding Act (as defined herein), the G.O. Refunding Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any political subdivision thereof; and, under the Revenue Refunding Act (as defined herein), the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes. See "Tax Matters" herein.

$1,780,000
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
GENERAL OBLIGATION REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL), SERIES 1998A
(the "G.O. Refunding Bonds")

and

$3,225,000
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
HOSPITAL REVENUE REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL), SERIES 1998C
(the "Revenue Refunding Bonds")
(together, the "Refunding Bonds")

Dated: May 1, 1998

G.O. Refunding Bonds Due: April 1, as shown on the reverse hereof

Revenue Refunding Bonds Due: October 1, as shown on the reverse hereof

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS ARE SHOWN ON THE INSIDE OF THE FRONT COVER OF THIS OFFICIAL STATEMENT.

Payment of principal of and interest on the Refunding Bonds will be insured in accordance with the terms of separate insurance policies to be issued simultaneously with the delivery of each issue of Refunding Bonds by

ASSET GUARANTY INSURANCE COMPANY

The Refunding Bonds are issuable only as fully registered bonds and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Refunding Bonds. Refunding Bonds will be available to ultimate purchasers ("Beneficial Owners"), in the principal amount of $5,000 or integral multiples thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry form. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. References herein to the Bondholders, the Bond owners, the Owners or the registered owners of the Bonds mean Cede & Co. and not the Beneficial Owners of the Refunding Bonds.

Interest on the G.O. Refunding Bonds will be payable on October 1, 1998, and semiannually thereafter (each April 1 and October 1). Under the G.O. Refunding Act, principal of and interest on the G.O. Refunding Bonds are payable, and the G.O. Refunding Bonds are subject to registration, at the office of the West Virginia State Treasurer. The County Commission has appointed Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as an additional paying agent for the G.O. Refunding Bonds (the "Paying Agent"). The principal and redemption price of and interest on the G.O. Refunding Bonds are payable by the State Treasurer or Paying Agent to DTC. Interest on the Revenue Refunding Bonds will be payable on April 1, 1999, and semiannually thereafter (each October 1 and April 1). The principal and redemption price of and interest on the Revenue Refunding Bonds are payable to DTC by Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as Bond Trustee (the "Bond Trustee"). So long as DTC or its nominee remains the registered owner, disbursement 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, as described herein.

The Refunding Bonds are subject to redemption prior to maturity as described herein.

The G.O. Refunding Bonds are general obligations of The County Commission of Grant County, West Virginia (the "County Commission"), which County Commission has the power and is obligated to levy ad valorem taxes upon all taxable property within Grant County, West Virginia (the "County"), to pay the G.O. Refunding Bonds and the interest thereon within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Revenue Refunding Bonds are being issued under and are secured by a Bond Trust Indenture dated as of May 1, 1998 (the "Bond Indenture"), among the County Commission, Grant Memorial Hospital (the "Hospital"), and the Bond Trustee, and are payable solely from and secured by certain moneys pledged thereto under the Bond Indenture and by an assignment and pledge by the County Commission of the net revenues of the Hospital.

The Revenue Refunding Bonds are special obligations of the County Commission, payable solely from and secured by a pledge of the net revenues of the Hospital and from funds provided therefor under the Bond Indenture. The Revenue Refunding Bonds do not constitute a debt or a pledge of the faith and credit or taxing power of the County, the County Commission, the State of West Virginia or any county, municipality or other political subdivision of the State of West Virginia.

The G.O. Refunding Bonds are issued for the purpose of refunding, in advance of the maturity thereof, and redeeming on April 1, 2002, $1,800,000 The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A, presently outstanding in the aggregate principal amount of $1,670,000. The Revenue Refunding Bonds are issued for the purpose of refunding, in advance of the maturity thereof, and redeeming on October 1, 2000, $3,150,000 The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C, presently outstanding in the aggregate principal amount of $3,090,000.

The County Commission has designated the Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations," and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations does not apply to the Refunding Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Refunding Bonds is deductible for federal income tax purposes.

The Refunding Bonds are offered when, as and if issued by the County Commission and accepted by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the legality of the Refunding Bonds by Jackson & Kelly, Charleston, West Virginia, Bond Counsel. Legal matters pertinent to the financing will be passed upon for the County Commission and Hospital by their Counsel, Dennis V. DiBenedetto, Esq., Petersburg, West Virginia; and for the Underwriter by its Counsel, Jackson & Kelly, Charleston, West Virginia. It is expected that the Refunding Bonds will be available for delivery to DTC in New York, New York, on or about May 28, 1998.

FERRIS, BAKER WATTS
INCORPORATED

Dated: May 13, 1998

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

G.O. REFUNDING BONDS

Series 1998A

Maturity (April 1)	Amount	Interest Rate	Price or Yield
1999	$ 65,000	3.85%	100%
2000	55,000	4.00%	100%
2001	60,000	4.10%	100%
2002	65,000	4.15%	100%
2003	65,000	4.20%	100%
2004	70,000	4.25%	100%
2005	70,000	4.30%	100%
2006	75,000	4.40%	100%
2007	75,000	4.50%	100%
2008	80,000	4.60%	100%
2009	80,000	4.70%	100%
2010	90,000	4.80%	100%
2011	95,000	4.90%	100%
2012	95,000	5.00%	100%
2013	100,000	5.10%	100%
2014	110,000	5.15%	100%
2015	110,000	5.20%	100%
2016	110,000	5.25%	100%

$310,000 5.30% Term Bonds due 4/1/19 Price 100%

(Accrued interest to be added.)

REVENUE REFUNDING BONDS

Series 1998C

Maturity (October 1)	Amount	Interest Rate	Price or Yield
1999	35,000	3,85%	100%
2000	100,000	4.00%	100%
2001	105,000	4.10%	100%
2002	110,000	4.15%	100%
2003	115,000	4.20%	100%
2004	120,000	4.25%	100%
2005	130,000	4.30%	100%
2006	135,000	4.40%	100%
2007	135,000	4.50%	100%
2008	145,000	4.625%	100%
2009	155,000	4.75%	100%
2010	155,000	4.85%	100%
2011	165,000	4.95%	100%
2012	175,000	5.05%	100%
2013	185,000	5.15%	100%

$1,260,000 5.35% Term Bonds due 10/1/19 Price 100%

(Accrued interest to be added.)

THE COUNTY COMMISSION OF GRANT COUNTY
WEST VIRGINIA

Commission Members

Robert F. Sites, President
David L. Jones
Jane Kite Keeling

County Clerk

Harold G. Hiser

Prosecuting Attorney

Dennis V. DiBenedetto

Bond Counsel

Jackson & Kelly
Charleston, West Virginia

Underwriter

Ferris, Baker Watts, Incorporated
Baltimore, Maryland
Charleston, West Virginia

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

The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption contained therein. The registration or qualification of the Refunding Bonds in accordance with the applicable provisions of securities laws of the states in which the Refunding Bonds have been registered or qualified and the exemption therefrom in other states cannot be regarded as a recommendation thereof.

No dealer, broker, salesperson or other person has been authorized by the County Commission, the Hospital or the Underwriter to give any information or to make any representations with respect to the Refunding Bonds, other than those in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of any Refunding Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County Commission, the Hospital, the Bond Insurer and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and the information is not to be construed as a representation by the Underwriter. All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. 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 County Commission, the Hospital or the Bond Insurer since the date hereof.

The order and placement of information in this Official Statement, including the Appendices, do not represent a determination of relative materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Refunding Bonds is made only by means of this entire Official Statement.

TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
THE COUNTY COMMISSION	3
THE HOSPITAL	5
REFUNDING BONDS	6
BOND INSURANCE	15
FINANCING PLAN	17
ESTIMATED SOURCES AND USES OF FUNDS	19
THE G.O. REFUNDING BONDS	20
THE REVENUE REFUNDING BONDS	44
BONDHOLDERS' RISKS	46
UNDERWRITING	57
TAX MATTERS	57
VERIFICATION OF MATHEMATICAL COMPUTATIONS	59
RATINGS	59
LEGAL MATTERS	60
LITIGATION	60
INDEPENDENT AUDITORS	60
CONTINUING DISCLOSURE	61
MISCELLANEOUS	62

APPENDIX A -- Information Concerning Grant County
APPENDIX B -- Information Concerning Grant Memorial Hospital
APPENDIX C -- Financial Statements of the County Commission
APPENDIX D -- Financial Statements of the Hospital
APPENDIX E -- Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture
APPENDIX F -- Form of Proposed Bond Counsel Opinion for G.O. Refunding Bonds
APPENDIX G -- Form of Proposed Bond Counsel Opinion for Revenue Refunding Bonds
APPENDIX H -- Specimen Financial Guaranty Insurance Policy for Refunding Bonds

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN AND IN APPENDIX H HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE REFUNDING BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE REFUNDING BONDS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$1,780,000
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
GENERAL OBLIGATION REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL),
SERIES 1998A

$3,225,000
THE COUNTY COMMISSION OF GRANT COUNTY
[WEST VIRGINIA]
HOSPITAL REVENUE REFUNDING BONDS
(GRANT MEMORIAL HOSPITAL),
SERIES 1998C

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering by The County Commission of Grant County, West Virginia (the "County Commission"), of its $1,780,000 The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G.O. Refunding Bonds"), and $3,225,000 The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C (the "Revenue Refunding Bonds"; the G.O. Refunding Bonds and the Revenue Refunding Bonds are hereinafter referred to together as the "Refunding Bonds").

The G.O. Refunding Bonds will be issued pursuant to an order entered by the County Commission on February 11, 1998, as supplemented by an order entered on May 13, 1998 (the "G.O. Refunding Bond Order"), setting forth certain representations, covenants and agreements of the County Commission. The Revenue Refunding Bonds will be issued pursuant to the Bond Trust Indenture, dated as of May 1, 1998 (the "Bond Indenture"), among the County Commission, Grant Memorial Hospital (the "Hospital") and Wesbanco Bank Parkersburg , Parkersburg, West Virginia, as bond trustee (the "Bond Trustee").

The proceeds of the sale of the G.O. Refunding Bonds will be used to refund, prior to the maturity thereof, and to redeem on April 1, 2002, $1,800,000 The County Commission of Grant County [West Virginia] General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A, outstanding in the aggregate principal amount of $1,670,000 (the "1994 G.O. Bonds").

The G.O. Refunding Bonds are general obligations of the County Commission, which has the power and is obligated to levy ad valorem taxes upon all taxable property within the County (as herein defined) to pay the G.O. Refunding Bonds and the interest thereon within the limitations provided by the Constitution and statutes of the State of West Virginia.

The proceeds of the sale of the Revenue Refunding Bonds will be used to refund, prior to the maturity thereof, and to redeem on October 1, 2000, $3,150,000 The County Commission of Grant County [West Virginia] Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds"; the 1994 G.O. Bonds and the 1994 Revenue Bonds are referred to together as the "1994 Bonds"). The Revenue Refunding Bonds are special obligations of the County Commission payable solely from funds held by the Bond Trustee under the Bond Indenture and the net revenues of the Hospital, as defined in the Bond Indenture (the "Net Revenues").

The net proceeds of the 1994 Bonds, together with the net proceeds of $2,400,000 The County Commission of Grant County [West Virginia] Levy Bonds (Grant Memorial Hospital Project), Series 1994B (the "1994 Levy Bonds"), and certain available funds of the Hospital, were used to pay for the acquisition and construction of certain improvements and betterments to the Hospital (the "Project"). See "The Hospital - Project" herein.

The County Commission is a public corporation of the State of West Virginia created and existing under the Constitution and laws of the State of West Virginia acting on behalf of Grant County, West Virginia (the "County"). It has the powers, among others, set forth in Sections 14 through 17, Article 3 of Chapter 7 of the Code of West Virginia, 1931, as amended (the "Hospital Act"). Under the Hospital Act, the County Commission is authorized to issue revenue bonds to pay for the acquisition, construction, improvement or equipping of hospital facilities. Pursuant to the Hospital Act, the County Commission has acquired, constructed, improved and equipped an acute-care facility (the "Hospital Facilities"). The County Commission owns the Hospital Facilities and appoints the Board of Trustees (the "Board of Trustees"), which manages the day-to-day affairs of the Hospital. See "The County Commission" and "The Hospital" herein.

The Project, which is approximately 95 percent complete, consisted of the renovation of approximately 43,000 square feet of the Hospital Facilities and the addition of approximately 15,000 square feet of new space. The alterations and additions have provided or will provide space for the relocation and expansion of the emergency department, construction of a new surgical suite containing two operating rooms, areas for pre-operation evaluation, recovery space for treatment, observation and/or holding areas, relocation and expansion of the radiology department, relocation of the obstetrics unit, relocation of the laboratory, replacing the mechanical systems, renovation of the existing obstetrics unit to medical office space, and adding additional administrative and support space. The Project also entailed delicensing 31 medical-surgery beds. The Hospital anticipates that the contractor for the Project will complete its work by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998.

Asset Guaranty Insurance Company (the "Bond Insurer") has committed to issue, effective as of the date on which the Refunding Bonds are delivered, separate insurance policies insuring the payment of principal of and interest on the Refunding Bonds when due. The insurance policies are non-cancelable for any reason. See the

caption "Bond Insurance" herein and the Specimen Financial Guaranty Insurance Policy attached as Appendix H hereto.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN AND IN APPENDIX H HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE REFUNDING BONDS; or (iii) THE TAX STATUS OF THE INTEREST ON THE REFUNDING BONDS.

There are risks associated with the purchase of the Refunding Bonds. See the caption "Bondholders' Risks" for a discussion of certain of these risks.

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, have the same meanings as in the Bond Indenture. Certain of these definitions are summarized in Appendix E.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the G.O. Refunding Bond Order and the Bond Indenture are available in reasonable quantities upon request to the Hospital.

THE COUNTY COMMISSION

Powers

Pursuant to Article IX of the West Virginia Constitution, the governing body of each of the 55 counties in the State is a county commission. Generally, county commissions have superintendence and administration of the internal police and fiscal affairs of their counties, with authority to lay and disburse the county levies, and may exercise such other powers and perform such other duties (other than those of a judicial nature) as are prescribed by law. Pursuant to Chapter 7, Article 1 of the Code of West Virginia, 1931, as amended, a county commission may sue and be sued and contract and be contracted with.

County commissions possess only the powers that are expressly conferred upon them by constitutional or statutory provisions, together with such powers as are reasonably and necessarily implied in the full and proper exercise of powers expressly conferred upon them. The powers expressly conferred upon the County Commission applicable to the Refunding Bonds are the power to issue general obligation bonds pursuant to West Virginia Code § 13-1-1 et seq. (the "G.O. Bond Act") and to issue general obligation refunding bonds pursuant to West Virginia Code § 13-2-1 et seq. (together with the G.O. Bond Act, the "G.O. Refunding Act"), and to expend tax levies therefor; the power to acquire, construct, equip, furnish, operate and maintain a public hospital under the Hospital Act and to issue revenue bonds pursuant to the Hospital Act and refunding revenue bonds pursuant to West Virginian Code § 13-2E-1 et seq. (the "Revenue Refunding Act"; together with the Hospital

Act, the "Hospital Refunding Act"), payable from the net revenues of said hospital; and the power to make contributions to said hospital from time to time.

Officers

Through the clerk of the county commission, who is elected by the voters, the county commission has the custody of all deeds and other papers presented for record in the county. At the first session each year, or as soon as practicable thereafter, the county commission must elect one of its commissioners as president. Under Chapter 7, Article 4, Section 1 of the Code of West Virginia, 1931, as amended, the prosecuting attorney of the county may attend to the civil suits in his county in which the county commission is interested and advise regarding, attend to, bring, prosecute or defend, as the case may be, all matters, actions, suits and proceedings in which the county is interested. The sheriff is the ex-officio county treasurer and, as such, receives, collects and disburses all moneys due the county. The assessor assesses all non-utility property in the county for tax purposes.

The names of the three commissioners of the County, their occupations, and terms of office and the names and terms of office of the other County officials described above are as follows:

Office	Name	Occupation	Term of Office
Commissioner	Robert F. Sites	Self-Employed	1/1/93 - 12/31/1998
President			1/1/98 - 12/31/1998
Commissioner	David L. Jones	Teacher	1/1/95 - 12/31/2000
Commissioner	Jane Kite Keeling	Homemaker	1/1/97 - 12/31/2002
Clerk	Harold G. Hiser		1/1/93 - 12/31/1998
Prosecuting Attorney	Dennis V. DiBenedetto		1/1/97 - 12/31/2000
Sheriff	Chuck L. Kimble		1/1/97 - 12/31/2000
Assessor	Ralph G. Layton		1/1/97 - 12/31/2000

County Property

In addition to the Hospital, the County Commission owns a nursing home with 120 beds. Like the Hospital, the administration and management of the nursing home is vested in a board of trustees appointed by the County Commission. The nursing home is operated as a separate facility, distinct from the Hospital. The County Commission also owns the Grant County Courthouse in Petersburg, West Virginia, in which the offices of all the constitutional officers of the County are located. The County Commission owns various additional properties, including an airport, which serves private and chartered flights; several parks and recreation areas; the buildings housing the County Health Department and the WIC program; and a building leased to Shepherd College. None of the County's property or revenues derived from the property (except a minimal amount, if any, of real property taxes assessed to any taxable lessees with respect to the G.O. Refunding Bonds) serves as a source of payment or security for the Refunding Bonds.

THE HOSPITAL

County Hospital

Pursuant to the Hospital Act and by an order adopted September 4, 1957, the County Commission authorized the acquisition, construction, equipping, furnishing, operation and maintenance of a public hospital and all other related facilities and all appurtenances thereto in the County ("Grant Memorial Hospital" or, as previously defined, the "Hospital"). The Hospital is owned by the County Commission and is exempt from taxation as a political entity. The administration and management of the Hospital is vested in the Board of Trustees appointed by the County Commission. Although the Hospital is operated as an agency of the County and the Refunding Bonds are governmental bonds, the Hospital has received an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Additional information with respect to the Hospital is contained in Appendix B.

Hospital Facilities

The Hospital is a general acute care facility currently licensed for and staffing 65 beds. The Hospital offers a broad range of inpatient and outpatient diagnostic and therapeutic services for medical, surgical, obstetrical, gynecological and pediatric patients. The Hospital also provides various ancillary support services to both inpatients and outpatients. The Hospital has 10 certified skilled nursing beds and 15 swing beds within its complement of licensed and staffed beds. See "Appendix B - Information Concerning Grant Memorial Hospital" for additional information.

Project

The Project was necessary to address critical structural and space needs of the Hospital and to enable the Hospital to meet the health care needs of the citizens of the County. The Project has been constructed under a guaranteed maximum price standard form design-build agreement (the "Agreement") with Howard Shockey & Sons, Inc., Winchester, Virginia. The original guaranteed maximum price of $6,400,000 has been increased through change orders, and, as of December 31, 1997, construction of the Project was anticipated to cost $9,009,000. The Project also included approximately $750,000 in new equipment. The Project subject to the Agreement consisted of the renovation of approximately 43,000 square feet of the Hospital Facilities and the addition of approximately 15,000 square feet of new space. The alterations and additions have provided or will provide space for the relocation and expansion of the emergency department, construction of a new surgical suite containing two operating rooms, areas for pre-operation evaluation, recovery space for treatment, observation and/or holding areas, relocation and expansion of the radiology department, relocation of the obstetrics unit, relocation of the laboratory, replacing the mechanical systems, renovation of the existing obstetrics unit to the medical office space, and adding additional administrative and support space. The Hospital anticipates that the work under the Agreement will be completed by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998. The Project also entailed delicensing 31 medical-surgery beds, bringing the licensed beds to 65.

THE REFUNDING BONDS

General

The Refunding Bonds will be dated, will mature (unless previously called for redemption) on the dates, and will bear interest at the rates, as set forth on the inside front cover hereof. The Refunding Bonds will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or provided for, from May 1, 1998. The Bonds will be issued only as fully registered Bonds without coupons in the denomination of $5,000 or any whole multiple thereof.

Pursuant to the G.O. Refunding Act, both the principal of and interest on the G. O Refunding Bonds are payable, and subject to registration, at the office of the West Virginia State Treasurer (the "State Treasurer"). The County Commission has appointed Wesbanco Bank Parkersburg, Parkersburg, West Virginia (the "Paying Agent"), as an additional paying agent for the G.O. Refunding Bonds.

Interest on the G.O. Refunding Bonds will accrue from May 1, 1998, and will be payable on October 1, 1998, and semiannually thereafter, each April 1 and October 1(each, an "Interest Payment Date"). Such interest will be paid by check mailed or by wire transfer from the State Treasurer or Paying Agent to the registered Owner or Owners of the G.O. Refunding Bonds at its address or their respective addresses as shown on the registration books kept for that purpose by the State Treasurer, or its designee, as of the 15th day of the month preceding such Interest Payment Date. Subject to the provisions described below under "Book-Entry Only System," principal of and redemption premium, if any, on the G.O. Refunding Bonds is payable upon presentation and surrender at the office of the Paying Agent in Parkersburg, West Virginia; provided, the principal of the G.O. Refunding Bonds is also payable at the office of the State Treasurer in Charleston, West Virginia.

Interest on the Revenue Refunding Bonds will accrue from May 1, 1998, and will be payable on April 1, 1999, and semiannually thereafter, each April 1 and October 1. Such interest will be paid by check mailed or by wire transfer from the Bond Trustee to the registered Owner or Owners of the Revenue Refunding Bonds at its or their respective addresses as shown on the registration books kept for that purpose by the Bond Trustee, as registrar, as of the close of business on the 15th day of the month (whether or not the Bond Trustee is open for business on such day) preceding such Interest Payment Date. Subject to the provisions described below under "Book-Entry Only System," principal of and premium, if any, on the Revenue Refunding Bonds will be payable upon presentation and surrender of the Revenue Refunding Bonds at the principal corporate trust office of the Bond Trustee in Parkersburg, West Virginia.

Subject to the provisions regarding book-entry described herein, the Bonds may be transferred or exchanged in the manner described in the Refunding Bonds and as referenced in the Bond Indenture and the GO. Refunding Bond Order.

Book-Entry Only System

The Refunding Bonds will be available to individual purchasers in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each series of Refunding Bonds. Purchasers of the Refunding Bonds will not receive certificates representing their interests in the Refunding Bonds purchased. SO LONG AS

CEDE & CO. IS THE REGISTERED OWNER OF THE REFUNDING BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, BOND OWNERS OR REGISTERED OWNERS OF THE REFUNDING BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE REFUNDING BONDS.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository ("Securities Depository") for the Refunding Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the G.O. Refunding Bonds and of the Revenue Refunding Bonds, in the aggregate principal amount of each respective maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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, but Beneficial Owners are 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 Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the County Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 West Virginia Municipal Bond Commission (the "Bond Commission"), the State Treasurer, the Paying Agent, the Bond Trustee, the County Commission or the Hospital, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds and only from funds provided to it by the County Commission, as described herein) or the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds and only from funds provided to it by the County Commission, as described herein), disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds) or the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County Commission and the Hospital believe to be reliable, but the County Commission and the Hospital take no responsibility for the accuracy thereof.

For every transfer and exchange of the Securities, the respective registrar for the Refunding Bonds may charge DTC, DTC may charge the Participants, and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other governmental charge that may be imposed.

THE COUNTY COMMISSION, THE HOSPITAL, THE UNDERWRITER, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER OR THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE REFUNDING BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN BY DTC TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF REFUNDING BONDS.

So long as the Refunding Bonds are held by DTC under a book-entry system, any notice of redemption or other notices with respect to the Refunding Bonds required or permitted to be given under the G.O. Refunding Bond Order or the Bond Indenture (with respect to the Revenue Refunding Bonds) will be sent only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Indirect Participant or any Beneficial Owner of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Refunding Bonds or of any other action permitted upon such notice. If fewer than all of the Refunding Bonds of any series are selected for redemption, DTC will select the particular account of DTC Participants to which the amount of such redemption will be credited in accordance with DTC's own rules or other agreements with DTC Participants; DTC Participants may then credit such redemption to the particular accounts of Beneficial Owners for whom such DTC Participants act as nominee accordingly. Any such selection of DTC Participants and Beneficial Owners to which any such partial redemption will be credited will not be governed by the G.O. Refunding Bond Order or the Bond Indenture (with respect to the Revenue Refunding Bonds) and will not be made by the County Commission or the Bond Trustee (with respect to the Revenue Refunding Bonds) or the Bond Commission, State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds).

THE COUNTY COMMISSION, THE HOSPITAL, THE UNDERWRITER, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER OR THE PAYING AGENT CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF THE PRINCIPAL OF AND INTEREST ON THE REFUNDING BONDS OR THE REDEMPTION PRICE OF THE REFUNDING BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER OF THE REFUNDING BONDS, OR ANY REDEMPTION OR OTHER NOTICES, TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT THEY WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. IT IS THE DUTY OF EACH BENEFICIAL OWNER TO MAKE ARRANGEMENTS WITH THE APPLICABLE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH PARTICIPANT NOTICES OF REDEMPTION, CREDIT BALANCES WITH RESPECT TO PAYMENTS OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST, AND ALL OTHER PAYMENTS AND COMMUNICATIONS WHICH THE DIRECT PARTICIPANT RECEIVES FROM DTC. THE COUNTY COMMISSION, THE

HOSPITAL, THE BOND TRUSTEE, THE BOND COMMISSION, THE STATE TREASURER AND THE PAYING AGENT HAVE NO DIRECT OBLIGATION OR RESPONSIBILITY TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Discontinuance of Book-Entry Only System

The G.O. Refunding Bond Order and the Bond Indenture (with respect to the Revenue Refunding Bonds) provide that, upon the County Commission's determination that the interests of the Beneficial Owners of the Refunding Bonds will be adversely affected by the continuation of the book-entry only system with DTC as the depository for the Refunding Bonds, or DTC's determination not to continue to act as a securities depository for the Refunding Bonds, the County Commission may discontinue the maintenance of the Refunding Bonds in book-entry only form or replace DTC with another qualified securities depository. DTC may determine to discontinue providing its service with respect to the Refunding Bonds at any time by giving notice to the County Commission, the Bond Trustee (with respect to the Revenue Refunding Bonds) and the State Treasurer or Paying Agent (with respect to the G.O. Refunding Bonds) and discharging its responsibilities with respect thereto under applicable law. Unless the County Commission appoints such a securities depository to replace DTC, the Refunding Bonds held by DTC will be canceled and the County Commission will execute and deliver Refunding Bonds in fully certificated form to the DTC Participants shown on the records of DTC provided to the County Commission or, to the extent requested by any DTC Participant, to the Beneficial Owners of the Refunding Bonds shown on the records of such DTC Participant provided to the County Commission.

Optional Redemption of G.O. Refunding Bonds

The G.O. Refunding Bonds maturing on and after April 1, 2009, are subject to redemption prior to maturity at the option of and in order of maturity selected by the County Commission, in whole at any time or in part in any multiple of $5,000 on April 1 or October 1 of any year, beginning April 1, 2008, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption, but without premium.

Optional Redemption of Revenue Refunding Bonds

The Revenue Refunding Bonds maturing on and after October 1, 2009, are subject to redemption prior to maturity at the option of and in order of maturity selected by the County Commission, in whole at any time or in part in any multiple of $5,000 on April 1 or October 1 of any year, beginning October 1, 2008, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption, but without premium.

Mandatory Redemption of Refunding Bonds

Revenue Refunding Bonds. The Revenue Refunding Bonds maturing October 1, 2019 (the "Revenue Term Bonds"), shall be subject to mandatory redemption prior to maturity on October 1 in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Principal Account in the Bond Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
2014	$ 190,000
2015	200,000
2016	210,000
2017	220,000
2018	230,000
2019*	210,000

* Final Maturity

G.O. Refunding Bonds. The G.O. Refunding Bonds maturing April 1, 2019 (the "G.O. Term Bonds"; together with the Revenue Term Bonds, the "Term Bonds"), shall be subject to mandatory redemption prior to maturity on April 1 in the years set forth below (each a Mandatory Redemption Date) from moneys on deposit in the Debt Service Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, but without premium:

Year	Principal Amount
2017	$ 105,000
2018	105,000
2019*	100,000

* Final Maturity

The principal amount of Term Bonds delivered to or purchased by the Bond Trustee or the Bond Commission, as the case may be, shall reduce pro tanto the principal amount of Term Bonds of such series to be redeemed on the Mandatory Redemption Date next following such delivery or purchase.

Extraordinary Optional Redemption

The Revenue Refunding Bonds shall be subject to optional redemption prior to maturity by the County Commission as a whole or in part, in order of maturity selected by the County Commission, at any time at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, (i) in the event of damage to or destruction or condemnation of the Hospital Facilities or any portion thereof; or (ii) if the County Commission shall have determined that the continued operation of the Hospital Facilities is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens with respect to the Hospital Facilities or operation thereof, or (B) changes in technology, in environmental standards or legal requirements or in the economic availability of materials, supplies, equipment or labor.

Effect of Call for Redemption

On the date designated for redemption by notice given as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, the Refunding Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Refunding Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Bond Commission, State Treasurer, Paying Agent or the Bond Trustee, as the case may be, as provided in the G.O. Refunding Bond Order or the Bond Indenture, respectively, interest on such Refunding Bonds so called for redemption shall cease to accrue, such Refunding Bonds shall cease to be entitled to any benefit or security under the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, except the right to receive payment from the moneys held by the Bond Commission, State Treasurer or Paying Agent or the Bond Trustee, as the case may be, and the amount of such Refunding Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Selection of Refunding Bonds to be Redeemed

In the event of redemption of less than all of the Outstanding G.O. Refunding Bonds or Revenue Refunding Bonds of like maturity, the Bond Commission or the Bond Trustee, as the case may be, or DTC and its Participants with respect to Book-Entry Only Bonds, shall select by lot, using such method of selection as it shall deem proper in its discretion, the respective Refunding Bonds to be redeemed. In making such selection the Bond Commission, Bond Trustee or DTC, as the case may be, shall treat each Refunding Bond as representing that number of like series of Refunding Bonds in $5,000 denominations as is obtained by dividing the principal amount of such Refunding Bond by such denomination, provided, however, that no Refunding Bond shall be partially redeemed if the effect of such redemption would be to reduce such Refunding Bond to a principal amount of less than $5,000.

Notice of Call for Redemption

When the Bond Commission or the Bond Trustee, as the case may be, shall receive notice from the County Commission of its election or direction to redeem Refunding Bonds or when redemption of Refunding Bonds is required by the G.O. Refunding Bond Order or the Bond Indenture, the Bond Commission or the Bond Trustee, as the case may be, shall give notice, in the name of the County Commission, of the redemption of such Refunding Bonds. Notice of any such redemption shall be given by the Bond Commission or the Bond Trustee, as the case may be, by mailing a copy of the redemption notice by registered or certified mail (postage prepaid) not less than 30 nor more than 60 days prior to the date fixed for redemption to the registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of Refunding Bonds with respect to Refunding Bonds or portions thereof for which no failure has occurred.

All notices of redemption shall be dated and shall state (i) the series of Refunding Bonds to be redeemed; (ii) the redemption date; (iii) the redemption price; (iv) the identifying number and CUSIP number (and in the case of partial redemption, the respective principal amounts) of the Refunding Bonds to be redeemed; (v) the date of issuance of the Refunding Bonds; (vi) the interest rate or rates and maturity date or dates of the Refunding Bonds to be redeemed; (vii) that on the redemption date the redemption price will become due and payable on each Refunding Bond and interest thereon will cease to accrue thereon from and after said date; (viii) the agent

name, contact person and address where such Refunding Bonds are to be surrendered for payment; and (ix) any other descriptive information that, in the opinion of the Bond Commission or the Bond Trustee, as the case may be, is needed to identify accurately the Refunding Bonds being redeemed. A second notice shall be sent if after 60 days from the redemption date such Refunding Bonds have not been surrendered for payment. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Owner of such Refunding Bonds receives the notice.

In addition to the foregoing notice, further notice (an "Additional Notice") shall be given by the Bond Commission or the Bond Trustee, as the case may be, in the case of any optional redemption or extraordinary optional redemption as set out below, but no defect in said Additional Notice nor any failure to give all or any portion of such Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(a) Each Additional Notice of redemption given hereunder shall contain the information required above for an official notice of redemption.

(b) Each Additional Notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Refunding Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Refunding Bonds.

Upon the payment of the redemption price of Refunding Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

[Remainder of Page Intentionally Left Blank]

Debt Service Requirements

G.O. Refunding Bonds

Upon issuance of the G.O. Refunding Bonds, based on the interest rates and yields set forth on the inside cover page, the County Commission will have the following debt service for the G.O. Refunding Bonds, which will be its only outstanding general obligation bonds:

Bond Year Ending April 1	Principal	Interest	Total
1999	$ 65,000.00	$ 78,012.92	$ 143,012.92
2000	55,000.00	82,602.50	137,602.50
2001	60,000.00	80,402.50	140,402.50
2002	65,000.00	77,942.50	142,942.50
2003	65,000.00	75,245.00	140,245.00
2004	70,000.00	72,515.00	142,515.00
2005	70,000.00	69,540.00	139,540.00
2006	75,000.00	66,530.00	141,530.00
2007	75,000.00	63,230.00	138,230.00
2008	80,000.00	59,855.00	139,855.00
2009	80,000.00	56,175.00	136,175,00
2010	90,000.00	52,415.00	142,415.00
2011	95,000.00	48,095.00	143,095.00
2012	95,000.00	43,440.00	138,440.00
2013	100,000.00	38,690.00	138,690.00
2014	110,000.00	33,590.00	143,590.00
2015	110,000.00	27,925.00	137,925.00
2016	110,000.00	22,205.00	132,205.00
2017	105,000.00	16,430.00	121,430.00
2018	105,000.00	10,865.00	115,865.00
2019	100,000.00	5,300.00	105,300.00
TOTAL	$1,780,000.00	$1,081,005.42	$2,861,005.42

Revenue Refunding Bonds

Upon issuance of the Revenue Refunding Bonds, based on the interest rates and yields set forth on the inside cover page, the County Commission will have the following debt service for the Revenue Refunding Bonds, which will be its only outstanding revenue bonds payable from the net revenues of the Hospital:

Bond Year Ending April 1	Principal	Interest	Total
1999	$ 35,000.00	$ 222,815.11	$ 257,815.11
2000	100,000.00	155,933.76	255,933.76
2001	105,000.00	151,933.76	256,933.76
2002	110,000.00	147,628.76	257,628.76
2003	115,000.00	143,063.76	258,063.76
2004	120,000.00	138,233.76	258,233.76
2005	130,000.00	133,133.76	263,133.76
2006	135,000.00	127,543.76	262,543.76
2007	135,000.00	121,603.76	256,603.76
2008	145,000.00	115,528.76	260,528.76
2009	155,000.00	108,822.50	263,822.50
2010	155,000.00	101,460.00	256,460.00
2011	165,000.00	93,942.50	258,942.50
2012	175,000.00	85,775.00	260,775.00
2013	185,000.00	76,937.50	261,937.50
2014	190,000.00	67,410.00	257,410.00
2015	200,000.00	57,245.00	257,245.00
2016	210,000.00	46,545.00	256,545.00
2017	220,000.00	35,310.00	255,310.00
2018	230,000.00	23,540.00	253,540.00
2019	210,000.00	11,235.00	221,235.00
TOTAL	$3,225,000.00	$2,165,641.45	$5,390,641.45

BOND INSURANCE

Description of Financial Guaranty Insurance Policy

A financial guaranty insurance policy will be issued in respect of each of the G.O. Refunding Bonds and the Revenue Refunding Bonds (each, a "Policy") by Asset Guaranty Insurance Company (the "Bond Insurer") simultaneously with the issuance and delivery of the Refunding Bonds. The Policy is noncancelable during its terms and provides for the prompt payment of principal of and interest on the Refunding Bonds to the extent that the Bond Commission or the Bond Trustee, as the case may be, has not received sufficient funds from the County Commission for payment of the Refunding Bonds on the "due date." The Bond Insurer is obligated to make the

required payment on the later of the due date or the first business day after which the Bond Insurer has received notice from The United States Trust Company of New York, as Insurance Trustee (the "Insurance Trustee"), that the County Commission has failed to pay amounts due on the Refunding Bonds. Under the Policy, the "due date" of the Refunding Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Bond Insurer. With respect to interest on the Refunding Bonds, the "due date" means the stated dated for payment of interest. The Policy guarantees reimbursement of any recovery of any such payment from an Owner or the Bond Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon the occurrence and continuance of an Event of Default, the Bond Insurer may, in its discretion, direct the acceleration of the Refunding Bonds subject to such Event of Default at a price equal to the principal amount thereof plus accrued interest, or the Bond Insurer may elect to continue to pay principal and interest on the originally scheduled due dates of the Refunding Bonds. For specific information on the coverage provided, reference should be made to the Policy that has been reproduced in specimen form in Appendix H hereto. The Policy does not insure against nonpayment of principal or interest on the Refunding Bonds due to the insolvency, misconduct or negligence of the Bond Trustee. The Policy does not insure the payment of any redemption premium.

Asset Guaranty Insurance Company

Asset Guaranty Insurance Company (the "Bond Insurer") is a financial guaranty insurance company, regulated by the Insurance Department of the State of New York and domiciled in the State of New York. As of September 30, 1997, the Bond Insurer had total shareholders' equity of approximately $142,919,000 (unaudited) and total assets of approximately $262,824,000 (unaudited). The financial information relating to the Bond Insurer presented in this Official Statement was prepared internally by the Bond Insurer, based on generally accepted accounting principles, and has not been audited by independent certified public accountants. The address of the Bond Insurer's administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is (212) 983-5859.

The Insurer has filed the following information with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934:

(i) the Insurer's financial statements as of December 31, 1996 and 1995 prepared in accordance with generally accepted accounting principles and an independent auditor's report relating to those statements;

(ii) the Insurer's quarterly unaudited balance sheet as of March 31, 1997 and unaudited income statement for the three month period then ended, prepared in accordance with generally accepted accounting principles;

(iii) the Insurer's quarterly unaudited balance sheet as of June 30, 1997 and unaudited income statement for the six month period then ended, prepared in accordance with generally accepted accounting principles; and

(iv) the Insurer's quarterly unaudited balance sheet as of September 30, 1997 and unaudited income statement for the nine month period then ended, prepared in accordance with generally accepted accounting principles.

The Bond Insurer is a wholly owned subsidiary of Enhance Financial Services Group Inc. A complete copy of the December 31, 1997, audited financial statements and additional information of Enhance Financial Services Group Inc., together with the accompanying report of independent auditors, is available from the Bond Insurer upon written request. Enhance Financial Services Group Inc. is a publicly-owned corporation, and its shares are listed on the New York Stock Exchange. Neither Enhance Financial Services Group Inc. nor any of its investors is obligated to pay the debts of or claims against the Bond Insurer.

Neither the Bond Insurer nor any of its affiliates makes any representation regarding the Refunding Bonds or the advisability of purchasing the Refunding Bonds and makes no representation regarding this Official Statement other than as to the information supplied by the Insurer and presented under the heading "BOND INSURANCE" and as set forth in Appendix H of this Official Statement. The Bond Insurer's role is limited to providing the coverage set forth in the Policy.

FINANCING PLAN

The G.O. Refunding Bonds are being issued for the purpose of refunding, in advance of the maturity thereof, the 1994 G.O. Bonds and to pay certain costs of issuance. The 1994 G.O. Bonds will be redeemed on their first redemption date, being April 1, 2002. The refunding is being undertaken to effect a savings in the aggregate debt service for the County Commission.

Concurrently with the delivery of the G.O. Refunding Bonds, the County Commission will apply the net proceeds from the sale of the G.O. Refunding Bonds, together with other funds available therefor, to the purchase of certain Government Obligations (as defined in Appendix E - Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture) to the defeasance of the 1994 G.O. Bonds. The Government Obligations will be deposited in or credited to a special and irrevocable trust fund (the "G.O. Escrow Fund") created under an Escrow Agreement, to be dated as of the date of delivery of the G.O. Refunding Bonds (the "G.O. Escrow Agreement"), between the County Commission and the Bond Commission, as escrow agent. The G.O. Escrow Fund is to be held by the Bond Commission, as escrow agent, in trust for the payment of the 1994 G.O. Bonds and for the benefit of the owners thereof. The maturing principal of and interest of the Government Obligations, together with any initial cash deposited in the G.O. Escrow Fund, will be sufficient to pay (i) the principal of the 1994 G.O. Bonds as it becomes due and payable to the first redemption date, (ii) the redemption price of 102% of the aggregate principal amount of 1994 G.O. Bonds scheduled to mature on and after April 1, 2003, and (iii) in each case, the interest on the 1994 G.O. Bonds as the same becomes due and payable to and including April 1, 2002.

The Revenue Refunding Bonds are being issued for the purpose, together with other available funds, of refunding, in advance of the maturity thereof, the 1994 Revenue Bonds, to fund a debt service reserve fund and to pay certain costs of issuance. The 1994 Revenue Bonds will be redeemed on their first redemption date, being October 1, 2000. The refunding is being undertaken to effect a savings in the aggregate debt service for the Hospital.

Concurrently with the delivery of the Revenue Refunding Bonds, the County Commission will apply the net proceeds from the sale of the Revenue Refunding Bonds, together with other funds available therefor, to the purchase of certain Government Obligations (as defined in Appendix E - Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture) for the defeasance of the 1994 Revenue Bonds. The Government Obligations will be deposited in or credited to a special and irrevocable trust fund (the "Revenue Escrow Fund") created under an Escrow Agreement, to be dated as of the date of delivery of the Revenue Refunding Bonds (the "Revenue Escrow Agreement"), among the County Commission, the Hospital and Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as escrow agent (the "Escrow Agent"). The Revenue Escrow Fund is to be held by the Escrow Agent in trust for the payment of the 1994 Revenue Bonds and for the benefit of the owners thereof. The maturing principal of and interest of the Government Obligations, together with any initial cash deposited in the Revenue Escrow Fund, will be sufficient to pay (i) the principal of the 1994 Revenue Bonds as it becomes due and payable to the first redemption date, (ii) the redemption price of 102% of the aggregate principal amount of 1994 Revenue Bonds scheduled to mature on and after October 1, 2001, and (iii) in each case, the interest on the 1994 Revenue Bonds as the same becomes due and payable to and including October 1, 2000.

Upon the deposit or credit of the Government Obligations and cash into or to the Escrow Funds, the 1994 Bonds will be defeased and will no longer be secured by or payable from the tax levies of the County or the net revenues derived from the operation of the Hospital, as the case may be. The maturing principal of and interest on the Government Obligations and any cash amounts in the Escrow Funds are not pledged to and will not be available to pay the Refunding Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

G.O. Refunding Bonds

The proceeds of the sale of the G.O. Refunding Bonds, and the other sources of funds, and the uses of such funds are shown below:

Sources of Funds:	
G.O. Refunding Bonds	$1,780,000.00
Less: Underwriter's Discount	$ 31,891.78
Net Proceeds of G.O. Refunding Bonds	$1,748,108.22
Funds on Deposit for 1994 G.O. Bonds	$ 118,983.46
Accrued Interest	$ 6,382.88
Total Sources of Funds	$1,873,474.56
Uses of Funds	
Deposit to Escrow Account	$1,818,410.03
Deposit to Debt Service Fund for interest due October 1, 1998	$ 6,382.88
Issuance Expenses (1)	$ 48,681.65
Total Uses of Funds	$1,873,474.56

Revenue Refunding Bonds

The proceeds of the sale of the Revenue Refunding Bonds, and other sources of funds, and the uses of such funds are shown below:

Sources of Funds:	
Revenue Refunding Bonds	$3,225,000.00
Less: Underwriter's Discount	$ 57,739.47
Net Proceeds of Revenue Refunding Bonds	$3,167,260.53
Funds on Deposit for 1994 Revenue Bonds	$ 469,643.49
Accrued Interest	$ 11,796.09
Total Sources of Funds	$3,648,700.00
Uses of Funds:	
Deposit to Escrow Account	$3,284,266.72
Deposit to Interest Account in Bond Fund for interest due October 1, 1998	$ 11,796.09
Deposit to Debt Service Reserve Fund	$ 263,822.50
Issuance Expenses (1)	$ 88,814.80
Total Uses of Funds	$3,648,700.00

(1) Includes fees and expenses of accountants, bond counsel, Hospital and County Commission counsel, Bond Trustee, Insurance Premium, rating agencies, printing and miscellaneous expenses.

THE G.O. REFUNDING BONDS

THE FOLLOWING APPLIES ONLY TO THE G.O. REFUNDING BONDS. THE REVENUE REFUNDING BONDS ARE NOT PAYABLE FROM AND HAVE NO LIEN ON THE TAX LEVIES OF THE COUNTY.

Authority

The G.O. Refunding Bonds are issued pursuant to the G.O. Refunding Act and an order entered by the County Commission on February 11, 1998, as supplemented on May 13, 1998 (as previously defined, the "G.O. Refunding Bond Order"), for the purpose of refunding, in advance of the maturity thereof, the 1994 G.O. Bonds. At a special election held on December 10, 1993, the voters of the County approved the issuance of the 1994 G.O. Bonds for the purpose of contributing funds to the Project.

The ballot question for the G.O. Bonds provided that the levies for each $100 assessed valuation of property for debt service would be approximately as follows:

Class I property	1.23 cents
Class II property	2.46 cents
Class III property	4.92 cents
Class IV property	4.92 cents

The ballot question for the G.O. Bonds set forth a maximum aggregate principal amount of $1,800,000, to run not more than 26 years from the date thereof and with interest not exceeding the rate of 7% per annum.

Article X, Section 8 of the West Virginia Constitution (the "Constitution") and the G.O. Bond Act allow a county (acting through its county commission) to incur indebtedness only to an amount equal to 2.5% (5% for certain purposes) of the value of the taxable property in the county; only if the county provides for the collection of a direct annual tax on such taxable property, separate and apart from and in addition to all other taxes for all other purposes, sufficient to pay the principal of and interest on such debt; and only if approved by 60% of all votes cast for and against the issuance. Although the taxes are levied separately and apart from and in addition to other taxes, the taxes levied for debt service on county general obligation bonds or refunding bonds are subject to the limits set forth in Article X, Section 1 of the Constitution (See "Nature of Obligation, Security and Source of Payment" and "The County Commission - Tax Rates"). The canvass of the special election in the County showed 1,590 votes for the issuance of the 1994 G.O. Bonds and 865 votes against the issuance, so that 65% of the voters voting upon the ballot question voted for the issuance of the 1994 G.O. Bonds.

Nature of Obligation, Security and Source of Payment

The G.O. Refunding Bonds constitute valid and legally binding general obligations of the County Commission secured by a pledge of its full faith and credit and are payable from ad valorem taxes levied upon all taxable property in the County, in amounts sufficient to pay the principal of and interest on the G.O. Refunding Bonds when due, but all within the limits prescribed by the Constitution and statutes of the State of West Virginia.

Article X, Section 1 of the Constitution limits property taxes to 50 cents per $100 assessed valuation for Class I, $1.00 per $100 assessed valuation for Class II, $1.50 per $100 assessed valuation for Class III, and $2.00 per $100 assessed valuation for Class IV. Under Chapter 11, Article 8, Section 6b of the Code of West Virginia, 1931, as amended, the maximum taxes allocated to the counties are 14.3 cents per $100 of assessed valuation for Class I, 28.6 cents per $100 assessed valuation for Class II, 57.2 cents per $100 assessed valuation for Class III, and 57.2 cents per $100 assessed valuation for Class IV. The County Commission must pay debt service on the G.O. Refunding Bonds from such maximum taxes before paying for the current expenses of the County.

In accordance with the provisions of the G.O. Refunding Act, debt service on the G.O. Refunding Bonds will not exceed in each year the amount of taxes expected to be available for payment of such debt service in accordance with the terms approved by the voters. As required by the G.O. Refunding Act, taxes available for such payment have been computed assuming the rates of levy and assessed valuations approved by

the voters and such amount will be certified by the chairman of the Bond Commission prior to the issuance of the G.O. Refunding Bonds.

The County Commission does not have any general obligation bonds outstanding other than the 1994 G.O. Bonds and does not have any authorized but unissued general obligation bonds other than the G.O. Refunding Bonds. There has never been a default in payment of the principal of or interest on any general obligation bond issued by the County Commission.

The G.O. Refunding Bonds, the G.O. Refunding Act and the G.O. Bond Refunding Bond Order do not specifically provide any remedies that would be available to the Owner of a G.O. Refunding Bond if the County Commission defaults in the payment of principal of or interest on the G.O. Refunding Bonds, nor do they contain a provision for the appointment of a trustee to protect and enforce the interests of the Owners of the G.O. Refunding Bonds upon the occurrence of such default. If the Owner of a G.O. Refunding Bond does not receive payment of principal or interest when due, the Owner could seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the County Commission to levy and collect an ad valorem tax, unlimited as to rate except as limited by the constitutional and statutory constraints described above, upon all taxable property in the County, sufficient to pay the principal of and interest on the G.O. Refunding Bonds as the same become due. The enforceability of rights or remedies with respect to the G.O. Refunding Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, by general principles of equity or by judicial discretion. In addition, enforcement of mandamus remedies may be impractical or difficult.

Upon a default on the G.O. Refunding Bonds, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies available to the Owners.

Debt Administration

The West Virginia Municipal Bond Commission (the "Bond Commission") is charged with the administration of the interest and sinking funds created to service the debt of the State and its political subdivisions. It has established separate accounts for the G.O. Refunding Bonds. The proceeds of the taxes levied by a county are collected by the sheriff, as treasurer of the county, who then forwards the requisite proceeds to the Bond Commission. The Bond Commission is required, by law, to render annually to each political subdivision having outstanding bonds a statement showing the levy amount required to pay the interest on and provide for the retirement of the outstanding bonds. The Bond Commission is authorized to augment the levy for the G.O. Refunding Bonds by a reasonable amount to provide for delinquencies and exonerations, including the statutory 2 1/2% discount for early payment of taxes, and customarily sets the amount at 110% of the annual principal and interest required. The Bond Commission then notifies the county commission and the West Virginia Department of Tax and Revenue of this amount, and the levy rate necessary to produce the required sum for the G.O. Refunding Bonds is then jointly determined by the County Commission and the Department of Tax and Revenue and set by the County Commission.

There has not been a default in the payment of principal of or interest on any general obligation bonds in the State of West Virginia since the Bond Commission commenced centralized supervision and administration in 1921. Since 1933, the annual State of West Virginia Budget Bill has embodied a protection provision for

certain State agency obligations and for local and taxing district (including county) general revenue obligations, if deficiencies should arise. The following excerpt from Title II of the FY 1998 Budget Bill is indicative:

> **Sec. 14. Sinking fund deficiencies** - There is hereby appropriated to the governor a sufficient amount to meet any deficiencies that may arise in the mortgage finance bond insurance fund of the West Virginia housing development fund which is under the supervision and control of the municipal bond commission as provided by section twenty-b, article eighteen, chapter thirty-one of the code, or in the funds of the municipal bond commission because of the failure of any state agency for either general obligations or revenue bonds or any local taxing district for general obligation bonds to remit funds necessary for the payment of interest and sinking fund requirements. The governor is authorized to transfer from time to time such amounts to the municipal bond commission as may be necessary for these purposes.
>
> The municipal bond commission shall reimburse the state of West Virginia through the governor from the first remittance collected from the West Virginia housing development fund or from any state agency or local taxing district for which the governor advanced funds, with interest at the rate carried by the bonds for security or payment of which the advance was made.

No representation is made that subsequent budget bills will have such provision or that the Governor will make the authorized transfer or sufficient funds will be available to satisfy any such deficiencies.

Sources and General Current Expenses

The County's primary source of general fund revenues is its property tax receipts, which accounted for 80.32% of the County's general fund revenues for the fiscal year ending June 30 ("FYE"), 1997 (excluding the property tax collections allocated to the 1994 G.O. Bonds and the 1994 Levy Bonds). The County had miscellaneous receipts totalling $123,486, but no other sources exceeded $30,000. In addition, the County received coal severance taxes and interest thereon in the amount of $202,578. [Source: Sheriff's Settlement for FYE 1997.] The coal severance tax revenues were used for various contractual services and contributions.

The County provides various services to its citizens, payable from the taxes levied for general current expenses in addition to debt service on the G.O. Refunding Bonds. Most of the general current expenses are attributable to the general operation of the County's government, as follows:

County Commission, described above - $375,728

County Clerk, described above - $175,503

Circuit Clerk, who has duties relating to the local judicial system and elections, among other things - $90,230

Sheriff, who has county law enforcement duties in addition to his financial duties described herein - $286,968 (Tax Office - $136,962; Law Enforcement - $150,006)

Prosecuting Attorney, described above - $88,777

Assessor, described herein - $117,716 (plus a valuation fund of $100,518)

Operation of Courthouse and other buildings - $369,018

County Jail - $172,270

Other general current expenses, totalling $695,421 for FYE 1997, were for an agricultural extension agent, elections, industrial development, operation and maintenance of the County's parks and recreation areas, emergency services communication and dispatch, and operation of two libraries (one in Petersburg and one at Mt. Storm).

Source: County Financial Statement FYE 1997

Tax Collection Procedure

All taxes for real estate and personal property are collected by the sheriff and are remitted by him to the State and other local levying bodies, including the county commission. Public utility taxes are collected directly by the State Auditor (the "Auditor") and are remitted by him to the sheriff for distribution; provided, that the public utility taxes attributable to a general obligation bond issue are remitted to the Bond Commission. Tax statements are mailed by the sheriff's office in July, and they may be paid in two installments. The first half of the tax is subject to a 2-1/2% discount if paid by September 1; thereafter, the amount payable is net until October 1, after which a 9% penalty is added. Likewise, the second half is subject to a 2-1/2% discount if paid by March 1, net to April 1, and a 9% penalty thereafter. The sheriff, after ascertaining which taxes are delinquent, shall on or before May 1 next succeeding the year for which the taxes were assessed prepare delinquent lists, which shall be posted at the front door of the courthouse and published as a legal advertisement at least two weeks prior to the presentation to the county commission for examination. After examination and correction, the commissioners shall certify such lists pertaining to real property to the Auditor not later than July 1. On or before September 10, the sheriff shall prepare a second list of delinquent taxes, as of September 1, together with a notice of sale for properties upon which such taxes are due. If not redeemed before, such properties shall be sold at public auction at the courthouse on any Monday after October 14 and before November 23. No such sale shall be made for any sum less than the total amount of taxes, interest and charges then due. If no person bids the amount of taxes, interest and charges then due, the sheriff shall purchase the property on behalf of the State for the amount so due. The former owner of any real or personal property so purchased by the State, or any other person who is entitled to pay the taxes thereon, may redeem such real or personal property from the Auditor at any time within eighteen months after the date of such purchase. The Auditor reports monthly to the sheriff, the county assessor and the county clerk on all properties in the county which were redeemed in his office during the preceding month. The Auditor, each month, draws his warrant upon the State treasury payable to the sheriff for that part of the taxes, interest and charges received by him upon the redemption of the property included in his report which was owing to any of the taxing units in the county. The sheriff accounts for and pays over such money as if it had been paid to him for redemption before sale.

Assessment Procedure

State statutes provide that all property must be assessed as of the first day of July. Assessment on this day is the basis for the following year's property taxes. The assessor must complete his compilation of the land and personal property books not later than January 30. The county commission, not later than February 1, must meet for the purpose of sitting as a board of equalization and review of such assessments. After completion of the review of assessments, the county commission certifies and returns the property books to the assessor. Appeal of any assessment may be made to the circuit court of the county within 30 days after adjournment of the county commission sitting as a board of equalization and review. The assessor annually, not later than March 7, must furnish a certified statement to certain governmental bodies in the county, showing the aggregate value of all real and personal property. During the month of March, the county commission, the county board of education and municipal governments prepare their budgets for the fiscal year which begins the following July. After these budgets are approved, these governments officially set the tax rates for the coming year, sufficient to pay budgeted expenses not expected to be paid from other sources but within constitutional and statutory limits. For example, the 1998 assessment year valuations are made as of July 1, 1997, with taxes levied and collected during the fiscal year July 1, 1998 through June 30, 1999. (See "Grant County Tax Levies and Collections.")

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Grant County Tax Levies and Collections

Fiscal Year Ending 6/30	Current Taxes Collected in Year of Levy*	Taxes Levied**	Percent Collected In Year of Levy	Discounts, Exonera-tions, Etc., Budgeted	Taxes Budgeted	Percent of Budget Collected	Current Delin-quencies	Budget*** including Taxes for Prior years, Supple-mental Taxes and Penalties and Interest	Prior Delin-quencies Etc. Collected/ Interest & Supple-mental Taxes	Taxes Collected	Percent of Total Budget of Taxes Collected
1997	$1,868,630	$N/A	N/A%	$N/A	$1,799,078	104%	$N/A	$1,815,078	$27,277	$1,895,907	104%
1996	$1,827,984	$1,997,549	92%	$127,951	$1,869,598	98%	$31,824	$1,883,098	$46,505	$1,874,489	99.5%
1995	$1,852,187	$1,970,476	94%	$126,110	$1,844,366	100%	$23,191	$1,852,866	$48,614	$1,900,801	103%
1994	$1,716,128	$1,813,957	95%	$126,977	$1,686,980	102%	$ 97,829	$1,695,480	$93,784	$1,809,912	107%
1993	$1,589,234	$1,693,723	94%	$118,560	$1,575,173	101%	$104,489	$1,583,163	$19,266	$1,608,500	102%

Source: For FYE 1993-1996, Grant County Sheriff (FYE 1995 and 1996 compiled from Sheriff's Settlement Statement) for FYE 1997, Annual County Financial Statement

* Includes public utility taxes:

FYE 1993	$ 976,590
FYE 1994	$1,028,250
FYE 1995	$ 920,740
FYE 1996	$ 926,798
FYE 1997	$ N/A

** Does not include excess levy. Figures for FYE 1995-1997 include levies for the 1994 G.O. Bonds.

*** The total taxes preliminarily budgeted for FYE 1999 are $2,004,890 (including for the 1994 G.O. Bonds)

N/A (Not Available)

The State Tax Commissioner has the responsibility of preparing tentative valuations of all public utility property in the State and providing these valuations to the Board of Public Works of the State for actual assessment of such property. The Board of Public Works reviews all assessments made, makes such corrections as it deems proper, conducts hearings to entertain protests from the public utilities involved and fixes the assessments in final form. After such assessments are made, they are allocated by the Auditor to the various counties in which the public utility property is located, such allocations being approved by the Board of Public Works.

Property Classification

Article X, Section 1 of the Constitution and Chapter 11, Article 8, Section 5 of the Code of West Virginia, 1931, as amended, created four classifications of property for which the tax rates, but not the assessed values, are limited. These tax classifications are as follows: Class I - all tangible personal property employed exclusively in agriculture, all products of agriculture while owned by the producer, all notes, bonds, bills, accounts receivable, stocks and any other intangible personal property, not including bank deposits and money; Class II - owner-occupied residential property and certain farm lands; Class III - all real and personal property, other than Class I and II property, situate outside of municipalities; Class IV - all real and personal property, other than Class I and II property, situated within municipalities. Public utility property falls within Class III or Class IV, as appropriate.

Article X, Section 1b of the Constitution and Chapter 11, Article 6B, Section 5 of the Code of West Virginia, 1931, as amended, provide that the first twenty thousand dollars of assessed valuation of real property, or of personal property in the form of a mobile home, used exclusively for residential purposes and occupied by the owner or one of the owners thereof as his residence, who is a citizen of the State and who is sixty-five years of age or older or is certified as being permanently or totally disabled, shall be exempt from ad valorem property taxation. Only one exemption shall be allowed for each homestead used and occupied exclusively for residential purposes by the owner thereof, regardless of the number of qualified owners residing therein. The Legislature may by law provide for the exemption to those aged 65 or less and not disabled.

Assessed Valuations

Article X, Section 1 of the Constitution requires that all property subject to ad valorem taxation be assessed at 60% of its true and actual value and further provides for periodic state-wide reappraisals of all property.

Chapter 11, Article 1C of the Code of West Virginia, 1931, as amended, the "Equitable Property Valuation Act," was enacted by the Legislature in 1990 and required that all property within the State be reappraised at its fair market value within three years of the effective date of the legislation and that updated appraisals be performed every three years thereafter. The State Tax Commissioner is responsible for valuing all industrial and natural resource property within the State, and the Board of Public Works is responsible for valuing public utility property. All other property is valued by the local assessor. The 1990 legislation also created an oversight commission, the Property Valuation, Training and Procedures Commission, with the State Tax Commissioner as chairman and additional members (three county assessors, three citizens and two county commissioners) appointed by the Governor. This commission is required to monitor the performance of the reappraisal.

The Equitable Property Valuation Act also limits the increase in property taxes that can result from the reappraisal. As total values within the various counties as a result of the reappraisal increase, tax rates are required to be reduced so that the actual increase in taxes is capped at a small percentage in excess of taxes collected the prior year. Local taxing units which deem a greater increase necessary may, after public hearing, elect not to roll back tax rates as otherwise required. The levy rates set by the County Commission for FYE 1997 of 11.80 cents per $100 on Class I property (10.84 cents for County current expenses and 0.96 cents for the G.O. Bonds) reflects the County's "rolled-back" rate.

The Equitable Property Valuation Act was amended in 1997 to phase out by tax year 2003 ad valorem taxes on intangible property. The County Commission does not believe that the Equitable Property Valuation Act will have any adverse impact on the County Commission's ability to levy taxes and pay the principal of or interest on the G.O. Refunding Bonds.

On February 2, 1998, the Governor's Commission on Fair Taxation issued a status report to the Governor. The Governor's Commission noted that the ad valorem tax on real property generated the greatest amount of controversy during its public forums. The Governor's Commission found:

> The discontent that exists is generally attributable to (1) the increase in taxes resulting from the 1990 revaluation; (2) the inconsistent valuation of properties both within and among the counties; and (3) the unfair system of administrative review.
>
> As a result, the property tax on real estate with its different rates violates equity and fairness. The tax is not based upon the ability to pay in that many taxpayers are "land rich and income poor." Moreover, the rate structure favors home owners over home renters.
>
> On the other hand, the real property tax is a good source of local revenue, fairly broad-based, enforceable, and relatively stable.

The Governor's Commission is continuing in its efforts to determine the best way to raise adequate taxes and treat individuals fairly and equitably, minimize interference in economic decisions, not impose undue costs on taxpayers or tax administrators, be accountable and competitive, and provide sufficient flexibility to local units of government. It is not known what, if any, changes to ad valorem property taxes will result from the Governor's Commission's efforts.

[Remainder of Page Intentionally Left Blank]

Grant County
Assessed Valuation by Property Class

Class	1994*	1995	1996	1997	1998
I	$ 16,703,379	$ 17,008,230	$ 14,153,357	$ 12,601,425	$ 13,638,703
II**	$103,414,025	$109,442,999	$113,735,659	$121,391,928	$128,632,851
III	$331,742,426	$329,463,020	$ 354,715,439	$352,578,106	$374,302,892
IV	$ 26,340,420	$ 31,569,635	$ 33,490,436	$ 33,656,168	$ 35,599,074
TOTAL	$478,200,250	$487,483,884	$516,094,891	$520,227,627	$552,173,520

* Assessment Year

** Excludes real property and certain personal property from ad valorem property taxation pursuant to Article X, Section 1b of the Constitution. The amount of Class II property so excluded each assessment year amounted to:

$17,106,467 in 1994
$18,035,666 in 1995
$18,485,644 in 1996
$18,857,618 in 1997
$19,529,367 in 1998

Source: Grant County Commission Certificates of Valuation

[Remainder of Page Intentionally Left Blank]

Grant County, West Virginia
Largest Assessed Valuations

Name of Property Owner	1998 Assessed Valuation
1. Virginia Electric and Power Co.*	$ 231,677,700
2. Allegheny Wood Products, Inc.	$ 11,837,945
3. Buffalo Coal Company	$ 10,468,278
4. Potomac Edison Co.	$ 5,115,500
5. Grant County Bank	$ 4,922,877
6. Citizens Telecom	$ 4,014,500
7. Monongahela Power Co.	$ 2,356,200
8. Fairfax Sand & Stone	$ 2,021,682
9. Western Maryland Railroad Co.	$ 1,402,500
10. Island Creek Coal Company	$ 891,630

Source: Grant County

* Virginia Electric and Power Co. ("VEPCO") is a wholly owned subsidiary of Dominion Resources, Inc., and has its principal office in Richmond, Virginia. Information regarding VEPCO is on file with the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20549.

[Remainder of Page Intentionally Left Blank]

Tax Rate Comparisons

The following shows Grant County property tax levy rates per $100 assessed valuation in comparison with a few select surrounding counties as of July 1, 1997 (assessment year 1998; to be used for taxes collected in FYE 1999).

RATES OF LEVY*

County	Class I	Class II	Class III/IV
Grant	35.37	70.74	141.48
Hampshire	38.77	77.54	155.08
Hardy	38.68	77.36	154.72
Mineral	60.75	121.50	243.00
Pendleton	33.43	66.86	133.72
Randolph	32.24	64.48	128.96
Tucker	33.60	67.20	134.40

* Expressed in cents per $100.00 of assessed valuation; excludes amounts levied for general obligation bonds.

Tax Rates

Except as hereinafter stated, the maximum tax rates allowed by the Constitution of West Virginia for the four classifications of property are as follows: Class I - 50¢ per $100 assessed valuation; Class II - $1.00 per $100 assessed valuation; Class III - $1.50 per $100 assessed valuation; Class IV - $2.00 per $100 assessed valuation.

The maximum tax rates described above are divided among the several levying bodies by statute. Generally, the maximum tax rates allowed by the Constitution to be levied by all the levying bodies within the State for current expenses (assuming no indebtedness incurred prior to 1932 exists), and the allocation and apportionment of the maximum rates among the levying bodies made by Chapter 11, Article 8, of the Code of West Virginia, 1931, as amended, for the four classifications of property are as follows:

MAXIMUM TAX RATES*

	Class I	Class II	Class III	Class IV
State	0.25¢	0.50¢	1.00¢	1.00¢
County	14.30¢	28.60¢	57.20¢	57.20¢
School	22.95¢	45.90¢	91.80¢	91.80¢
Municipal	12.50¢	25.00¢	N/A	50.00¢
TOTAL (in cents)	50.00¢	100.00¢	150.00¢	200.00¢

* Rate on each $100 Valuation (in cents)

These rates of levy may not be exceeded except that a local levying body may provide for an election to increase such rates within the respective taxing unit at either a general or special election. If at least 60% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 50% by municipalities and counties. If at least 50% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 100% by boards of education. The increased levies may not continue for more than three years in the case of municipalities and counties or for more than five years in the case of boards of education without resubmission to the voters.

As described above, the tax levies for the G.O. Refunding Bonds will be laid separate and apart from, and in addition to, the other taxes of the County but within the Constitutional and statutory limits. The County Commission has covenanted to levy and has provided for the levy of a direct annual tax sufficient to pay the principal of and interest on the G.O. Refunding Bonds. Accordingly, the taxes levied for the G.O. Refunding Bonds will have precedence over the taxes levied for general current expenses.

The tax rates for citizens of the County, including those imposed by the Grant County Board of Education, per $100 assessed valuation for FYE 1998 are as follows:

RATES OF LEVY*

Tax Type	Class I	Class II	Class III/IV
State Current	0.25¢	0.50¢	1.00¢
County Current	10.84¢	21.68¢	43.36¢
County Excess	None	None	None
County Bonds**	0.9¢	1.8¢	3.6¢
School Current	20.48¢	40.96¢	81.92¢
School Excess	2.9¢	5.8¢	11.6¢

* Expressed in cents per $100.00 of assessed valuation.

** The tax rates, effective for FYE 1998, for the 1994 G.O. Bonds ("County Bonds").

In addition to the rates of levy established for State, County and school purposes, the municipalities within the County have additional rates of levy in effect as shown in the following table:

RATES OF LEVY*

Municipality	Class I	Class II	Class IV
Bayard	12.18¢	24.36¢	48.72¢
Petersburg	9.53¢	19.06¢	38.12¢
Excess	4.49¢	8.98¢	17.96¢

* Expressed in cents per $100.00 assessed valuation.

Source: Grant County Clerk.

Debt Contracting Capability

Article X, Section 8 of the Constitution provides that no county, city, school district or municipal corporation shall be allowed to become indebted in any manner or for any purpose in an amount, including existing indebtedness, in the aggregate exceeding 5% of the value of the taxable property therein, to be ascertained by the last assessment previous to the incurring of such indebtedness, nor without at the same time providing for the collection of a direct annual tax on all taxable property therein, in the ratio as between the several classes or types of such taxable property, separate and apart from and in addition to all other taxes for all other purposes, sufficient to pay annually the interest on such debt and the principal thereof within and not exceeding 34 years. No debt shall be contracted unless all questions connected with the same shall have been first submitted to the vote of the people and have received three-fifths of all the votes cast for and against the same.

In addition, Section 3 of the G.O. Bond Act provides that no political subdivision (other than a school district) shall by any bond issue become indebted to an amount including all other indebtedness exceeding 2 1/2% of the value of the taxable property therein as shown in the last assessment thereof; provided, however, that a county for the erection and equipment of a courthouse or jail, with funds borrowed from a government entity, may become indebted and issue bonds in an additional sum not exceeding 2 1/2% of the value of the taxable property therein.

County Debt Statement

As heretofore stated, under Article X, Section 8 of the Constitution and the G.O. Bond Act, the County generally may issue bonds in an amount which, when added to the aggregate indebtedness then outstanding, will not exceed 2 1/2% of the most recent assessed valuation of taxable property in the County. Under the constitutional and statutory standard, the computation of the debt limit of the County and its debt contracting margin are as follows:

Summary of Statistical Debt Information (pro-forma)

Population (1990)	10,428
Assessed Valuation for Tax Purposes (1998)	$552,173,520
Debt Limit (2.5% of Assessed Valuation)	$ 13,804,338
Outstanding Debt (following issuance of G.O. Refunding Bonds)	$ 1,780,000
Debt Contracting Margin (at 2.5%)	$ 12,024,338
Per Capita Debt	$ 170.69
Outstanding Debt as a Percentage of Assessed Value	0.32%

Source: County Data Profile, Center for Economic Research, West Virginia University ("Data Profile"), citing U.S. Bureau of the Census; 1998 Grant County Certificate of Valuations

Certain Financial Information

Accounting Practices

The accounts of the County are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The County generally applies a modified accrual basis of accounting in accordance with generally accepted accounting principles. The County in FYE 1996 did not include financial statements of the general fixed asset accounting group and did not record vacation and sick leave, both of which were required by generally accepted accounting principles.

Description of Funds

The County's accounts are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The General Fund is the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is a separate and distinct fund held by the Bond Commission and used only as an "interest and sinking fund" to meet the demands of maturing bonds and bond interest payments. (See "The Bonds - Debt Administration.")

The County's coal severance taxes are deposited into a special fund and used for various purposes as described above.

Other special revenue funds, such as those of the Hospital or the nursing home, are separate from the funds of the County described herein. The County does not presently have any Capital Project Funds, which are used to account for financial resources to be used for capital acquisition or construction.

Taxes levied on real and personal property, other than public utility property, to be used to make Debt Service fund payments, are collected by the sheriff, while taxes levied on public utility property to be used to make Debt Service Fund payments are collected by the Auditor and remitted directly to the Bond Commission. Collections will be transferred periodically by the sheriff to the Bond Commission for the Bonds. The Bond Commission, in turn, disburses funds to meet the payment of principal of and interest on the Bonds, as well as paying agent fees. From time to time, the Bond Commission invests amounts in the Debt Service Fund that are in excess of payment schedules and credits the interest income to the Debt Service Fund.

Investment of Certain Funds

General. The state maintains two investment pools for the common investment of State and local government moneys, known as the "Consolidated Fund" and the "Consolidated Pension Fund," which are managed by the Investment Management Board. The County Commission is required by law to remit tax collections to the Bond Commission for the payment of the principal of and interest on the Bonds. The Bond

Commission has historically and is currently investing moneys deposited with it in the Consolidated Fund. Each participant in the Consolidated Fund owns an undivided interest in the portfolio of the Consolidated Fund based upon the participant's pro-rata contribution of assets at any time. Each participant is deemed to have consented to the methods of sharing gains and losses and all other accounting methods required or adopted by the Board. Accounting is based on a daily accrual method of earnings, deposits and withdrawals. As a matter of practice, the Investment Management Board informs participants of the yield applicable to their undivided interests, and interest income is normally credited to each participant's account on a monthly basis.

The West Virginia Constitution was amended at a special election held on September 27, 1997, to authorize investment in equities. Legislation specifies various limitations and restrictions on such investments. The Legislature has authorized the Investment Management Board to loan up to $137,000,000 from the Consolidated Fund to the State Building Commission for the purpose of constructing regional jail and related corrections facilities, subject to the availability of sufficient liquidity in the Fund. The interagency loan would be repaid with an annual $12,000,000 appropriation from the Legislature. On April 14, 1998, the Investment Management Board refused to make the loan, and, on April 20, 1998, the West Virginia Regional Jail and Correctional Facility Authority filed a motion for a writ of mandamus to require the Investment Management Board to make the loan.

Requirements of Bond Insurer. Under the commitment for the Policies, the Bond Insurer restricts investments for the G.O. Refunding Bonds, to the extent permitted by applicable law, to the following:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the timely payment of principal and interest;

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgaged-backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development;

(iii) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Paying Agent or an affiliate of the Paying Agent acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.; and

(iv) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc. and A-1 by Standard & Poor's Corporation.

The County Commission will instruct the Bond Commission and the County sheriff to comply with the Bond Insurer's requirements to the extent allowable under law.

Annual Audit

An annual audit of accounts is prepared by or on behalf of the West Virginia Department of Tax and Revenue (the "State Tax Department"). Undertaking its audit, the State Tax Department employs generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the U.S. Comptroller General. The audit examination includes such tests of the accounting records and other auditing procedures as is considered necessary in the circumstances. The latest audit report available for Grant County is for FYE 1996, which is included herein as Appendix C. The State Tax Department has not completed the audit of Grant County for 1997. The County Commission makes no representation regarding when the audit for 1997 will be completed.

Budgetary Procedures

Prior to the beginning of each fiscal year, the County Commission develops a fiscal plan consisting of contemplated expenditures. The annual budget development process is customarily developed along the following guidelines and in accordance with the budget calendar summarized as follows:

January - The County Commission reviews current year's budget to determine that current year's projections are accurate and within budget.

February - The County Commission begins preliminary work on budget preparation. Estimates of receipts are established. Preliminary priorities are discussed.

March - Assessed valuations are received on or about March 7. The County Commission must approve a preliminary budget and have it available for public inspection for 10 days prior to a public hearing. Anyone wishing to speak at the public hearing shall be granted reasonable time. The County Commission must meet between the budget hearing date and March 28 for approval of the preliminary budget and levy rates. The budget must be submitted to the State Tax Commissioner no later than March 28.

April - On the third Tuesday in April, after the public hearings and receiving written approval of the State Tax Commissioner, the County Commission finalizes the budget for the coming year by ordering the levy of taxes commencing July 1.

August - The County Commission is advised of ending balances for the previous fiscal year. The County Commission evaluates the status of the current fiscal obligations in relation to ending balances and establishes budgetary changes necessitated.

Internal Control

The Grant County Commission is responsible for establishing and maintaining internal control systems including those used in administering federal and state financial assistance programs. Such systems are required to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations and policies, and that reliable data are obtained, maintained and fairly disclosed in reports.

(See Appendix C - Financial Statements of the County Commission.)

County Budget

1997-98 Budget for Grant County

ESTIMATED REVENUES

General Fund

Unencumbered Fund Balance (July 1)	$ 666,975
Ad Valorem Taxes	1,803,599
Prior Year Taxes, Penalties and Other	18,500
Motor Vehicle License Fees and Sheriff's Dept. Income	43,900
County Clerk's Dept. Income	12,000
Circuit Clerk's Dept. Income	4,500
Contributions From Other Funds	
Wine/Liquor Tax	500
Payments in Lieu of Taxes	20,000
Property Transfer Taxes	20,000
Interest	30,000
Reimbursements	20,000
Miscellaneous	20,000
Commissions	700
Dog Pound Fees	300
Rents & Concessions	15,000
Franchise Agreements	3,000
Licenses	25
Building Permits	3,000
Refunds	4,000
Total General Fund	$ 2,685,999

Coal Severance Fund

Uncumbered balances (July 1):	$100,000
Coal Severance Tax	75,000
Interest Earnings/Other	7,000
Total Coal Severance Fund	$182,000

General Fund:	$ 2,685,999
Coal Severance Tax:	182,000
GRAND TOTAL - ALL FUNDS	$ 2, 867,999

ESTIMATED EXPENDITURES

	GENERAL FUND	COAL SEVERANCE FUND
County Commission	$ 357,721	$85,500
County Clerk	181,126	
Circuit Clerk	97,177	
Sheriff - Treasurer	141,237	
Prosecuting Attorney	103,770	
Assessor	123,571	
Statewide Computer Network	9,800	
Agricultural Agent	52,985	
Elections - County Clerk	38,050	
Circuit Court	5,900	
Courthouse	186,358	
Other Buildings	176,156	
Data Processing	19,000	10,000
Airports		5,000
Public Works Department	500,000	
Sheriff - Law Enforcement	148,717	
Sheriff - Service of Process	24,000	
County Jail - Reimbursable J/C	149,446	
County Jail - Nonreimbursable J/C	3,700	
Emergency Services	160,415	
Fire Department		28,000
Dog Warden/Humane Society	13,200	
Public Transit		3,500

	GENERAL FUND	COAL SEVERANCE FUND
Local Health Department		50,000
Vital Statistics	500	
Parks & Recreation	110,594	
Senior Citizens	10,000	
Libraries	65,676	
Law Library	6,900	
GRAND TOTAL	**$2,685,999**	**$182,000**

Pension Systems

The Consolidated Public Retirement Board (Board) was established in 1990 to consolidate administration of all State retirement systems as of July 1, 1991. The Board consists of thirteen members, the Governor or his or her designee; the Treasurer or his or her designee; the Auditor or his or her designee; the Secretary of the Department of Administration or his or her designee; and nine members appointed by the Governor.

The Board has prepared annual actuarial reports on the various pension systems and works closely with legislative committees regarding proposed legislation. When the Board was formed, it began administering four pension systems. As of June 30, 1997, it administered seven systems. The assets of the State's defined benefit plans are invested by the Board in accordance with the West Virginia Code and the policies of the Board. The assets of the State's defined contribution plans are handled by a third-party administrator. Investment transactions are accounted for on a trade date basis. Gains and losses are recognized at the time of sale by the specific identification method.

[THE REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

CONSOLIDATED PUBLIC RETIREMENT BOARD
For the Year Ended June 30, 1997 (In Thousands)

	PERS	TRS	PSDDRF	SPRS	JRS	TDCRS	TOTAL
NET ASSETS--Beginning of Year	$2,012,278	$594,039	$55,347	$1,055	$23,379	$100,731	$2,786,829
ADDITIONS:							
Member contributions	36,482	56,264	1,795	479	435	10,907	99,106,362
Employer contributions	75,332	182,078,981	7,997	479	4,910	19,826	291,525
Total Contributions	111,814	239,245	9,792	958	5,345	30,733	397,887
Investment Income:							
Net appreciation	142,282	40,081	3,761	105	1,685	12,080	199,994
Interest		2,668					12,668
Net investment income	142,282	42,749	3,761	105	1,685	12,080	202,662
Other income:		6,917	570				7,487
Fee received for Administrative service							1
TOTAL ADDITIONS:	$ 245,096	$ 288,911	$ 14,123	$ 1,063	$ 7,030	$ 42,813	$ 608,036
DEDUCTIONS AND TRANSFERS							
Benefit Expense	106,442	192,007	10,413		3,092		311,954
Refunds of contributions	6,378	5,609	9		26	876	12,868
Administrative Expense	1,254	1,404	26	3	3	12	2,702
Increase in amounts due to participants							
Transfers (to) from plans		123				(123)	
TOTAL DEDUCTIONS AND TRANSFERS	114,074	199,143	10,448	3	3,121	765	327,554
NET INCREASE (DECREASE)	140,222	89,768	3,675	1,060	3,909	42,048	280,482
NET ASSETS---Ending of Year	$2,152,300	$683,807	$ 59,022	$2,115	$27,288	$142,779	$3,007,311

Source: Consolidated Public Retirement Board; Comprehensive Annual Financial Report

The Public Employees Retirement System (PERS) includes all employees of the State, its component units and participating non-state government entities not members of another retirement system. As of July 1, 1997, 16,823 retirees and beneficiaries were receiving benefits; 21,647 active members were vested; and 9,423 active members were nonvested.

Established in 1961, PERS provides retirement benefits, as well as death and disability benefits. Members contribute 4.5% of annual earnings and employers contribute 9.5% of a member's annual earnings. Administrative costs are financed through investment earnings. As of July 1, 1997 there are 33,817 members of the plan.

In 1990, as a result of a federal Department of Health and Human Services audit, a claim was asserted against the State for a refund of approximately $18 million, representing an allocation of the federal portion of contributions to the PERS. The State believes it has identified significant offsets to the claim; it has filed suit in Federal Court against the Department of Health and Human Services.

The most recent actuarial valuation of PERS was prepared by Peter Verne of Buck Consultants. The asset valuation method utilizes fair market value to place a value on assets. The actuarial cost method utilized entry age cost method with individually computed accrued liabilities, including an interest assumption of 7.5% annually, with no loading for plan expenses. As of July 1, 1996, the unfunded liability for PERS was $394 million, based on recognized valuation of assets at $1.989 billion. The funded percentage was 83.5%.

The County elected to become a participating public employer under PERS in 1962 for the coverage of all eligible employees. In FYE 1997, the County contributed 9.5% of its payroll, or $105,067.11, and the employees contributed 4.5%, or $49,768.56.

Insurance Coverage

The County maintains its health insurance through Fortis Benefits and all its other insurance through the West Virginia State Board of Risk and Insurance Management (the "Board of Risk"). Coverage through the Board of Risk is from National Union Fire Insurance Co. of Pittsburgh and is as follows:

Comprehensive General Liability Insurance
Personal Injury Liability Insurance
Professional Liability Insurance
Stop Gap Liability Insurance
Wrongful Act Liability Insurance
Comprehensive Auto Liability Insurance
Auto Physical Damage Insurance, including comprehensive and collision
Garagekeepers Insurance

Liability is limited to $1,000,000 each occurrence for all coverage combined. This limit is not increased if a claim is insured under more than one coverage or if a claim is made against more than one insured. The auto physical damage limit is the actual cash value not to exceed $50,000 each vehicle, subject to a deductible of $500 or $1,000.

The insurer's aggregate limit of liability for all covered damages, fees (including attorneys' fees), costs and expenses for the defense of claims and lawsuits and for interest is $25,000,000 maximum, regardless of the number of claims, lawsuits, claimants, occurrences, offenses, wrongful acts or omissions, accidents, losses, insureds or policies or certificates of insurance issued by the insurer to the State of West Virginia, any political body or agency or subdivision of the state and any charitable or public service organization. Therefore, the amount of insurance available could be reduced or even eliminated because of payments under other certificates of insurance and the policy issued to the State of West Virginia.

The County Commission also has property insurance, including a fidelity honest bond payable up to $3,000,000 and insurance covering money and securities up to $2,500,000, provided by the Board of Risk. Coverage for vehicles and mobile equipment and for boilers and machinery is limited to $7,000,000. Otherwise, the maximum loss payable for each occurrence is $202,000,000.

THE REVENUE REFUNDING BONDS

THE FOLLOWING APPLIES ONLY TO THE REVENUE REFUNDING BONDS. THE G.O. REFUNDING BONDS ARE NOT PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE HOSPITAL.

Authority

Nature of Obligation, Security and Source of Payment

The Revenue Refunding Bonds and the interest thereon are special obligations of the County Commission and are payable solely from the net revenues of the Hospital, and from the funds and accounts held pursuant to the Bond Indenture, all at the times and subject to the conditions set forth in the Bond Indenture. The principal of the Revenue Refunding Bonds and the premium, if any, and the interest thereon shall not constitute a debt or a pledge of the faith and credit or taxing power of the State or of any county, any municipality or any other political subdivision thereof but are special obligations of the County Commission, payable solely from the net revenues of the Hospital and other sources pledged by the County Commission therefor. The Owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the County, the County Commission or the taxing authority of any county, any municipality or any other political subdivision of the State for payment of the principal of or premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

Net Revenues Pledge

As security for the obligation to make the Revenue Refunding Bond payments, the County Commission and the Board of Trustees, pursuant to the Bond Indenture, have granted to the Bond Trustee a security interest in all Net Revenues (as defined in Appendix E) of the Hospital for the benefit of the Revenue Refunding Bonds. The existence of such security interest does not prevent the expenditure, deposit or commingling of Net Revenues by the Board of Trustees so long as all payments required for the Revenue Refunding Bonds are made when due. This security interest applies to all of the Net Revenues, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the County Commission or Board of Trustees. If any

payment required for the Revenue Refunding Bonds is not made when due, any Net Revenues subject to this security interest which are then on hand and any such Net Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Bond Trustee for deposit into the Bond Fund to the extent needed to make the amount on deposit in the Bond Fund at least equal to the requirements of the Bond Fund and then to replenish any draws from the Debt Service Reserve Fund. See the subcaption "Bonds Secured by Pledge of Net Revenues" in Appendix E hereto.

The foregoing security interest in Net Revenues is subject to and may be limited by the laws of the United States and the State of West Virginia with respect to bankruptcy, insolvency and creditors' rights generally. For example, all or substantially all Net Revenues received by the Hospital after the commencement of a bankruptcy proceeding in which it is the debtor may not be subject to the foregoing pledge or security interest, and the same may be true with respect to Net Revenues received within 90 days prior to the commencement of such a proceeding. In addition, the ability to have Net Revenues immediately transferred to the Bond Trustee may be restricted by the anti-assignment prohibitions applicable to Medicare and Medicaid revenues.

Limitations on Liens

Neither the County Commission nor the Board of Trustees will create or permit to exist any lien, charge, encumbrance, or security interest on or in all or any part of the Net Revenues, or the Hospital Facilities except for "permitted encumbrances" as are specifically described in the Bond Indenture. See the sub-caption "Bond Indenture Permitted Encumbrances" under the caption "Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture" attached as Appendix E hereto.

Bond Fund

Under the Bond Indenture, the Hospital makes monthly payments into the Principal and Interest Accounts of the Bond Fund. Such payments will not start until October 1, 1998.

Debt Service Reserve Fund

The Bond Indenture establishes a Debt Service Reserve Fund to secure payment of the Revenue Refunding Bonds, which Debt Service Reserve Fund will be funded at closing . The Debt Service Reserve Fund is required to be funded at a level equal to the lesser of (i) the maximum principal and interest due in the Bond Year of calculation or any subsequent Bond Year on all Revenue Refunding Bonds and any additional Bonds on a parity therewith outstanding or (ii) 10 percent of the proceeds of the Revenue Refunding Bonds (the "Debt Service Reserve Fund Requirement"). The Bond Trustee shall immediately notify the County Commission in the event that moneys are withdrawn from the Debt Service Reserve Fund. The County Commission shall cause the Board of Trustees to make up such deficiency through monthly payments beginning in the month following the month in which the withdrawal was made equal to (a) 1/12th of the amount by which the Debt Service Reserve Fund Requirement exceeded the amount on deposit in the Debt Service Reserve Fund on the day that such withdrawal was made or (b) any lesser amount which will result in the amount on deposit in the Debt Service Reserve Fund equaling the Debt Service Reserve Fund Requirement. Any deficiency in the Debt Service Reserve Fund determined upon the quarterly valuation thereof shall be replenished in three equal monthly payments prior to the next succeeding valuation date.

Additional Covenants of the Hospital

The Board of Trustees has agreed in the Bond Indenture to fix rates, fees and charges for the services furnished by the Hospital Facilities in amounts sufficient to maintain net income available for debt service in an amount not less than 110 percent (a ratio of 1.1:1) of the maximum annual debt service requirement on the Revenue Refunding Bonds and all other indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds and 100 percent (1:1 ratio) of the maximum annual debt service requirement on all Indebtedness and on all required deposits to the debt service reserve fund and deposits required pursuant to the Bond Indenture. If in any year the annual audit indicates that the above-referenced amount is not being maintained, the Board of Trustees shall within 30 days following the delivery of such audit report employ a Management Consultant to prepare a report containing recommendations, if any, as to the changes in the operating policies of the Board of Trustees designed to maintain such amount and the Board of Trustees shall follow such recommendations, if any, to the extent deemed feasible.

Additional Indebtedness

The County Commission, or the Board of Trustees on its behalf, upon compliance with the terms and conditions and for the purposes described under the subcaption "Bond Indenture - Permitted Indebtedness" under the caption "Definition of Certain Terms; Summary of G.O. Refunding Bond Order and Bond Indenture" in Appendix E hereto, may issue additional indebtedness.

Long Term Indebtedness of the Hospital

As of June 30, 1997, the Hospital had no equipment recorded under capital lease obligations. On August 13, 1997, the Grant County Building Commission issued $347,000 in principal amount of tax-exempt obligations for the purchase of a CT scanner, which was leased to the Hospital.

Certain Financial Information

See the Hospital's financial statement at Appendix D hereto and additional information regarding the Hospital's finances in Appendix B hereto.

BONDHOLDERS' RISKS

Tax Covenant

The exclusion from the gross income of the recipients thereof of the interest on the Refunding Bonds is based on the continued compliance by the Bond Commission and the Bond Trustee, the Board of Trustees and the County Commission with certain covenants contained in the G.O. Refunding Bond Order and the Bond Indenture, respectively, and in the Tax Regulatory Agreements. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Refunding Bonds and use of the Hospital Facilities. Failure to comply with any of these covenants may result in the treatment of interest on the Refunding Bonds as includable in gross income of the recipients thereof retroactive to the date of issuance.

G.O. Refunding Bonds

There can be no assurance that the property values described in this Official Statement will be maintained or that taxpayers will pay their taxes in full on a timely basis. A significant portion of the County's tax base and employment is related to VEPCO. Accordingly, an adverse situation for VEPCO may adversely affect the payment of the G.O. Refunding Bonds.

Revenue Refunding Bonds

General

Except as noted herein, the Revenue Refunding Bonds are payable solely from the Net Revenues of the Hospital. The ability of the Hospital to produce revenue and maintain sufficient creditworthiness depends primarily upon the ability of the Hospital to obtain sufficient revenues from the operation of the Hospital Facilities and related activities to pay its expenses of operation, the debt service on the Revenue Refunding Bonds and its other obligations, if any. There are certain risks that might prevent the Hospital from obtaining sufficient revenues to meet all of its obligations. Revenues and expenses of the Hospital are subject to conditions which may change in the future to an extent that cannot be determined at this time. Some of the possible changes in future conditions and other risks are discussed below. The discussion herein of risks to the Bondholders is not intended to be dispositive, comprehensive or definitive, but rather is meant to summarize certain matters which could affect payment on the Revenue Refunding Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. See "Regulation of the Health Care Industry," herein, for an additional discussion of risks. Neither this discussion of risk factors nor any other discussions in this Official Statement are, or are intended to be, exhaustive.

Medicare and Medicaid

Over 60% of the patients admitted to the Hospital are covered by Medicare or Medicaid. Accordingly, decreased funding for and other changes to Medicare or Medicaid could have an adverse effect on the revenues of the Hospital. Some, but not all, of the factors relating to Medicare or Medicaid that may affect the Hospital or its revenues are the following:

(1) Reductions in the funding levels of the Medicare and Medicaid programs and other legislative and regulatory changes which further reduce Medicare or Medicaid reimbursement to hospitals are expected. The Balanced Budget Act of 1997 (P.L. 105-33) (the "BBA 1997") included Medicare savings of $115 billion over 5 years and net Medicaid savings of $13.6 billion and would balance the federal budget by 2002. House Budget Committee background documents indicated that the 10-year savings in Medicare would be $434.2 billion, and the 10-year net savings in Medicaid would be $65.5 billion. By rule issued in August 1997 by the Health Care Financing Administration ("HCFA") pursuant to the BBA 1997, payments under the Medicare prospective payment system ("PPS") were frozen for FY 1998. FY 1999 payments will be allowed to increase by 1.9% less than the inflation rate on prices for goods and services purchased by hospitals, which is expected to be 2.6% (the "market-basket"), leading to an approximately .7% increase; FY 2000 payments will be allowed to increase by the market-basket minus 1.8%.; and FY 2001 and FY 2002 payments will be allowed to increase by the market-basket minus 1%. Payments for transfers from hospitals to skilled nursing facilities

and home health agencies in 10 diagnosis-related groups would be reduced. Capital payments would be reduced by approximately 17%, and payments to PPS(as defined below)-exempt hospitals would be reduced by $4 billion over 5 years, with no update in FY 1998. Disproportionate-share hospital ("DSH") payments would be reduced 5% over 5 years.. As a result of these changes, provider reimbursement is expected to be reduced.

It is likely that additional legislation regarding Medicare and Medicaid will be proposed and perhaps enacted over the next several years. Projections from several sources indicate that the Medicare trust fund will run out of money by 2002, with some projections setting earlier dates. A bipartisan commission on the future of Medicare has been appointed and is to report to Congress by March 1999. However, in light of the changes made by the BBA 1997, which are expected to keep the Medicare trust fund solvent until approximately 2010, long-term reforms may not be considered until approximately 2005. The funding of Medicare and Medicaid is a factor that significantly affects the revenues of the Hospital but cannot be accurately assessed or anticipated at this time.

(2) In 1997, Congress repealed the Boren Amendment to the Medicaid law, which required states to reimburse providers and at "reasonable and adequate rates." The effect of this repeal has not yet been determined.

(3) Medicare generally pays hospitals under a prospective payment system ("PPS"). The PPS began for operating costs in 1983 and for capital-related costs in 1991. Under the PPS, payment for the operating and capital-related costs of inpatient hospital services furnished by hospitals subject to the system is made on the basis of prospectively determined rates and applied on a per discharge basis. Essentially, the PPS for operating costs pays hospitals a fixed amount for each Medicare inpatient discharge based upon patient diagnosis and certain other factors used to classify each patient into a Diagnosis Related Group ("DRG"). Each DRG is given a relative value from which a fixed payment can then be established. With certain exceptions (referred to as "outliers"), such payments are not adjusted for actual costs, for variations in intensity of illness, or for length of stay. Moreover, DRG rates change periodically. Under the PPS, the Hospital may keep the difference between its prospective payment rate and its operating or capital-related costs incurred in furnishing inpatient services, and the hospital is at risk for inpatient operating or inpatient capital-related costs that exceed its payment rate. There can be no assurance that payments under PPS will be sufficient to cover all of the Hospital's actual costs of providing inpatient hospital services to Medicare patients. Similar systems are in use for patients covered by Medicaid and the State Public Employees Insurance Agency ("PEIA").

The Hospital is a "sole community hospital" pursuant to 42 C.F.R. §§ 412.90 and .92. As such, the Hospital is paid based on whichever of the following amounts yields the greatest aggregate payment for the cost reporting period: (i) the federal payment rate under PPS for operating costs for fiscal years after FY 1984, subject to a regional floor; (ii) a hospital-specific rate for operating costs determined by the Hospital's intermediary, based on FY 1982 and considering case mix; and (iii) a hospital-specific rate for inpatient operating costs determined by the Hospital's intermediary, based on FY 1987 and considering case mix. The Hospital's payments may then be adjusted for a significant decrease in the number of discharges or a significant increase in inpatient operating costs.

(4) In 1991, the Health Care Financing Administration ("HCFA") adopted regulations incorporating Medicare payment for capital expenditures into PPS. There is a separate prospective per-case

standardized amount for capital cost, adjusted to take into account certain hospital characteristics and weighted by DRG. The regulations provide for a phase-in of prospective capital rates over a ten year period.

During the ten-year transition period, HCFA is providing two alternative payment methods, a fully prospective method and a "hold harmless" method for hospitals with high-cost capital assets. The fully prospective method combines a "standard federal rate" based on the estimated FY 1992 national average capital cost per discharge adjusted to reflect each hospital's case mix, cost of outliers, location and indigent care burden and each hospital's specific rate. Each hospital's specific rate is adjusted for case mix and updated to current fiscal year based on the increase in national average capital cost per discharge and certain other factors. Over ten years, the federal portion of the rate increases gradually until payment is entirely based on this amount.

Under the "hold harmless" method, hospitals with a hospital specific rate above the federal rate will receive payment for old capital costs at 85% of the reasonable cost during the transition period. As a sole community hospital, the Hospital receives payment at 100% of the reasonable cost during the transition period. "Old capital" costs include those capital-related items reported in the Medicare cost report for FY 1990, and those items that hospitals are legally obligated by an enforceable contract entered into on or before December 31, 1990, and that are put into patient use by October 1, 1997. "New Hospital" costs include costs for all other capital-related items. Under the "hold harmless" method, new capital costs are paid at a portion of the federal rate based on each hospital's proportion of new capital. A hospital being paid under the "hold harmless" system will be paid at 100% of the federal rate if that is higher. At any point in the 10-year transition, such a hospital may choose to be paid fully at the federal rate. However, such a change will then be permanent.

As a sole community hospital, the Hospital's capital cost payment has a minimum level of 90% of its allowable capital-related costs during the transition period. At this time, it is uncertain what impact the incorporation of capital cost payments into PPS will have on the Hospital's ability to cover future capital costs after FY 2001.

(5) Although it is unlikely that the Hospital would lose its designation as a sole community hospital under the existing federal regulations, changes in the regulations regarding sole community hospitals may adversely affect the Hospital and its revenues.

(6) In addition to the payments described above, Medicare reimburses hospitals for certain "outlier" cases, indirect medical education and bad debts. The Hospital also receives disproportionate share payments for serving a high number of Medicare and Medicaid patients.

(7) The costs of outpatient hospital services are not reimbursed under PPS but rather on a "reasonable and allowable cost" basis or by a blended payment.. The Omnibus Budget Reconciliation Act of 1987 placed various limits on the payments made for ambulatory surgical procedures performed by a hospital on an outpatient basis and on outpatient radiology services and other specified diagnostic services. In those cases, the Hospital is paid the lesser of (i) its reasonable cost or customary charges or (ii) a payment amount derived by blending the Hospital's reasonable cost or customary charges and a prevailing charge or fee schedule. As a sole community hospital, the Hospital was excepted from required reductions to the reasonable costs of outpatient services from FY 1991 to FY 1998.

(8) The Hospital operates 15 swing beds and 10 skilled nursing beds. Medicare reimburses for swing beds on the basis of the reasonable cost of posthospital skilled nursing facility care. Medicare reimburses for skilled nursing beds on the basis of the lesser of a national average or actual costs for routine services and Medicare determined reasonable costs for ancillary services. Under the BBA 1997, effective July 1, 1998, Medicare will implement a PPS for skilled nursing services. Payment will be based on the intensity of care required by the patient. There may be changes in the reimbursement methodologies for swing beds and skilled nursing beds that may adversely affect the Hospital and its revenues.

(9) Both Medicare and Medicaid are entering into managed care arrangements. Although neither program presently offers a managed care option or requires managed care participation in the area served by the Hospital, they are expected to do so in the next several years. The Hospital presently has few managed care contracts. It cannot be determined at this time how the Hospital will adjust to managed care.

Other Legislative and Regulatory Actions

The Hospital and the health care industry in general are subject to regulation by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health planning programs and other federal, state and local governmental agencies. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs, and is affected by reductions and limitations in governmental spending for such programs, as well as changing health care policies. Over the past several years, Congress has consistently attempted to curb the growth of federal spending on health care programs. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured patients, the prevention of "dumping" such patients in order to avoid provision of unreimbursed care, the tax-exempt status of nonprofit corporations which engage in activities unrelated to their nonprofit purpose and other issues. Adoption of additional regulations in these areas could have an adverse effect on the results of operation of the Hospital.

No assurance can be given as to the effect on future hospital operations of existing laws, regulations and standards or of any future changes in such laws, regulations and standards. Some additional examples of the potential effects of such laws, regulations and standards are as follows:

(1) Congress and other governmental agencies have also focused on false billing, fraud and abuse and self-referrals in the health care industry and have adopted broad, and in some instances unclear, legislation and regulations to curb what is perceived as abuse and have begun aggressive enforcement of such laws and regulations. For example, approximately 75% of the hospitals in the United States either have been or may be cited for violations of billing for outpatient services during the 72 hours preceding admission. The United States Department of Health and Human Services expected to collect $1.2 billion in 1997 from fines and settlements from providers that overcharged Medicare and other governmental programs, up from $205,000,000 in 1996.

(2) The health insurance reform law (P.L. 104-191), which was enacted by Congress on August 21, 1996, sets minimum federal standards to make health insurance coverage more portable and contains provisions regarding medical savings accounts and long-term care insurance. The effect, if any, of this legislation

cannot be predicted, although expanded health insurance coverage, if actually facilitated by the legislation, should be beneficial to the Hospital.

(3) The Gramm-Rudman Balanced Budget and Emergency Deficit Control Act of 1985 put specific dollar limits on the size of the federal budget deficit. Should the federal budget exceed those limits, the President may reduce spending by "sequestering" appropriated funds until the target amount is reached. While Medicaid is exempt from cuts under the sequestration plan, the Omnibus Budget Reconciliation Act of 1990 states that Medicare funds may be reduced by up to four percent below the base set by HHS in its proposed DRG payments to hospitals for the ensuing federal fiscal year.

(4) Legislation curtailing the installation of new health care facilities may be enacted.

Economic and Business Risks

The Hospital is subject to the same economic risks and business risks as are all businesses. The Hospital is also subject to some risks uniquely applicable to the health care industry. Some, but not all of those risks are described below.

(1) Future contract negotiations between the Hospital and public and private insurers, health maintenance organizations and preferred provider organizations and efforts of other entities and employers to limit hospitalization costs, which could adversely affect the utilization of the Hospital Facilities and the level of reimbursement or payment to the Hospital for services provided at the Hospital Facilities.

(2) Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are uninsured or underinsured or who are otherwise unable to pay fully for the cost of their care, and increased numbers of patients suffering from uninsured illnesses which, in some cases, include Acquired Immune Deficiency Syndrome ("AIDS").

(3) Competition from hospitals located near the service areas of the Hospital, from other types of health care providers that may offer comparable health care services and from alternative or substitute health care delivery systems or programs may decrease utilization of the Hospital. In addition, the development of health maintenance organizations and the development and requirement of the option for health maintenance organizations in labor contracts; efforts by insurers, employer-purchasers of health care insurance and governmental agencies to reduce utilization of hospital facilities; and more extensive utilization of outpatient care at facilities not related to the Hospital could adversely affect the operations of the Hospital.

(4) Exclusion from networks. In response to increased HMO penetration and competition, hospitals are forming networks and other alliances. The nature of the alliances formed, whether the Hospital is included in one or more alliances and whether such alliances obtain exclusive provider agreements may affect the Hospital's revenues.

(5) A reduction in hospital utilization. In addition to competition from other facilities, a number of other factors have been reducing hospitalization. Physicians' practice patterns indicate a trend to fewer inpatient admissions and shorter lengths of stay for those who are admitted. In addition, third-party payors such

as Medicare and Medicaid, Blue Cross and Blue Shield have exerted efforts to contain their costs by reviewing and questioning the need for certain inpatient admissions and length of hospital stays.

(6) Future medical and scientific advances, preventive medicine, improved occupational health and safety and improved outpatient care, which could result in decreased usage of inpatient hospital facilities. Future developments in the spread of AIDS may cause increases in the Hospital's operating costs and increase the incidence of bad debts, particularly if effective prevention or treatment methods are not promptly developed. The responsibility and methods for providing and paying for the care and treatment of AIDS patients have not yet been clearly established.

(7) Any developments affecting the federal or State tax-exempt status of government entities such as the County Commission and their ability to own and/or operate nonprofit organizations such as the Hospital, which may impose financial or other burdens on the operations of the Hospital Facilities.

(8) The ability of, and the cost to, the Hospital to insure or otherwise protect itself against malpractice claims. Changes in the cost of paying claims in excess of insurance coverage could directly (and indirectly by affecting the number of practicing physicians or specialty practices of physicians) adversely affect the operating results of the Hospital. Prohibitive cost and unavailability of other types of insurance which the Hospital desires to obtain may also adversely affect the Hospital.

(9) The production of waste products, including certain radioactive wastes, infectious wastes and hazardous wastes necessitated by the operation of the facilities of the Hospital; the Hospital's responsibility for compliance with applicable federal, state and local laws and regulations, including the proper handling, labeling, storage, transport and disposal of the wastes; and the possible incurrence of liability without regard to fault or remedial actions and for personal injury and property damage related to a release or threatened release of these wastes. Such liability could be substantial and may adversely affect the Hospital's financial condition.

(10) Availability of nurses and other qualified health care technicians and personnel. The Hospital has not experienced staffing shortages in the past; however, hospitals nationwide are experiencing a shortage in the number of nurses available and qualified to perform nursing services.

(11) The occurrence of natural disasters, which may damage the Hospital Facilities, interrupt utility service to the Hospital Facilities, or otherwise impair the operation of the Hospital Facilities and the generation of revenues from the Hospital Facilities.

(12) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures, and the inability to obtain certificates of need and other required governmental approvals for capital expenditures.

(13) Other risk factors may also affect the operation of the Hospital: (i) the cost of availability of energy; (ii) the cost and availability of insurance, such as fire and general comprehensive liability, that hospitals of a similar size and type generally carry; (iii) uninsured acts of God; and (iv) imposition of wage and price controls for the health care industry.

(14) Certain judicial decisions which have cast doubt upon the right of a trustee, in the event of a bankruptcy, to collect and retain for the benefit of bondholders portions of revenues consisting of Medicare, Medicaid and other governmental receivables.

Staff

Changes in the number or composition of the Hospital's medical staff could affect the Hospital's reputation or services and thus its operations. The ability of the Hospital to recruit and retain medical staff members may be adversely affected by the unavailability of malpractice insurance at reasonable cost or legislative constraint. See "Appendix B - Information Concerning Grant Memorial Hospital." In addition, there is no assurance that the Hospital can retain other staff such that current levels of medical care are maintained.

Effect of Bankruptcy

The rights and remedies of owners of the Revenue Refunding Bonds may be subject to various provisions of the Bankruptcy Code (Title 11, U.S.C.A.) (the "Bankruptcy Code"). The filing by the Hospital of a petition for relief under Chapter 11 of the Bankruptcy Code would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Hospital and its property, and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, the Hospital's property, including its accounts receivable and proceeds thereof, could be used for the benefit of the Hospital despite the obligations of the Hospital under the Bond Indenture.

The County Commission or the Board of Trustees may file a plan for the adjustment of the Hospital's debts which modifies or alters the rights of creditors generally, or any class of them, secured or unsecured. The plan, if confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Special Purpose Facilities

The Hospital Facilities are not pledged as security for the Revenue Refunding Bonds. In addition, the Hospital Facilities are not composed of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the Hospital Facilities and, in the event of the institution in bankruptcy proceedings, the estate in bankruptcy may not realize the amount of the outstanding Revenue Refunding Bonds from the disposition of the Hospital Facilities.

Summary Financial Information

Certain financial information of the Hospital is set forth in Appendix D. There can be no assurance that the financial results achieved by the Hospital in the future will be similar to historical results. Such future results will vary from historical results, and actual variations may be material. Therefore, the historical operating results

of the Hospital cannot be taken as a representation that the Hospital will be able to generate sufficient revenues in the future to make payment of principal of, redemption premium, if any, and interest on the Revenue Refunding Bonds.

Difficulties in Enforcing Remedies

The remedies available to the Bond Trustee or the owners of the Refunding Bonds upon an event of default under the Bond Indenture or the G.O. Refunding Bond Order are in many respects dependent upon judicial actions, which are often subject to discretion and delay. No specific remedies are available in the event of a default on the G.O. Refunding Bonds. See "Refunding Bonds - Nature of Obligation, Security and Source of Payments."

Referral Restrictions

Federal law and some provisions of state law prohibit the solicitation, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for the provision of goods or services which may be reimbursed under the Medicare or Medicaid programs. Hospitals and others, including physicians, are thereby prohibited from engaging in any activity or participating in any joint venture which could be interpreted to involve an inducement for the referral of Medicare or Medicaid beneficiaries to a hospital or a joint venture in which a hospital participates. Violation of these laws, known as anti-kickback laws, may lead to criminal and civil penalties, as well as exclusion from the Medicare and Medicaid Programs. Although by regulation a number of "safe harbors" have been promulgated, there remains a significant degree of uncertainty about the legitimacy of various common business arrangements in the health care industry.

Congress has created legislation which prohibits referrals of Medicare and Medicaid beneficiaries by physicians to facilities (including hospitals) in which the referring physician or any immediate family member has an ownership or financial interest. Such restrictions currently apply to referrals to providers of home IV therapy and clinical laboratory services, physical therapy services, occupational therapy services, radiology and other diagnostic services, radiation therapy services, durable medical equipment, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics, and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services. No assurance can be given as to the effect these or any current or future proposed restrictions, if enacted, would have on the Hospital.

Although regulations defining the exemptions have been proposed, there remains a significant degree of uncertainty about the contingency of common business arrangements in the health care industry.

Activities Related to Non-Profit Hospitals

The United States House of Representatives Ways and Means Committee has recently considered proposed legislation on the charity care standards that non-profit, charitable hospitals must meet to maintain their federal income tax exempt status under the Code. Under one bill, non-profit, charitable hospitals would generally be required to operate a full-time emergency room, to have a Medicaid provider agreement and to provide charity care and other community benefits. If a hospital violated these provisions, its exempt status under the Code could be revoked.

A second bill would mandate that non-profit, charitable hospitals have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. This bill would impose an excise tax penalty on non-profit, charitable hospitals that violate these charity care and community benefit requirement, but would revoke their tax-exempt status under the Code only in the case of egregious violations of the standards. The scope and effect of legislation, if any, which may be adopted at the federal or state levels with respect to charity care of non-profit hospitals cannot be predicted. Any such legislation, if enacted, may have the effect of subjecting a portion of the Hospital's income to federal or state income taxes or to other tax penalties.

The Internal Revenue Service has ruled in GCM 39862 that a hospital may jeopardize its tax-exempt status if it forms a joint venture with the members of its medical staff and sells to such joint venture the revenue stream derived from operation of an existing hospital department or service for a defined period of time. GCM 39862 further states that the violation of the anti-kickback laws may result in the revocation of the tax-exempt status of a hospital. The ruling in GCM 39862 results in a revocation of previous private letter rulings delivered by the Internal Revenue Service.

Although the Hospital has been designated as a 501(c)(3) organization, it derives its tax exemption from its governmental ownership. Accordingly, it is unclear what effect, if any, these activities would have on the Hospital.

Medical Malpractice Insurance

In recent years the number of malpractice suits and the dollar amount of damages awarded to plaintiffs as a result of such suits has been increasing nationwide. Malpractice insurance premiums have fluctuated substantially. To the extent that the malpractice insurance coverage maintained by the Hospital is inadequate to cover a judgment against it, a medical malpractice claim may have to be discharged by payments from its own funds. Changes in the availability and cost of malpractice insurance may adversely affect the operating results of the Hospital.

Competition

The Hospital presently faces competition from several other health care providers located within or close proximity to its service area. In the future, the level of competition could increase if these existing providers or any new providers were to expand or establish additional facilities and services. In addition to hospital-based facilities and services, increased competition could result from the establishment of freestanding ambulatory care clinics and surgical centers, private laboratories and radiological services, health maintenance organizations and other alternative forms of health care delivery or payment plans.

A significant portion of the Hospital's revenues are derived from the treatment of patients at the Hospital by members of the Hospital's medical staff. Physicians on the medical staff have the option of treating a particular patient at the Hospital or at other health care facilities with which the physician may be affiliated. The revenues of the Hospital could decrease if medical staff members treat patients at other health care facilities instead of the Hospital.

Peer Review Organizations ("PROs")

In 1982, Congress intensified review of Medicare claims regarding medical necessity, quality of care and appropriate level of care by establishing PROs to review Medicare claims and the quality of care furnished by hospitals. PROs may deny claims that fail to meet their review criteria and can fine facilities that are found to furnish substandard care.

State Reimbursement

A significant portion of the Hospital's revenues is derived from the federal and State Medicaid Program and from the State Public Employees Insurance Agency ("PEIA") Program. Medicaid pays medical benefits for persons below certain income levels and meeting other needs requirements.

The PEIA provides coverage for approximately 195,000 public sector employees, including public school teachers and their dependents. Medicaid and PEIA reimburse the Hospital based on a prospective payment system for inpatient services and on a set fee schedule for outpatient services. PEIA reimburses the Hospital on the basis of percent of charges for outpatient services. Medicaid has implemented managed care plans in selected counties, not including Grant County.

From time to time, the state has experienced significant delays in reimbursing health care providers such as the Hospital for services rendered to both Medicaid and PEIA patients. During the past several years, the West Virginia Legislature has appropriated additional money and enacted certain tax legislation and other remedial legislation addressing the payment problem. While such appropriations and legislation, together with cost control measures, have generally eased the payment problems in the past, there can be no guarantee or assurance that similar reimbursement delays by this state will not occur in the future. The Medicaid program faces a potential deficit of more than $58,000,000 for FYE 1999. The Department of Health and Human Resources, which operates the Medicaid program, presented a series of proposed cuts to the House Finance Committee, which included a cut of $11,500,000 in hospital payments. The 1998 State Legislature adopted a children's health program, which will draw down approximately $40,000,000 from the federal government. Although that program will increase funding for otherwise uninsured children, it may increase the Medicaid deficit. The State has indicated that, while implementing the new children's health program, it expects to find as many as 25,000 children who are eligible for but not presently covered by Medicaid. PEIA likewise has indicated it will experience a deficit in FYE 1998.

In relation to any state health care programs (PEIA, Medicaid, Workers' Compensation or Division of Rehabilitation), the state has the power to develop a plan or plans by which it can unilaterally establish reimbursement levels. Moreover, PEIA, Medicaid and Workers' Compensation have under study a comprehensive managed care system. Balanced billing of beneficiaries of the state programs is generally prohibited.

Rate Review

The West Virginia Health Care Authority (the "Authority") reviews and approves hospital rates. The Hospital cannot change its schedule of rates without first filing a written request regarding such change with the Authority and obtaining its approval. The Authority's rate methodology is a cost-based rate review system. Refusal by Authority to approve Hospital rates at requested levels could adversely affect the Hospitals' net

revenues. The Authority denied the Hospital's request for a rate increase in 1997. The Authority also is responsible for certificate of need review in the State of West Virginia. See "Health Planning" below.

Third Party Payors

Blue Cross organizations and other non-governmental third-party payors provide reimbursement to the Hospital for patient care on the basis of various contracts and formulas. Renegotiation of such contracts and formulas, and changes in reimbursement systems, may reduce such third-party reimbursements to the Hospital.

All proposed contracts between the Hospital and any third-party payor must be filed with and, if providing for a discount, approved by the Authority before becoming effective. The Authority is not authorized to approve any contract which contains a discount on rates below the actual cost of providing services by the Hospital unless the Hospital demonstrates that it will not shift the cost of any discount to any other third-party payor, and will not decrease its proportion of Medicare, Medicaid, or uncompensated care patients as a result of the granting of such discount.

Health Planning

West Virginia maintains "certificate of need" legislation to control the levels and types of capital expenditures undertaken and new services provided by all health care facilities in West Virginia, including the Hospital. For future projects, approval is necessary in order for certain major capital expenditures to be made or new services to be offered. No assurance can be given as to the Hospital's ability to obtain "certificate of need" approval of projects for the maintenance of appropriate facilities, services, technology, and quality of care necessary to remain competitive in the community. The Authority is the designated agency for certificate of need review.

UNDERWRITING

The Refunding Bonds are being purchased by Ferris, Baker Watts Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the G.O. Refunding Bonds at an aggregate purchase price of $1,748,108.22 (which represents the aggregate principal amount of the G.O. Refunding Bonds less a $31,891.78 underwriting discount) and to purchase the Revenue Refunding Bonds at an aggregate purchase price of $3,167,260.53 (which represents the aggregate principal amount of the Revenue Refunding Bonds, less a $57,739.47 underwriting discount), plus accrued interest. The bond purchase agreement for the Refunding Bonds provides that the Underwriter will purchase all the G.O. Refunding Bonds and all the Revenue Refunding Bonds if any of such Refunding Bonds are purchased. The initial public offering prices set forth on the cover page hereto, which has been provided by the Underwriter, may be changed by the Underwriter, and the Underwriter may offer to sell the Refunding Bonds to certain dealers and others at prices lower than the offering prices set forth on the cover page.

TAX MATTERS

General

On the date of delivery of the Revenue Refunding Bonds, the County Commission, the Hospital and, with respect to the Revenue Refunding Bonds, the Bond Trustee will execute an agreement or agreements (the "Tax Regulatory Agreement") wherein the Hospital and the County Commission will covenant that they will comply

with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Refunding Bonds will be excluded from gross income for federal income purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Assuming the County Commission, Hospital and Bond Trustee comply with the provisions and procedures set forth in the Tax Regulatory Agreement, and the Bond Commission acts accordingly, in the opinion of Jackson & Kelly, Charleston, West Virginia, Bond Counsel, under existing statutes and court decisions, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. In addition, interest on the G.O. Refunding Bonds and the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the G.O Refunding Bonds and the Revenue Refunding Bonds is includable under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds in order that interest on the Refunding Bonds be and remain not includable in gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on such obligations to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. The Tax Regulatory Agreement will contain provisions and procedures pursuant to which such regulations can be satisfied.

Bond Counsel's opinion will be conditioned upon compliance with the Tax Regulatory Agreement. Except as described under "Borrowed Funds," below, Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Refunding Bonds.

Also in the opinion of Bond Counsel, under the G.O. Refunding Act, the G.O. Refunding Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any political subdivision thereof; and, under the Revenue Refunding Act, the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes.

Other Tax Matters

Prospective purchasers of the Refunding Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 823(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Refunding Bonds; (ii) interest on the Refunding Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iii) passive investment income, including interest on the Refunding Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Refunding Bonds.

Prospective purchasers of the Refunding Bonds should consult their tax advisors as to the applicability of these or any other collateral tax consequences.

No assurance can be given that legislation will not be proposed and enacted into law in the future which would cause the interest on tax-exempt obligations to be subject directly or indirectly to federal income taxation or adversely affect the market price of tax-exempt obligations or otherwise prevent the Beneficial Owner of the Refunding Bonds from realizing the full current benefit of the status of the interest thereon.

Borrowed Funds

The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purposes of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

The County Commission has designated the Refunding Bonds as "qualified tax-exempt obligations" and has covenanted that the County Commission, together with all subordinated entities, does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the Refunding Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred to purchase or carry most tax-exempt obligations does not apply to the Revenue Refunding Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Refunding Bonds is deductible for federal income tax purposes.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations included in the respective Escrow Funds to pay when due the principal or redemption price of and interest of the 1994 Bonds; (b) the amount of savings stated to be achieved by the issuance of the Refunding Bonds; and (c) the mathematical computations supporting Bond Counsel's conclusion that the Refunding Bonds are not "arbitrage bonds" under Section 148(c) of the Code will be verified by Doak, Cuppett & Poling, CPAs, Clarksburg, West Virginia. Such verifications will be based, among other things, upon mathematical computations supplied by the Underwriter in connection with such matters.

RATINGS

Standard & Poor's Ratings Group has assigned its municipal bond rating of "AA" to both issues of Refunding Bonds with the understanding that, upon delivery of the Refunding Bonds, policies insuring the payment when due of the principal of and interest on the Refunding Bonds will be issued by Asset Guaranty Insurance Company. Any explanation of the significance of such ratings may only be obtained from such rating

agency at Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, (212) 208-8000. There is no assurance that the ratings mentioned above will remain unchanged for any given period of time or that they may not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and validity of the Refunding Bonds are subject to the approving opinions of Jackson & Kelly, Bond Counsel. The proposed forms of Bond Counsel's opinion regarding the G.O. Refunding Bonds is appended hereto as Appendix F, and the proposed form of Bond Counsel's opinion regarding the Revenue Refunding Bonds is appended hereto as Appendix G.

Certain legal matters will be passed on for the Hospital and the County Commission by Dennis V. DiBenedetto, Esq., Petersburg, West Virginia, and for the Underwriter by Jackson & Kelly, Charleston, West Virginia.

LITIGATION

In the ordinary conduct of its affairs, the County Commission is party to litigation pending in the courts of the State. The President of the County Commission and Prosecuting Attorney have reviewed the current status of all pending and threatened litigation, and the President expresses the opinion of the County Commission that, while the outcome of litigation cannot be predicted, it is nevertheless not expected that the County Commission's liability in any such matters is likely to have an adverse effect on the financial condition of the Hospital.

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, or delivery of the Refunding Bonds, or in any way contesting or affecting the validity of the Refunding Bonds or any proceedings of the Commission taken with respect to the issuance or sale thereof, or in any way questioning or affecting the validity or enforceability of the G.O. Refunding Bond Order or the Bond Indenture, the use of the Refunding Bond proceeds or the existence of the County Commission or the Hospital.

INDEPENDENT AUDITORS

The financial report of the Hospital for FYE 1997, included in Appendix D to this Official Statement, has been audited by Doak, Cuppett & Poling, Certified Public Accountants, Clarksburg, West Virginia, to the extent and for the period indicated in said report. The financial report of the County for FYE 1996, included in Appendix C to this Official Statement, has been audited by Tetrick, Bartlett & Co., Certified Public Accountants, Clarksburg, West Virginia, to the extent and for the period indicated in said report. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CONTINUING DISCLOSURE

The County Commission and the Hospital have agreed in the Continuing Disclosure Agreement to an undertaking (the "Undertaking") for the benefit of the registered Owners of the Refunding Bonds to provide:

(a) within 30 days after receipt of its audited financial statements with respect to the County Commission and within 180 days after the end of its 1998 fiscal year and each subsequent fiscal year with respect to the Hospital, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the County Commission's and the Hospital's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the County Commission's and Hospital's revenues, expenditures, and financial operations of the type found in this Official Statement under the caption "The County Commission" and "The Hospital"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities Rulemaking Board ("MSRB"), and to State Depository, notice of any of the following events with respect to the Refunding Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the County Commission or Hospital to comply with clause (a) above.

With respect to Event (8), the County Commission and Hospital do not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Refunding Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Refunding Bond purchases.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the County Commission and the Hospital to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The County Commission and the Hospital have agreed to give notice in a timely manner to each National Repository, or the MSRB, and to the Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Refunding Bonds. Registered Owners may contact the President of the County Commission at 5 Highland Avenue, Petersburg, West Virginia 26847 (Telephone # 304-257-4422) or the Administrator of the Hospital at P.O. Box 1019, Petersburg, West Virginia 26847 (Telephone # 304-257-1026) for more information.

MISCELLANEOUS

The references herein to the Bond Act, the G.O. Refunding Act, the Hospital Refunding Act, the G.O. Refunding Bond Order, the Bond Indenture, the Refunding Bonds, and other materials are brief descriptions of certain provisions thereof. Such references do not purport to be comprehensive, and for full and complete statements of such provisions reference is made to such instruments, documents and other materials, copies of which are on file at the office of the County Clerk and, with respect to the Revenue Refunding Bonds, at the principal corporate trust office of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Hospital, the County Commission, and official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Any estimates or assumptions in this Official Statement have been made on the basis of the best information available and are believed to be correct and reliable, but no representations whatsoever are made that such estimates or assumptions are correct and will be realized.

Copies of the Bond Orders, the Bond Indenture and other applicable documents may be obtained from the Hospital at the following address: P.O. Box 1019, Petersburg, West Virginia 26867. The Hospital's telephone number is (304) 257-1026.

The execution and distribution of this Official Statement have been duly authorized by the County Commission and approved by the Hospital.

THE COUNTY COMMISSION OF GRANT COUNTY

By: /s/ Robert F. Sites
President

Approved:

GRANT MEMORIAL HOSPITAL

By: /s/ Robert L. Harman
Administrator and Secretary, Board of Trustees

CHASFS3:118926

[This Page is Intentionally Left Blank]

APPENDIX A

INFORMATION CONCERNING GRANT COUNTY

Grant County is a predominately rural county with only two municipalities, both unincorporated (Petersburg, the county seat, and Bayard). Its 1996 population of 11,172 ranked it 43rd out of the State's 55 counties. The population is situate on 478 square miles, meaning five persons per square mile (as contrasted to Kanawha County, which has 227 people per square mile). The County is bordered on the north by Maryland, with its extreme western angle being the location of the Fairfax Stone, which marks the southwestern limits of Maryland. Part of the Monongahela National Forest is located in the County. The leading industries and chief agricultural products in the County are machinery, printing, polymers, electric power, coal, ladies garment manufacturing, lumber, livestock, hay and grain, poultry, fruit and maple sugar.

Population

Grant County's population has grown in each decade over the last 30 years, to 11,172 in 1996. However, from 1970 to 1980, the population experienced significant growth, growing by 18.62%. Although there was over-all growth from 1980 to 1996, the increase was not constant. While Grant County's population growth has been positive in each decade over the last 30 years, the State of West Virginia experienced a decline in population of 8.0% from 1980 to 1990.

Grant County has already surpassed the anticipated growth to the year 2000 with its 1996 population of 11,172.

	Grant County (2)		West Virginia (3)		United States (3)	
Year	Population	Percent Change(1)	Population	Percent Change(1)	Population	Percent Change(1)
1960	8,304	N/A %	1,860,421	- 7.8%	179,323,000	+18.5%
1970	8,607	3.65	1,744,237	- 6.7	203,212,000	+13.3
1980	10,210	18.62	1,949,644	+11.7	226,545,805	+11.5
1990	10,428	2.14	1,793,477	- 8.1	248,709,873	+ 9.8
1996	11,172	7.1*	1,825,754	+1.8*		
2000 (Projected)	11,075		1,786,872	- 0.2	276,241,000	+ 4.9

(1) Percentage increase or decrease over the preceding period.

(2) Source: 1990 Census Bureau, Regional Research Institute, West Virginia University; U.S. Bureau of the Census; *July 1996 Provisional Estimate

(3) Source: United States Department of Commerce, Bureau of Census;*July 1996 Provisional Estimate.

The 1990 and 1995 population of the County's two municipalities are shown below, accompanied by a projection of population for 2000:

Municipality	1990 Population	1995 Population	2000 Population (Projected)
Bayard	414	421	428
Petersburg	2,360	2,402	2,442

Source: 1990 Census Bureau; Regional Research Institute, WVU; Region 8 Data Booklet.

Economy

The primary occupations in Grant County relate to government, manufacturing, services and trade. In 1997, 21% of the work force worked for federal, state and local governments, including the County Commission, and manufacturing accounted for approximately 19% of total employment. Other major employers were services (14%) and trade (13%).

In 1995, Grant County had a per capita personal income of $16,766, which compared to $16,088 in 1994, a 4.2% increase. In 1994, the total personal income in Grant County was $182,949,000, which ranked 42nd in the State and accounted for .6% of the State's total personal income. Personal income had grown 7.2% from 1980, as compared to the average annual growth rate for the State of 4.8% and for the nation of 7.5%.

Major Employers in Grant, Hardy and Pendleton Counties
As of June,1997

Company

GRANT COUNTY

Advantage Foods
Grant Memorial Hospital
Virginia Electric and Power Company
Grant County Board of Education
Allegheny Wood Products, Inc.
Grant County Nursing Home
Potomac Coal Company
Buffalo Coal Company
Allegheny Dimension
Williams Power Corporation

HARDY COUNTY

Wampler Foods
Hester Industries
American Woodmark Corporation
Hardy County Board of Education
Fertig Cabinet Company

PENDLETON COUNTY

C. & J. Clark Manufacturing, Inc.
Pendleton County Board of Education
Pendleton Nursing Home, Inc.
Department of Defense
Naval Security Group Activity

Source: West Virginia Bureau of Employment Programs, Office of Labor and Research.

Employment in Grant County in 1997 as compared to the State of West Virginia was as follows:

Labor Market Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
State of West Virginia	805,000	749,000	55,400	6.9%
Grant County	4,820	4,310	520	10.7%

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research

GRANT COUNTY, WEST VIRGINIA
CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND
UNEMPLOYMENT RATES
ANNUAL AVERAGES, CALENDAR YEARS 1990-1997

	1990	1991	1992	1993	1994	1995	1996	1997
Total Civilian Labor Force	5,380	5,460	5,260	5,070	4,880	4,860	4,860	4,820
Employment	5,010	4,930	4,720	4,580	4,340	4,360	4,350	4,310
Unemployment	370	530	550	490	530	500	520	520
Unemployment Rate (%)	6.9	9.7	10.4	9.6	10.9	10.3	10.6	10.7

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research

The following tables set forth the average annual wages for the State of West Virginia and Grant County for calendar years 1988 - 1996.

Average Annual Wages (1988 - 1996)

	State of West Virginia		Grant County	
	Wages	Percent Change	Wages	Percent Change
1988	$19,320	2.635%	$21,663	0.937%
1989	18,843	-2.469	22,266	2.784
1990	20,708	9.898	25,320	13.716
1991	21,357	3.134	25,302	-0.071
1992	22,179	3.850	25,179	-0.486
1993	22,375	0.880	23,530	-6.550
1994	22,955	2.590	22,944	-2.490
1995	23,498	2.370	23,143	0.870
1996	24,074	2.450	23,897	3.260

Source: Region 8 Planning & Development Council, FY 1997 Annual Report to the Regional Development Plan; Bureau of Employment Programs, Office of Labor and Research.

Transportation

The County is served by the South Branch Valley Railroad, which is owned and operated by the State and CSXT. Four trucking lines operate within the County. Individuals in the County are served by Potomac Valley Transit Authority buses. The County is home to the Grant County Airport, which has a runway length of 4,000 feet.

Utilities

Electrical service to Grant County is provided by Allegheny Power System. Mountaineer Gas Company provides natural gas service. Fiber optic network telephone service is provided by Bell Atlantic and Citizens Telecom. Cellular telephone service as well as telegraph service is also available. Sewage treatment service is provided by the City of Petersburg, and water service is provided by the City of Petersburg, Mountain Top Public Service District and Grant County Public Service District.

Public Safety Services and Facilities

The County is served by a State Police unit stationed in Hardy County. The sheriff's department employs 5 officers in the Petersburg area.

Several volunteer fire departments are located in the County, and emergency ambulance service is provided through the Hospital.

Educational Facilities

The Grant County Board of Education provides complete primary and secondary education facilities throughout the County with 4 elementary schools, 2 high schools and 1 multi-county vocational center with Pendleton and Hardy Counties. Higher education facilities available to Grant County residents within reasonable driving distance include the following:

Location	College/University
Petersburg (Grant County)	Shepherd College, Southern Branch
Keyser (Mineral County)	Potomac State College of WVU

All school districts in West Virginia are organized under the terms of legislation enacted in 1933. There is one school district in each county, the boundaries of which district are co-extensive with those of the county. The Grant County Board of Education is responsible for and is vested with the supervision and control of the School District and with the control and management of all public schools in the School District from kindergarten through the secondary school level. The Board is composed of members nominated and elected by the voters of the County without reference to political party affiliation. The terms of the members are for six years and are staggered so that no more than two terms expire at one time. Board members' duties are established by State statute with the State Board of Education having regulatory powers. The Board appoints a superintendent who acts as the chief executive officer and secretary of the Board and who administers affairs of the School District in accordance with applicable laws, regulations and local policy. The Board is a corporation and as such may sue and be sued, plead and be impleaded, and enter into contracts. The School District is fiscally independent of the County and all other political subdivisions.

The Board presently has an administrative staff of 5 persons with the overall responsibility to coordinate the activities of 141 teachers, 23 teachers' aides and 6 principals. An additional 75 people are

employed in non-teaching positions. The present enrollment for all grades in the Grant County School District is estimated at 1,946. Enrollment has increased on an average of 30 students per year in the last two years.

Source: Grant County Board of Education

Recreational Facilities

Recreational opportunities available to residents of the County include four auditoriums; seven in-door and four out-door basketball courts; one swimming pool; six parks; seven out-door tennis courts; twelve baseball/softball fields; six playgrounds; one golf course and a lighted stadium with a capacity of 3,000.

The County is one of eight counties making up an area known as the "Potomac Highlands". Tourism in the Potomac Highlands is abundant with the Monongahela National Forest, which encompasses land area in six of the Potomac Highlands counties, including Grant County. Forest lands include the 124-mile Allegheny Trail and Dolly Sods, which shares acreage with both Grant and Tucker counties. National recreation areas in the Forest include Smoke Hole Cavern. The Potomac Highlands is home to 8 state parks and three state forests. The parks offer a wide variety of recreational programs that attract many visitors to the area. Recently, miles of train rails were given to the Potomac Highlands to be transformed into rail excursions on historic trains and trails for hiking and biking. Canoeing, fishing, camping and whitewater rafting are also available in the area.

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research.

Communications Facilities

One weekly newspaper operates in the County, the Grant County Press. There are no radio or television stations in Grant County, however, radio and television service is available from stations located in the surrounding area, including in Maryland and Virginia.

Financial Institutions

Grant County has two major banking institutions, both located in Petersburg:

Institution	Assets
The Grant County Bank	$107,047,000
Potomac Valley Bank	$ 92,614,000

Source: Bank Directory of West Virginia 1998 Edition, West Virginia Bankers Association, Inc.

APPENDIX B

INFORMATION CONCERNING GRANT MEMORIAL HOSPITAL

HISTORY & DEVELOPMENT

Grant Memorial Hospital (the "Hospital") is a general acute care 65-bed licensed facility in Petersburg, WV. The Hospital offers a broad range of inpatient and outpatient diagnostic and therapeutic services for medical, surgical, obstetrical, gynecological and pediatric patients. The Hospital also provides various ancillary support services to both inpatients and outpatients. The Hospital has 10 certified skilled nursing beds and 15 swing beds within its complement of licensed and staffed beds. The Hospital also operates a home health agency, which provides home care services to a three county area, and the Mountain Top Clinic, which serves a rural area of the county (Mount Storm).

The Hospital is owned by The County Commission of Grant County, West Virginia (the "County Commission"), as authorized by Sections 14 through 17, Article 3, Chapter 7 of the Code of West Virginia, 1931, as amended (the "Hospital Act"). In accordance with Section 15 of the Hospital Act, the County Commission vests the administration and management of the Hospital to a board of trustees (the "Board of Trustees"). The members of the Board of Trustees are appointed by the County Commission to fill six year terms.

Grant Memorial Hospital was established in or around 1957 under the authority granted to the County Commission by the previously cited Hospital Act. The original Hospital unit consisted of operating and emergency facilities and a bed capacity of 46 beds and 10 bassinets. In 1972 the Hospital Facilities were enlarged to include 50 additional inpatient beds, which were originally directed towards skilled nursing care. The bed component has been revised several times since 1972, including in connection with the Project, to reach the present capacity of 65 beds.

In 1975 a Physicians' Office Building was constructed adjacent to the Hospital, which provided three office suites for rental to physicians practicing in the community and the Hospital. In 1980, expanded x-ray facilities were constructed, providing the Hospital with an additional diagnostic room and file room. In 1995, the County Commission transferred portions of the 5-acre campus adjacent to the Hospital Facilities to the Petersburg Industrial Development Corporation ("PIDC") for construction of a new physicians' office building, which is almost fully occupied. The Hospital has a contract to provide various management and housekeeping services for the office building and has an option to purchase the office building. A modular building previously used for physicians' offices is now used for Hospital administrative purposes and may in the future be used for home health. The Project is approximately 95% complete. The Hospital anticipates that the contractor for the Project will complete its work by May 15, 1998. Additional work needed to complete the Project, which may be undertaken by Hospital staff, is expected to be completed by July 1, 1998. In addition to the Project, the Hospital is currently building a new special (intensive) care unit. The current Hospital Facilities are located on State Route 55 on the original five acre site. The County Commission has purchased an additional 17 acres surrounding this site for possible future expansion of Hospital Facilities and related services.

The Hospital enjoys a dominant position in its primary service area. The primary service area include Grant, Hardy and Pendleton Counties. A secondary service area includes Hampshire and Mineral Counties. Located within the secondary service area are two hospitals, Potomac Valley Hospital, a 63-licensed bed facility with an average daily acute census of 15, and Hampshire Memorial Hospital, a 17-licensed acute care

facility with an average daily acute care census of 6. Neither Hospital is viewed as a direct competitor to Grant Memorial Hospital.

Licensure, Certifications, & Memberships

The Hospital is licensed by the State Department of Health and Human Resources for a total of 65 beds, having delicensed 31 in connection with the Project.

The Hospital is certified by the United States Department of Health and Human Services for participation in the Medicare Program and by the State Department of Health and Human Resources for participation in the Medicaid Program. The Hospital has not sought accreditation from, and is not accredited by, the Joint Commission on Health Care Organizations.

The Hospital is a member of the American Hospital Association, the West Virginia Hospital Association, and the West Virginia Wellness Council.

Corporate Organization and Governance

The affairs of the Hospital are governed by a fifteen member Board of Trustees. Each member serves for a six year term and is limited to two consecutive terms. Vacancies on the Board are filled by appointment by the County Commission. The Board bi-annually elects a president and vice-president. The Administrator/CEO of the Hospital serves as secretary of the Board, and the Board appoints a treasurer.

West Virginia law requires that at least 40% of the governing boards of non-profit hospitals be composed of an equal portion of consumer representatives from each of the following: small businesses, organized labor, elderly persons, and persons whose income is less than the national median income, with special consideration to be given to women, racial minorities, and handicapped persons. Management of the Hospital has certified that the composition of the Board meets these statutory requirements.

Members of the Board of Trustees are as follows:

NAME	ADDRESS	PROFESSION	TERM ENDS
Lawrence Streets	Mt. Storm, WV	Mining Co. Executive	6-2000
Fred Oyhus	Moorefield, WV	Retired Chemist	1-2001
John Glover, DDS	Petersburg, WV	Dentist	6-98
Gaye Mitchell	Petersburg, WV	Housewife	6-98
Dave Fincham	Petersburg, WV	Teacher	6-2002

NAME	ADDRESS	PROFESSION	TERM ENDS
Cynthia Harman	Petersburg, WV	Teacher	1-99
Robert F. Sites	Cabins, WV	Self-employed; County Commissioner	1-99
Steve Thompson, D.O.	Petersburg, WV	Physician (Internal Medicine)	6-98
Carmen Rexrode, M.D.	Moorefield, WV	Physician (Family Practice)	6-98
Richard Longborn	Petersburg, WV	Minister	1-2001
William Kline	Petersburg, WV	Insurance Agent	2-2001
Elwood Williams	Moorefield, WV	Vice-President Private Industry	8-2002
Alice Hartman	Franklin, WV	Mayor of Franklin	8-2002
J. D. Wilkins, II	Circleville, WV	Banker	8-2002
Evers T. Ours, Jr.	Petersburg, WV	Building Contractor	1-2001

The governing committees are as follows:

EXECUTIVE COMMITTEE
Gaye Mitchell
John Glover, D.D.S.
Steve Thompson, D.O.

FINANCE COMMITTEE
John Glover, D.D.S.
Lawrence Streets
Robert F. Sites
Alice Hartman

INSURANCE COMMITTEE
John Glover, D.D.S.
William Kline

HOSPICE COMMITTEE
Fred Oyhus
Dave Fincham

BUILDING COMMITTEE
Lawrence Streets
Fred Oyhus
Dave Fincham

PERSONNEL COMMITTEE
Richard Longbon
Cynthia Harman
J.D. Wilkins, Jr.

Medical Specialities

The Hospital offers a number of medical specialties such as pediatrics, obstetrics, internal medicine, general surgery, family practice, orthopedics, radiology, pathology, anesthesiology, skilled nursing care, and hospice care. The Hospital employs a pediatrician, obstetrician-gynecologist and orthopedist. Also available at the Hospital are outpatient clinics in podiatry, oncology, and urology.

Professional Care

Despite the numerous specialties, the Hospital offers the personalized and professional care that the community has come to expect. The inpatient services include birthing rooms for the obstetric department. There are respiratory therapy services which include the utilization of ventilators for the more severely ill patients. The Physical Therapy Department provides therapy for patients on the skilled care unit.

Radiological Services

The Hospital offers a number of radiological services such as CT scanning capabilities, ultrasound and mammography as well as basic fluoroscopy and radiographic services. Also available through a contract service once a week is mobile ultrasound, which provides echocardiograms and doppler studies.

Laboratory Services

The Hospital laboratory is equipped with modern technology in chemistry, microbiology and hematology services. Also available through the laboratory are EKG's and EEG's.

Emergency Medicine

The Hospital's 24-hour emergency department provides around-the-clock emergency care with physicians who are trained in emergency medicine. The Hospital has thrombolytic therapy available in the emergency department to take care of cardiac patients. Recently implemented in the emergency department was "Emergicare" between the hours of 6:00 p.m. and 10:00 p.m., seven days a week, for patients who need to see a physician but do not have a true emergency. The Emergency Department is operated under contract with Coastal Emergency Services of Washington, D.C., Inc.

Outreach Services

The Hospital offers a number of outreach services, including a Women's Wellness Program, which provides breast and cervical cancer screening to the community on a monthly basis. The Hospital also provides case management to local industries, which includes worker's compensation case management, drug screening, physicals, blood screening, colorectal screening, and breast and cervical screening. In addition, the Hospital has a very active Home Health Care Department and outpatient physical therapy.

Electronic Video Communication

The Hospital is one of approximately four hospitals in West Virginia that have an electronic video link with West Virginia University. This technology, known as Medical Doctor Television (MDTV), allows doctors at the Hospital to consult with other doctors at West Virginia University Hospitals for consultative opinions, including review of x-ray films for diagnosis. The devise is also used as an informative training mechanism and for CME for the Medical Staff and Nursing Staff of the Hospital.

MEDICAL STAFF

As of December 31, 1997, the Hospital's Medical Staff included a total of 17 active, 21 consulting/courtesy staff members and 4 emergency department staff members. The staff consists of physicians who have been selected and approved by the Board after screening and recommendation by the Medical Staff and a period of probation. The Medical Staff members are required to attend at least 50% of the Medical Staff meetings. The following tables show various information regarding the Hospital's Medical Staff.

The average of the Medical Staff is 45.7 years old. This is a little less than the national average of 46 years and is substantially less than most small, rural hospitals, which find it difficult to recruit physicians. Approximately 76% of the active staff are board certified in their respective specialties.

Physician Age		Patient Discharges by Physician	
Under 40	5	597	21.4%
40-49	8	1,523	54.6%
50-59	1	601	21.6%
60-69	2	67	2.4%
70-79	1	0	0%
*Total	17	2,788	100%

Source: Grant Memorial Hospital

* Total discharges include newborn, skilled nursing and swing-bed discharges.

Selected Characteristics of Medical Staff
As of December 31, 1997

Department	Number of Active Staff	Age: Under 40	40-49	50-59	60-69	70-79
Family Practice	5	2	1	1		1
Emergency Medicine	2		2			
General Surgery	2		1		1	
Anesthesia	1	1				
OB/GYN	2		1		1	
GYN	1		1			
Internal Medicine	2	1	1			
Pediatrics	1		1			
Orthopedics	1	1				
Total	17	5	8	1	2	1

Patient Admissions By Physician Specialty

	FYE 1997	FYE 1996	FYE 1995
Internal Medicine	837 (30%)	854 (28.3%)	683 (23.3%)
Pediatrics & Newborn	341 (12.2%)	351 (11.6%)	394 (13.4%)
General & GYN Surgery	225 (8.2%)	339 (11.2%)	443 (15.1%)
OB/GYN	408 (14.6%)	396 (13.1%)	460 (15.7%)
Family Practice	997 (35%)	1,078 (35.8%)	953 (32.5%)
*Total	2,788 (100%)	3,018 (100%)	2,933 (100%)

* Total discharges includes newborn, skilled and swing discharge

Summary of Discharges by Physician

Physician Name	Age	Discharges for FYE 6/30/97	Discharges for FYE 6/30/96	Discharges for FYE 6/30/95
Dewey F. Bensenhaver, MD	51	524	582	531
John L. Hahn, MD	41	365	333	393
Bruce W. Leslie, MD	42	344	379	345
Stephen C. Thompson, MD	38	385	348	222
Larry C. Rogers, MD	49	217	216	203
Anil K. Makani, MD	44	149	191	233
Robert E. Roberts, MD	69	25	84	139
D. S. Cooley, MD	63	42	63	60
Michael F. Riggleman, MD	38	133	163	124
F. J. Indacochea, MD	40	60	53	26
Elizabeth T. Hynes, MD	40	47	60	59
Carmen Rexrode, MD	37	11	22	16
William O. Mallow, MD	44			1
David H. Rebuck, DO	32	1		
Javier Ferreyros, MD	40			20
Other Physicians			1	1
Susan Mauzy, MD			2	
Medhat Elmassry, MD				44
*Total		2,303	2,497	2,417

* Total discharges exclude newborn, skilled and swing discharges

Number of Physicians by Staff Category

Category	Number
Active	17
Consulting/Courtesy	18
Emergency Department	4
	39

Medical Staff - Clinical Service Department Heads

ANESTHESIA.....	David H. Rebuck, D.O.
EMERGENCY/OUTPATIENT.....	Sherwood Leo, M.D.
MEDICAL.....	Stephen Thompson, D.O.
ICU.....	Larry C. Rogers, M.D.
OB/GYN.....	John L. Hahn, M.D.
PATHOLOGY.....	John Rust, M.D.
PEDIATRIC.....	Fernando Indacochea, M.D.
RADIOLOGY.....	M.S. Kim, M.D.
SURGERY.....	Anil Makani, M.D.
RESPIRATORY THERAPY.....	Bruce Leslie, M.D.

SERVICE AREA

Grant Memorial Hospital's primary and secondary service area is made up of five counties in the eastern panhandle of West Virginia. Approximately 44% of the Hospital's admissions originated from Grant County with 29% from Hardy County, 14% from Pendleton County, 3% from Mineral County and 3% from Hampshire County, depicting the strong support for the Hospital and the regional scope of its service area.

The Hospital depends on two zip codes located in Grant and Hardy counties for approximately 54% of its inpatients. Both of these zip codes are growing and have median household incomes that are average for the five county service area.

There are no other hospitals within a 40 mile radius of the Hospital. The closest tertiary care facility is located some 60 miles from the Hospital.

GRANT MEMORIAL HOSPITAL
FY97 Patient Origin by Market

Markets	Patients	Percent of Total
Primary	1,210	52.5%
Secondary	446	19.4%
Tertiary	352	15.2%
Other WV Zips	219	9.5%
Unknown Residence	56	2.4%
Other States' Zips	20	1.0%
*TOTAL	2,303	100.0%

Source: Hospital data

* Total excludes newborn, skilled nursing and swing beds.

[Remainder of Page Intentionally Left Blank]

GRANT MEMORIAL HOSPITAL
FY97 Patient Profile by Payor

Payor Classification	Patients	ALL PRODUCT LINES % of Total
Medicare	1,124	48.8%
Medicaid	363	15.8%
Commercial Insurance	350	15.2%
Blue Cross	227	9.9%
Self Pay	130	5.6%
Public Employees	70	3.0%
Automobile Insurance	14	0.6%
CHAMPUS	11	0.5%
Workers' Comp.	8	0.3%
Black Lung	4	0.2%
Maternity Services	2	0.1%
TOTAL	2,303	100.0%

Source: Hospital data

Note: Excludes skilled nursing, swing bed and newborn.

POPULATION CHARACTERISTICS

Since 1980 the combined population of the primary and secondary area of the Hospital has remained stable with slight increases in the population base. The five county service area population is projected to grow 2.1 percent (1,610 residents) by 2000. The older age groups will account for a greater proportion of the population. Consequently, there will be more older residents living alone in the service area.

Indicated below are population statistics and projections for the service area through 1997:

Population Projection
Study and Other Counties in Region 8
as Defined by the State Health Plan

County	1980	1990	1995	1997	% Change 1995-1997	1998	1999	2000	2001
Grant	10,240	10,450	11,100	11,280	1.62%	11,390	11,490	11,580	13,740
Hampshire	14,910	16,600	18,380	19,020	3.48%	19,230	19,430	19,640	23,910
Hardy	10,030	11,020	11,600	11,800	1.72%	11,900	11,970	12,060	13,840
Mineral	27,310	26,670	27,370	27,700	1.21%	27,820	27,950	28,090	30,770
Pendleton	7,950	8,020	8,140	8,110	-0.37%	8,120	8,130	8,150	8,400
Totals	70,440	72,760	76,590	77,910	1.72%	78,460	78,822	79,520	90,660

Source: 1998 Woods & Poole Economics, Inc.

[Remainder of Page Intentionally Left Blank]

The overall population of the service area continues to age, indicating an increasing need for health care services. In 1980, 12.7% of the population was over 65 years; by 1995 this had increased by 14.8%. The aging of the overall population is expected to continue in future years.

1980

County	Under 20	21 to 64	Over 65	Total Population
Grant	3,500	5,510	1,230	10,240
Hampshire	5,080	7,980	1,850	14,910
Hardy	3,100	5,530	1,400	10,030
Mineral	9,170	14,910	3,230	27,310
Pendleton	2,380	4,350	1,220	7,950
Totals	23,230	38,280	8,930	70,440
%	33.0%	54.3%	12.7%	100.0%

1995

County	Under 20	21 to 64	Over 65	Total Population
Grant	2,940	6,490	1,670	11,100
Hampshire	5,100	10,700	2,580	18,380
Hardy	2,880	6,990	1,730	11,600
Mineral	7,490	15,820	4,060	27,370
Pendleton	2,020	4,790	1,330	8,140
Totals	20,430	44,790	11,330	76,590
%	26.7%	58.5%	14.8%	100.0%

Source: 1998 Woods & Pool Economics, Inc.

COMPETITION

There are no other hospitals located in Grant County. The three closest hospitals are Potomac Valley Hospital, Hampshire Memorial Hospital and Davis Memorial Hospital. Potomac Valley Hospital is located in Keyser, approximately 38 miles north; Hampshire Memorial Hospital is located in Romney, approximately 38 miles north east; Davis Memorial Hospital is located in Elkins, approximately 58 miles west.

Indicated hereafter are charts showing the utilization and financial information of the above listed hospitals for FYE 1996. This is the most current data available.

[Remainder of Page Intentionally Left Blank]

Utilization Statistics
(1996)

	Potomac Valley	Hampshire Memorial	Davis Memorial	Grant Memorial	Source
Number of Beds by Type of Service:					
					#
General-Medical-Surgical Care	29	17	97	40	#
Obstetrics	--	--	9	12	#
Medical Surgical Intensive	5	--	9	3	#
Care	--	30	--	10	#
Skilled Nursing Care	4	--	--	--	#
Pediatric Medical Surgical	4	--	--	--	#
Cardiac Intensive Care	42	47	115	65	
Total Beds					
Average Daily Census	17	35	67	40	#
Outpatient Visits	40,805	25,664	138,825	62,470	#
Births	3	--	553	295	#
Total Acute Inpatient Days	5,573	1,670	24,457	9,158	~
Medicare Acute Discharges	829	323	2,951	1,257	~
Medicaid Acute Discharges	212	64	1,020	348	~
Total Acute Discharges	1,565	568	5,760	2,497	~
Average Acute Length of Stay (days)	3.56	2.94	4.25	3.67	

West Virginia Hospital Association Web Site (1996 data)

~ Health Care Cost Review Authority (HCCRA) (now Health Care Authority) Department of Health and Human Resources Overview of West Virginia Hospitals (1996)

[Remainder of Page Intentionally Left Blank]

Financial Statistics
(1996)

	Potomac Valley	Hampshire Memorial	Davis Memorial	Grant Memorial
Gross Patient Revenue	$16,044,006	$9,506,805	$68,085,654	$23,116,373
Net Patient Revenue	10,965,235	5,699,001	41,452,866	15,298,442
Total Operating Revenue	11,094,071	5,817,264	43,369,812	16,185,777
Payroll Expense	4,986,180	2,577,981	19,906,463	8,326,575
Total Expense	11,137,531	5,790,857	40,676,666	15,128,883
Net Income (Loss)	(43,460)	26,407	2,693,146	1,056,894
Net Patient Margin (Deficit)	-0.40%	0.46%	6.50%	6.91%
Net Operating Margin (Deficit)	-1.57%	-1.61%	1.87%	1.11%
Net Profit (Loss) Margin	-0.40%	0.46%	6.50%	6.91%

Source: Health Care Cost Review Authority (HCCRA) (now Health Care Authority) Department of Health and Human Resources Overview of West Virginia Hospitals (1996)

[Remainder of Page Intentionally Left Blank]

HISTORICAL UTILIZATION

The tables below and on the following page summarize information prepared on the utilization of inpatient and outpatient services by type of service and ancillary procedures. Total outpatient visits include visits to clinics and physicians' offices operated by the Hospital and emergency room visits.

	Fiscal Years Ended June 30				
	1997	1996	1995	1994	1993
Licensed Beds	65	65	96	96	96
Beds in Service:					
Medical/Surgical	25	25	25	25	25
OB/GYN	12	12	12	12	12
ICU	3	3	3	3	3
Skilled Nursing Facility	10	10	10	10	10
Swing Bed (SNF)	15	15	15	15	15
Total Beds in Service	65	65	65	65	65
Occupancy (Staffed)	58.38%	60.98%	59.60%	61.89%	55.76%
Patient Days:					
ICU	674	690	692	727	515
All Other Acute	8,082	8,468	8,386	8,907	7,604
Total Acute	8,756	9,158	9,078	9,634	8,119
Skilled Nursing Care and Swing	5,095	5,310	5,063	5,050	5,110
Total Facility	13,851	14,468	14,141	14,684	13,229
Average Daily Census:					
Acute	23.99	25.09	24.87	26.39	22.24
Skilled Nursing and Swing	13.96	14.55	13.87	13.84	14.00

	Fiscal Years Ended June 30				
	1997	1996	1995	1994	1993
Patient Discharges:					
Acute	2,303	2,497	2,417	2,492	2,176
Skilled Nursing and Swing	206	226	158	173	131
Outpatient Visits (Total)	67,272	62,470	67,931	64,008	60,757
Home Health Visits (Included Above)	13,218	13,343	16,275	15,108	14,498
Surgical Visits	1,174	1,325	1,282	1,311	1,145
Surgical Minutes	66,571	81,800	77,377	76,121	62,475

PROJECTED UTILIZATION

The tables below contain projections of the Hospital's utilization for the Fiscal Years ending June 30, 1998, through 2002, which are based on projections developed internally and assumptions adopted by management of the Hospital.

	Fiscal Years Ended June 30				
	1998	1999	2000	2001	2002
Licensed Beds	65	65	65	65	65
Beds in Service:					
Medical/Surgical	25	25	25	25	25
OB/GYN	12	12	12	12	12
ICU	3	3	3	3	3
Skilled Nursing Facility	10	10	10	10	10
Swing Bed (SNF)	15	15	15	15	15
Total Beds in Service	65	65	65	65	65
Occupancy (Staffed)	54.43%	53.76%	53.11%	53.11%	53.11%

	Fiscal Years Ended June 30				
	1998	1999	2000	2001	2002
Patient Days:					
ICU	616	604	592	592	592
All Other Acute	7,278	7,133	6,990	6,990	6,990
Total Acute	7,894	7,737	7,582	7,582	7,582
Skilled Nursing and Swing	5,018	5,018	5,018	5,018	5,018
Total Facility	12,912	12,755	12,600	12,600	12,600
Average Daily Census:					
Acute	21.63	21.20	20.77	20.77	20.77
Skilled Nursing and Swing	13.75	13.75	13.75	13.75	13.75
Patient Discharges:					
Acute	2,130	2,130	2,130	2,130	2,130
Skilled Nursing and Swing	210	210	210	210	210
Outpatient Visits (Total)	72,452	73,901	75,379	76,887	78,424
Home Health Visits (Included Above)	10,592	10,592	10,592	10,592	10,592
Surgical Visits	1,454	1,454	1,454	1,454	1,454
Surgical Minutes	102,694	102,694	102,694	102,694	102,694

SUMMARY OF HISTORICAL REVENUES AND EXPENSES

The following presents a summary of revenues and expenses of the Hospital for each of the three Fiscal Years ended June 30, 1995, through 1997 and for the seven months ended January 31, 1998. The summary of Revenues and Expenses for the Fiscal Years ending 1995 through 1997 has been examined by Doak Cuppett & Poling, Certified Public Accountants, Clarksburg, West Virginia. The summary should be read in conjunction with the audited financial statements included in Appendix B attached hereto. **The figures for the 7 months ended January 31, 1998, have been prepared by the Hospital and have not been audited or reviewed by any independent accountant.**

FISCAL YEARS ENDING JUNE 30

	1995	1996	1997	7 Months Ended 1/31/98
OPERATING REVENUES				
Net Patient Service Revenue	$ 15,745,836	$ 16,562,339	$ 17,697,438	$10,861,024
Other Revenues	412,849	603,483	814,946	441,835
Total Operating Revenues	16,158,685	17,165,822	18,512,384	11,302,859
OPERATING EXPENSES				
Salaries and Wages	$ 6,673,908	$ 6,944,508	$ 7,288,840	$ 4,741,567
Employee Benefits	1,345,308	1,382,067	1,482,276	965,198
Other Supplies/Expenses	5,867,024	6,197,185	6,779,352	4,518,611
nsurance	139,282	138,746	149,605	96,660
Depreciation	428,232	461,467	485,848	456,573
nterest	9,922	4,910	1,851	23,437
Provision for Bad Debts	1,086,495	1,263,897	1,609,735	970,599
Total Operating Expenses	$ 15,550,171	$16,392,780	$17,797,507	$11,772,645
ncome (Loss) omOperations	$ 608,514	$ 773,042	$ 714,877	$ (469,786)
ON-OPERATING EVENUES				
terest Earned	$ 195,700	$ 271,622	$ 316,437	$ 137,299
ontributions	30,658	11,071	54,831	12,040
ansfers from County Gov't	31,219	1,159	3,386	479
Total Non-Operating Revenues	$ 257,577	$ 283,852	$ 374,654	$ 149,818
cess of Revenues over Expenses	$ 866,091	$ 1,056,894	$ 1,089,531	$ (319,968)

MANAGEMENT'S DISCUSSION OF UTILIZATION AND FINANCIAL PERFORMANCE

UTILIZATION

The Hospital expects the aging population of the area will continue to need and utilize inpatient services. It is projected that the number of discharges will remain stable. However, there are significant efforts to move patients from the inpatient setting as soon as possible. Therefore, it has been projected that patient days for each of the years 1999 and 2000 will decrease by 2%. Patient days in 2001 and 2002 are projected to stabilize at the 2000 level. Outpatient utilization is projected to increase by 2% for each of the years 1999 through 2002.

FINANCIAL PERFORMANCE

For all Fiscal Years since FYE 1981, the Hospital had a positive net income. Management has in the past presented a budget to the Board of Trustees which projects a positive annual rate of return. Management has taken the operating measures necessary to accomplish the Hospital's goals.

The internal financial statements through January 31, 1998, present a net loss. Management attributes the loss to the following items:

Rate Increases. The State of West Virginia has rate regulations. For Fiscal Year 1998, the Hospital requested a rate increase, which was denied, and the rate structure for FY 1997 remains in place. In May 1998, the Hospital will submit a rate application for FY 1999.

Asbestos Removal. Through December 31, 1997, the Hospital paid approximately $100,000 for asbestos removal, which has been classified as a current operating expense. This is a one-time cost, which is non-recurring. There are no other areas of the Hospital which require asbestos removal.

CT Services. During the six months ending December 31, 1997, a hospital owned CT Scan was installed. Previously CT services were provided through a contract arrangement. Fees paid to the previous contractor (approximately $170,000 for the first six months of FY 1998) will not occur in the future. The Hospital will have depreciation on the new CT Scan; however, even with this additional cost, there will be significant future savings.

Orthopedic Physician Practice. The Hospital assisted an orthopedic physician establish a practice. Net recruitment/start-up costs of approximately $60,000 have been incurred. The practice is growing and is expected to be self-supporting by June 30, 1998.

Construction Completion. The construction/renovation project (which necessitated the 1994 Bond issue) was substantially completed on December 31, 1997. The Hospital has begun reflecting higher depreciation expense associated with this project. For the first six months of FY 1998, the depreciation expense is approximately $125,000 higher than the prior year.

Computer Installation. During the fall of 1997, the Hospital installed a computer system which is tied into Valley Health Systems. (Valley Health is associated with Winchester Medical Center in Winchester, Virginia.) An estimate of the costs has not been made; however, there have been overtime, additional staffing, travel and installation costs associated with the new computer system. These are one-time costs which should lead to improved efficiencies in future periods.

SOURCES OF GROSS REVENUES

	FYE 1997	FYE 1996	FYE 1995	FYE 1994
Medicare	$10,804,978	$10,698,035	$10,370,904	$10,317,557
Medicaid	3,961,724	4,085,449	4,592,826	3,092,676
Public Employees	829,069	799,650	797,127	635,283
Other	8,452,451	7,533,239	7,625,204	9,208,009
Total	$24,048,222	$23,116,373	$23,386,061	$23,253,525

CONTRACTUAL ADJUSTMENTS
AUDITED, BAD DEBTS, AND CHARITY CARE

	FYE 1997	FYE 1996	FYE 1995	FYE 1994
Contractual Adjustments	5,560,869	5,896,043	7,037,256	7,349,270
Bad Debts	1,609,735	1,263,897	1,086,495	744,656
Charity Care	789,916	657,991	602,970	583,328
Total	7,960,520	7,817,931	8,726,721	8,677,254

Note: Charity Care appears to average between 2.5% and 3.3% of Gross Revenues.

APPROVED RATES

As described in the Official Statement under "Bondholders' Risks - Revenue Refunding Bonds - Rate Review," the Hospital's rates for nongovernmental payors are subject to review and approval by the West Virginia Health Care Authority (the "Authority"). The Hospital requested an increase for the 1998 fiscal year of 7.1% for both its inpatient and outpatient rates. By order entered August 5, 1997, the Authority denied the requested increase and limited the Hospital to its projected actual charge for FY 1997. The Hospital also requested increases, in varying amounts, for its distinct parts: its swing-bed unit, skilled nursing, Mountain Top Clinic, orthopedic clinic, pediatric practice and OB/GYN practice. The Authority granted the requests for all but the skilled nursing unit. However, the Authority notified the Hospital that it cannot subsidize losses in the Mountain Top Clinic, orthopedic clinic and pediatric practice with acute care revenues. The budget for the Hospital has been revised to reflect the rates approved by the Authority.

HUMAN RESOURCES

The Hospital has a record of achievement and cooperation with its medical, administrative and support staffs. While the completion of the Project may require hiring additional personnel to accommodate various outpatient programs, Management of the Hospital anticipates no financial or resource problems arising from any such requirement. Management of the Hospital is not aware of any current or pending union organization activities at the Hospital. The Hospital anticipates a continued supply of qualified nurses for available positions and has established a nursing program with Shepherd College-South Branch to ensure this availability. While recruitment of physicians must remain a top administrative priority, Management of the Hospital is confident that the Medical Staff will remain stable and cost effective.

EMPLOYEES

Grant Memorial Hospital has a total of 350 employees or a total of 316 full-time equivalents.

The Hospital provides varying degrees of benefits to these employees including retirement, health insurance, long-term disability, vacation, personal and sick leave.

Grant Memorial Hospital enjoys a low turnover rate. Typically, there are fewer than twenty employees that leave in a given year. Of that number, half are nursing staff. However, Grant Memorial Hospital has been able to maintain appropriate staffing levels and compares favorably with its peers.

NURSING RECRUITMENT

Grant Memorial Hospital recruits the majority of its registered nurse staff from the two-year associate degree program at Shepherd College, Shepherdstown, West Virginia. The current nursing program with Shepherd College-South Branch that is sponsored by the Hospital will ensure the continued availability of professional staff. Four year degree program nurses are recruited primarily from West Virginia University.

Most of the nursing assistants who are employed at the Hospital received their initial training at the South Branch Votechnical Center, Petersburg, West Virginia, which is affiliated with the Grant County Board of Education, Petersburg, West Virginia.

Grant Memorial Hospital has not been actively recruiting Licensed Practical Nurses during the past year; however, most of the LPNs employed at the Hospital received their training at the Mineral Vocational Center, Keyser, West Virginia.

STRATEGIC PLAN

The Hospital maintains a formal strategic planning process which focuses on strategy formulation based upon examination of Hospital industry trends, the market that the Hospital serves, and a strengths and weaknesses analysis of specific competitors. The approach taken to the planning process is multi-disciplined and includes substantial participation by leadership of the Board, Medical Staff and Management. The Board appointed a Strategic Planning Committee in 1997, which is to report to the Board quarterly.

RETIREMENT

Grant Memorial Hospital has a funded defined contribution pension plan available to all active full-time employees who have completed two years of service. Each employee contributes 2% of his gross wages up to $14,400 and 5% is contributed by the Hospital. For gross wages over $14,400 the employee contributes 4% and the Hospital contributes 10%. The Hospital contributed $270,200, $235,730 and $190,699 for the years ended June 30, 1997, 1996 and 1995, respectively. The Hospital has no additional liability to the plan. Pension plan contributions are included with administrative operating expenses.

MALPRACTICE INSURANCE COVERAGE

In September 1986, the Hospital converted its malpractice insurance from an occurrence-basis policy to a claims-made policy. A claims-made policy covers only claims reported to the insurance carrier during the policy term while an occurrence-basis policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. Since the Hospital does not purchase tail coverage, under a claims-made policy a health care provider must accrue the cost for those claims and incidents that are not reported to the insurance carrier. Management of the Hospital estimates the cost of such incidents to be $269,000 at June 30, 1997.

CONTRACTUAL

Revenues generated by Medicare, Medicaid and most third-party payors, including Blue Cross, are recorded by the Hospital at full established billing rates. Medicare and Medicaid rates are set as described in the Official Statement under "Bondholders' Risks - Revenue Refunding Bonds - Medicare and Medicaid." In addition, the Hospital has various contractual agreements which determine the amount to be received. Amounts received are generally less than the established billing rates, and the difference is recorded as contractual adjustments and deducted from operating revenue.

In addition to its traditional Blue Cross contract, the Hospital has preferred provider contracts with Blue Cross for its hospital services, skilled nursing and swing beds and home health services. The Hospital also has discount contracts with MedSelect and the West Virginia Accountable Health Plan (the latter is not effective until approved by the Authority). These contracts limit the Hospital to the agreed-upon, discounted rates.

CHARITABLE

The Hospital is a non-profit organization and is owned by a governmental entity. The Hospital has established criteria to provide services to patients who lack the financial resources to pay for such services. In addition, the Hospital was subject to a financial obligation under Hill-Burton to provide charity care to patients meeting federal guidelines. While this obligation was fulfilled several years ago, the Hospital continues to provide uncompensated services pursuant to charitable policies. All charity services are recorded at the full established billing rate and then either reduced partially or completely to a level appropriate with the financial resources of the patient.

BAD DEBT

In addition to those patients unable to pay, there are some patients receiving services who will not pay. The Hospital has established credit and collection policies to hold such costs to a minimum.

BUDGETING PROCESS

The Hospital's budgeting process commences approximately five (5) months prior to the beginning of each Fiscal Year. Management establishes major assumptions and overall volumes for routine services for the year based on historical, industry and market share trends. Ancillary services are then projected based on historical relationships and trends experienced. Throughout this process department managers are involved and changes are made to volume forecasts as necessary. Department managers, along with the Chief Financial Officer, jointly develop budgets for each department. Staffing changes or new programs must be justified as part of the budget preparation process. The Finance Department is responsible for estimating the rates the Hospital will be authorized to charge in the budget year. Following the review and modifications by management, the budgets are presented to the Board of Trustees for final approval. Operating budgets are now subject to analysis and approval by the Authority.

INTERNAL FINANCIAL REPORTING

The financial department investigates all significant revenue and expense volume variances. In the review of variances, areas are highlighted in which action to improve operations is necessary. Communication with department managers is made to further investigate significant variances.

Monthly financial reports are submitted to the Board monthly. The monthly report includes variation analysis, actual financial statement including prior year and budget statement (monthly and year to date for comparison purposes), balance sheet, accounts receivable analysis and cash flow analysis.

The Board has divided the Hospital's funds into three categories: A - operating funds; B - capital improvement funds, which includes memorial and special gifts; and C - other Board-designated funds.

MANAGEMENT INFORMATION SYSTEM

The Hospital has transferred its management information system into a new corporation, Grant Memorial Hospital Information Systems, Inc. The Hospital and the new corporation have entered into an agreement with Valley Health Systems, Inc., the parent of Winchester Medical Center, Winchester, Virginia ("Winchester"), for the operation of the management information system and the provision of management information services. Winchester also provides the Hospital with its patient accounting manager, for whom the Hospital reimburses Winchester.

AFFILIATIONS

In addition to the management information system agreement described above, the Hospital has agreements or arrangements with several other entities. The Hospital participates in collective purchasing either from or through Winchester. The Hospital is an active participant in efforts to form a rural provider network in the Eastern Panhandle of West Virginia. Whether those efforts will be successful can not be determined at this time. As with most West Virginia hospitals, the Hospital routinely considers agreements and arrangements to enable it to operate more efficiently and compete more effectively in the health care market.

[This Page is Intentionally Left Blank]

APPENDIX C

FINANCIAL STATEMENTS OF THE COUNTY COMMISSION

[This Page is Intentionally Left Blank]

GRANT COUNTY, WEST VIRGINIA

* * * * * * * * * * * * * * *

INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS

* * * * * * * * * * * * * * * * * *

FOR THE YEAR ENDED JUNE 30, 1996

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 North Oak Street • P.O. Box 1916
Clarksburg, West Virginia 26302-1916

TABLE OF CONTENTS

	Page
County Officials	1
Index of Funds	2
Independent Auditor's Report	3-4
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types - Budgetary Basis	7-8
Notes to General Purpose Financial Statements	9-20
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:	
Combining Balance Sheet - Special Revenue Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	22
Combining Balance Sheet - Debt Service Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	24
Combining Balance Sheet - Capital Projects Funds	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Funds	26
Combining Statement of Changes in Assets and Liabilities - Agency Funds	27
Combining Statement of Changes in Assets and Liabilities - State Funds (Agency Funds)	28
Combining Statement of Changes in Assets and Liabilities - Municipal Funds (Agency Funds)	29
SUPPLEMENTARY SCHEDULES:	
Schedule of Cash Receipts and Disbursements - Office of the Sheriff	30
Schedule of Cash Receipts and Disbursements - Office of the Clerk of the County Commission	31
Schedule of Cash Receipts and Disbursements - Office of the Clerk of the Circuit Court	32
Schedule of Cash Receipts and Disbursements - Office of the Assessor	33

TABLE OF CONTENTS (Cont'd)

	Page
Schedule of Cash Receipts and Disbursements - Assessor's Valuation Fund	34
Schedule of Costs for the Care and Feeding of Prisoners	35
Independent Auditor's Report on Compliance	36-37
Schedule of Findings and Questioned Costs	38-48
Independent Auditor's Report on Internal Controls	49-50
Schedule of Weaknesses in Internal Controls	51
SINGLE AUDIT ACT:	
Independent Auditor's Report on Schedules of Federal and State Financial Assistance	52-53
Schedule of Federal and State Financial Assistance	54
Independent Auditor's Report on Compliance with the General Requirements Applicable to Federal and State Financial Assistance Programs	55-56
Independent Auditor's Report on Compliance with the Specific Requirements Applicable to Major Programs	57-58
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Nonmajor Federal and State Financial Assistance Program Transactions	59-60
Independent Auditor's Report on the Internal Control Structure Used in Administering Federal and State Financial Assistance Programs	61-63
Schedule of Weaknesses in Internal Controls	64

GRANT COUNTY, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Tax
General School
Magistrate Court
Worthless Check
Dog and Kennel
Home Confinement
Health Insurance Reserve
Communications
Terminal Insurance Reserve
Sheriff's Vehicles
Flood Disaster
Concealed Weapon
Development Authority Grant
County Hospital Bond
County Hospital Excess Levy
Hospital Series A Securities
Hospital Series B Securities

Debt Service Funds

Grant County Nursing Home
Bond Grant County Memorial Hospital
Excess Grant County Memorial Hospital

Capital Projects Funds

Flood Control
Dam Site #7
Airport Extension

FIDUCIARY FUND TYPE

Agency Funds

State Funds
School Fund
Municipal Funds
Forfeited and Delinquent Land
Sale of Land Surplus
Tax Lien Surplus
Delinquent and Nonentered Lands
Assessor's Valuation
Health

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Grant County Commission
Petersburg, West Virginia 26847

We have audited the accompanying primary government general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the Grant County, West Virginia management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in the notes, the financial statements referred to above do not include financial statements of the general fixed asset account group which should be included to conform with generally accepted accounting principles. The amount that should be recorded in such account group is not known.

In addition, as described more fully in the notes, the County has not recorded vacation and sick leave which should be recorded to conform with generally accepted accounting principles. The effects on the financial statements of this departure have not been determined.

MEMBER

• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION • TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • NATIONAL ASSOCIATED CPA FIRMS

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect of such adjustments, if any, for the effects of the items referred to in the two preceding paragraphs, the primary government general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position of the County, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds of Grant County, West Virginia, as of June 30, 1996 and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of component units of Grant County, West Virginia, do not purport to, and do not, present fairly the financial position of Grant County, West Virginia, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 23, 1997 on our consideration of Grant County, West Virginia's internal control structure and a report dated May 23, 1997 on its compliance with laws and regulations.

Tetrick, Bartlett & Co

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1996

	Governmental Fund Types						
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Types Agency	Account Group General Long-Term Debt	Total (Memorandum Only)
Cash	$ 1,077,172	$ 535,081	$ -0-	$ 89,192	$ 78,296	$ -0-	$ 1,779,741
Investments	-0-	1,359,319	-0-	-0-	-0-	-0-	1,359,319
Receivables, net of allowances:							
Taxes	14,184	-0-	-0-	-0-	-0-	-0-	14,184
Restricted:							
Deposits with Municipal Bond Commission	-0-	-0-	760,940	-0-	-0-	-0-	760,940
Other:							
Amount available in debt service fund	-0-	-0-	-0-	-0-	-0-	760,940	760,940
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	-0-	-0-	1,819,060	1,819,060
TOTAL ASSETS	$ 1,091,356	$ 1,894,400	$ 760,940	$ 89,192	$ 78,296	$ 2,580,000	$ 6,494,184
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	$ 48,648	$ 5,532	$ -0-	$ -0-	$ -0-	$ -0-	$ 54,180
Due to:							
Other governmental entities	-0-	-0-	-0-	-0-	78,296	-0-	78,296
Deferred revenues - taxes	9,885	-0-	-0-	-0-	-0-	-0-	9,885
General obligation bonds payable	-0-	-0-	-0-	-0-	-0-	1,740,000	1,740,000
Excess obligation bonds payable	-0-	-0-	-0-	-0-	-0-	840,000	840,000
Total liabilities	58,533	5,532	-0-	-0-	78,296	2,580,000	2,722,361
Fund Balance							
Reserved for capital projects	-0-	-0-	-0-	89,192	-0-	-0-	89,192
Reserved for debt service	-0-	-0-	760,940	-0-	-0-	-0-	760,940
Unreserved	1,032,823	1,888,868	-0-	-0-	-0-	-0-	2,921,691
Total fund balances	1,032,823	1,888,868	760,940	89,192	-0-	-0-	3,771,823
TOTAL LIABILITIES AND FUND BALANCE	$ 1,091,356	$ 1,894,400	$ 760,940	$ 89,192	$ 78,296	$ 2,580,000	$ 6,494,184

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996

	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues					
Taxes (including interest and penalties)	$ 1,794,887	$ 1,237,570	$ 1,238,809	$ -0-	$ 4,271,266
Intergovernmental:					
Federal	-0-	491,593	-0-	155,378	646,971
State	-0-	271,300	-0-	16,829	288,129
Interstate Commission	-0-	-0-	-0-	153,000	153,000
Fines and forfeitures	-0-	86,468	-0-	-0-	86,468
Licenses and permits	7,227	8,214	-0-	-0-	15,441
Charges for services	52,348	28,753	-0-	-0-	81,101
Interest	61,353	201,546	43,409	2,285	308,593
Property transfer tax	25,160	-0-	-0-	-0-	25,160
Rents and reimbursements	111,605	-0-	-0-	-0-	111,605
Franchise fees	5,392	-0-	-0-	-0-	5,392
Wine and liquor tax	331	-0-	-0-	-0-	331
In-lieu-of taxes	18,355	-0-	-0-	-0-	18,355
Miscellaneous	29,091	249,423	-0-	81	278,595
Total revenues	2,105,749	2,574,867	1,282,218	327,573	6,290,407
Expenditures					
General government	1,594,647	921,765	-0-	-0-	2,516,412
Public safety	422,968	39,649	-0-	-0-	462,617
Health and sanitation	528	-0-	-0-	-0-	528
Culture and recreation	145,892	-0-	-0-	-0-	145,892
Equipment purchases	-0-	22,400	-0-	-0-	22,400
Principal retirement	-0-	-0-	830,000	-0-	830,000
Interest and other charges	-0-	-0-	204,185	-0-	204,185
Miscellaneous	-0-	-0-	88,917	-0-	88,917
Capital projects	-0-	3,856,763	-0-	256,826	4,113,589
Total expenditures	2,164,035	4,840,577	1,123,102	256,826	8,384,540
(Deficiency) excess of revenues (under) over expenditures before other financing sources (uses)	(58,286)	(2,265,710)	159,116	70,747	(2,094,133)
Other Financing Sources (Uses)					
Operating transfers in	76,922	-0-	79,146	12,889	168,957
Operating transfers (out)	-0-	(92,035)	-0-	-0-	(92,035)
Total other financing sources (uses)	76,922	(92,035)	79,146	12,889	76,922
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	18,636	(2,357,745)	238,262	83,636	(2,017,211)
Fund balances at beginning of year (restated)	1,014,187	4,246,613	522,678	5,556	5,789,034
Fund balances at end of year	$ 1,032,823	$ 1,888,868	$ 760,940	$ 89,192	$ 3,771,823

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Coal Severance Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes (including interest and penalties)	$ 2,750,427	$ 1,794,887	$(955,540)	$ -0-	$ -0-	$ -0-	$ 2,750,427	$ 1,794,887	$(955,540)
Intergovernmental:									
Federal	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
State	-0-	-0-	-0-	50,000	269,606	219,606	50,000	269,606	219,606
Fines and forfeitures	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Licenses and permits	16,550	7,227	(9,323)	-0-	-0-	-0-	16,550	7,227	(9,323)
Charges for services	47,519	52,348	4,829	-0-	-0-	-0-	47,519	52,348	4,829
Interest	20,000	61,353	41,353	7,500	8,193	693	27,500	69,546	42,046
Property transfer tax	12,000	25,160	13,160	-0-	-0-	-0-	12,000	25,160	13,160
Rents and reimbursements	25,000	111,605	86,605	-0-	-0-	-0-	25,000	111,605	86,605
Franchise fees	2,000	5,392	3,392	-0-	-0-	-0-	2,000	5,392	3,392
Wine and liquor tax	4,000	331	(3,669)	-0-	-0-	-0-	4,000	331	(3,669)
In-lieu-of taxes	13,000	18,355	5,355	-0-	-0-	-0-	13,000	18,355	5,355
Miscellaneous	27,900	29,091	1,191	-0-	6,830	6,830	27,900	35,921	8,021
Total revenues	2,918,396	2,105,749	(812,647)	57,500	284,629	227,129	2,975,896	2,390,378	(585,518)
Expenditures									
General government	2,340,912	1,582,827	758,085	233,670	180,125	53,545	2,574,582	1,762,952	811,630
Public safety	495,697	422,968	72,729	24,000	24,000	-0-	519,697	446,968	72,729
Health and sanitation	600	437	163	45,000	22,400	22,600	45,600	22,837	22,763
Culture and recreation	158,109	143,425	14,684	-0-	-0-	-0-	158,109	143,425	14,684
Total expenditures	2,995,318	2,149,657	845,661	302,670	226,525	76,145	3,297,988	2,376,182	921,806
(Deficiency) excess of revenues (under) over expenditures before other financing sources (uses)	(76,922)	(43,908)	33,014	(245,170)	58,104	303,274	(322,092)	14,196	336,288

GRANT COUNTY, WEST VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Coal Severance			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses)									
Operating transfers in	$ 76,922	$ 76,922	$ -0-	$ -0-	$ -0-	$ -0-	$ 76,922	$ 76,922	$ -0-
Operating transfers (out)	-0-	-0-	-0-	-0-	(12,889)	12,889	-0-	(12,889)	12,889
Total other financing sources (uses)	76,922	76,922	-0-	-0-	(12,889)	(12,889)	76,922	89,811	(12,889)
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	$ -0-	33,014	$ 33,014	$(245,170)	45,215	$ 290,385	$(245,170)	78,229	$ 323,399
Fund balances at beginning of year		1,014,187			245,171			1,259,358	
Adjustments to conform with generally accepted accounting principles:									
To recognize accrued payables for financial statement purposes recognized on cash basis for budget		(14,378)			(1,585)			(15,963)	
Fund balances at end of year		$ 1,032,823			$ 288,801			$ 1,321,624	

The accompanying independent auditor's report and notes are integral parts of the combined financial statements.

GRANT COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies of Grant County, West Virginia, is presented below.

(a) Reporting Entity

The County's financial statements include the operations of all organizations for which the county commission exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Fund Accounting

The accounts of this County are organized on the basis of funds or groups of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types under the following broad fund categories:

Governmental Funds

General Fund: The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds: Debt Service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Projects Funds: Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

The accompanying independent auditor's report is an integral part of these notes.

Fiduciary Funds

Agency Funds: Agency Funds are used to account for assets held by the County in an agency capacity. Agency funds are excluded from the County's combined statement of revenues, expenditures and changes in fund balances.

(c) Account Group

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the County and for those long-term liabilities to be liquidated with resources to be provided in future periods.

(d) Property, Plant and Equipment

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. Grant County records the purchase of property, plant and equipment used in governmental fund type operations as expenditures in the various funds and does not account for such purchases as capital expenditures. Generally accepted accounting principles prescribed that all such expenditures be accounted for in the general fixed asset group of accounts, and accordingly, the failure to properly record such assets is not in accordance with generally accepted accounting principles.

(e) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

(f) Budgets and Budgetary Accounting

County Commissions within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. Prior to March 2nd of each year, the various elected officials submit to the county commission proposed requests for their respective offices for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner by March 28th for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

A) Unused appropriations for all annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(g) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of the formal budgetary process. Encumbrances outstanding at year end should be reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(h) Cash and Investments

Cash on hand and deposits with banking institutions either in checking, money market accounts or certificates of deposits with maturities of ninety days or less are presented as cash in the accompanying financial statements. Such deposits at June 30, 1996 were not entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the County's name.

Counties are authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

(i) Inventories

The County considers inventories of materials and supplies utilized in governmental fund type operations as expended at the time of purchase therefore, they do not appear in the County's financial statements.

(j) Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. These absences should be accounted for in accordance with the provisions of National Council on Governmental Accounting (NOGA) Statement No. 4. In governmental funds, since the primary emphasis is on the flow of financial resources, only the current portion of the liability should be reported in the fund; the remainder should be reported in the general long-term debt account group. In proprietary funds, compensated absences should be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

The County does not account for compensated absences in accordance with generally accepted accounting principles.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Total Columns on Combined Statements

Total columns on the combined and combining financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation since interfund activities have not been eliminated in the aggregation of the data.

2. Component Units

Component units are defined as legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police, social services, recreation activities and culture events. Blended component units, although legally separate entities, are in substance part of the primary government's operation and should be included as part of the primary government. This county does not account for activities of component units in the financial statements. Accordingly, the county does not comply with general accepted accounting principles for component units.

In accordance with the criteria established by the Governmental Accounting Standards Board for defining a reporting entity, the following component units should be included in the financial statements of the county, to conform with generally accepted accounting principles:

Grant County Board of Health, Grant County Housing Authority, Grant County Parks and Recreation Commission, Grant County Development Authority, Grant County Ambulance Authority, Grant County Airport Authority, Grant County Memorial Hospital, Grant County Nursing Home, Grant County Public Service District, and the Dorcas Public Service District.

This list of component units is comprised of all component units that were made known to us through the audit. Other component units may or may not exist. The effects of these component units on the financial statement are not known.

3. Deposits and Investments

The County reporting entity considers highly liquid investments with an original maturity of one year or less when purchased to be cash equivalents.

Deposits

It is the County's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The County's deposits are categorized to give an indication of the level of risk assumed by the County at June 30, 1996. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the County or its agent in the County's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3 - Uncollateralized.

The accompanying independent auditor's report is an integral part of these notes.

Non-Pooled Deposits	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Checking and money market funds	$ 1,303,821	$ 1,235,377	$ 68,444	$ -0-	$ 1,155,871
Certificates of deposit	623,870	623,870	-0-	-0-	623,870
Total deposits	$ 1,927,691	$ 1,859,247	$ 68,444	$ -0-	$ 1,779,741

Investments

Investment pools are under the custody of the County. Investing is performed in accordance with investment policies complying with State Statutes. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements.

The County's investments are categorized to give an indication of the level of risk assumed by the County at June 30, 1996. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the County or its agent in the County's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the County's name.

Type of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Treasury Obligations	$ 1,359,319	$ -0-	$ -0-	$ 1,359,319	$ 1,359,319
Restricted Assets					
Deposits with municipal bond commission				760,940	760,940
Total investment				$ 2,120,259	$ 2,120,259

The accompanying independent auditor's report is an integral part of these notes.

4. Changes in Long-Term Debt

The following is a summary of the general long-term debt account group at June 30, 1996.

	Balance June 30, 1995	Additions	Retirements	Balance June 30, 1996
a. County Hospital Series A Securities	$ 1,770,000	$ -0-	$ 30,000	$ 1,740,000
b. County Hospital Series B Securities	1,640,000	-0-	800,000	840,000
Total revenue bonds payable at June 30, 1996	$ 3,410,000	$ -0-	$ 830,000	$ 2,580,000

a. County Hospital Series A Securities

On November 9, 1994, the County issued $1,800,000 of general obligation bonds secured by tax levies laid by the County Commission. These bonds were issued in denominations of $5,000. The bonds carry an interest rate of 7.00% payable semiannually on April 1, and October 1 of each year.

The bonds mature between April 1, 1995 and April 1, 2019. Bonds maturing on or after April 1, 2003 are subject to redemption at the option of the County Commission in whole at any time or in part on April 1 or October 1, beginning April 1, 2002 at the redemption prices as follows:

Redemption Periods	Price
April 1, 2002 - March 31, 2003	102%
April 1, 2003 - March 31, 2004	101%
April 1, 2004 and thereafter	100%

The following is the debt service requirements under current conditions as of June 30, 1996.

Maturity - June 30,	Principal	Interest	Total
1997	$ 35,000	$ 121,189	$ 156,189
1998	35,000	118,739	153,739
1999	40,000	116,202	156,202
2000	40,000	113,402	153,402
2001	45,000	110,514	155,514
2002	50,000	107,278	157,278
2003	50,000	103,777	153,777
2004	55,000	100,190	155,190
2005	60,000	96,253	156,253
2006	65,000	91,966	156,966
2007	65,000	87,415	152,415
2008	70,000	82,779	152,779

The accompanying independent auditor's report is an integral part of these notes.

Maturity - June 30,	Principal	Interest	Total
2009	$ 75,000	$ 77,791	$ 152,791
2010	85,000	72,366	157,366
2011	90,000	66,330	156,330
2012	95,000	59,942	154,942
2013	100,000	53,205	153,205
2014	110,000	46,030	156,030
2015	115,000	38,243	153,243
2016	115,000	30,193	145,193
2017	115,000	22,143	137,143
2018	115,000	14,093	129,093
2019	115,000	6,043	121,043
Total Debt Service Requirement	$ 1,740,000	$ 1,736,083	$ 3,476,083

b. County Hospital Series B Securities

On November 9, 1994, the County issued $2,400,000 of excess levy bonds secured by additional tax levies to be laid by the County Commission for the fiscal years beginning July 1, 1994, July 1, 1995 and July 1, 1996. These bonds were issued in denominations of $5,000. The bonds carry interest rates of 4.70%-4.75% payable semiannually on April 1, and October 1 of each year. The bonds mature between April 1, 1995 and April 1, 1997.

The following is the debt service requirements under current conditions as of June 30, 1996.

Maturity - June 30,	Principal	Interest	Total
1997	$ 840,000	$ 29,952	$ 869,952

Total debt service requirements on all general long-term debt obligations under current conditions as of June 30, 1996 is as follows:

Maturity - June 30,	Principal	Interest	Total
1997	$ 875,000	$ 151,141	$ 1,026,141
1998	35,000	118,739	153,739
1999	40,000	116,202	156,202
2000	40,000	113,402	153,402
2001	45,000	110,514	155,514
2002	50,000	107,278	157,278
2003	50,000	103,777	153,777

The accompanying independent auditor's report is an integral part of these notes.

Maturity - June 30,	Principal	Interest	Total
2004	$ 55,000	$ 100,190	$ 155,190
2005	60,000	96,253	156,253
2006	65,000	91,966	156,966
2007	65,000	87,415	152,415
2008	70,000	82,779	152,779
2009	75,000	77,791	152,791
2010	85,000	72,366	157,366
2011	90,000	66,330	156,330
2012	95,000	59,942	154,942
2013	100,000	53,205	153,205
2014	110,000	46,030	156,030
2015	115,000	38,243	153,243
2016	115,000	30,193	145,193
2017	115,000	22,143	137,143
2018	115,000	14,093	129,093
2019	115,000	6,043	121,043
Total Debt Service Requirement	$ 2,580,000	$ 1,766,035	$ 4,346,035

5. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a County may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

All counties within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.3¢); on Class II property, twenty-eight and six-tenths cents (28.6¢); and on Class III and IV property, fifty-seven and two-tenths cents (57.2¢). In addition, counties may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The accompanying independent auditor's report is an integral part of these notes.

The levy rates levied by Grant County, West Virginia, per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 1996 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	$ 17,008,230	10.88¢	7.06¢	1.01¢
Class II	109,442,999	21.76¢	14.12¢	2.02¢
Class III	329,463,020	43.52¢	28.24¢	4.04¢
Class IV	31,569,635	43.52¢	28.24¢	4.04¢

6. Employees Retirement System

Grant County, West Virginia, elected to become a participating public employer under the West Virginia Public Employees Retirement System for the coverage of all eligible employees. Eligible Employees wages amounted to $878,756 for the fiscal year. The County's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 1996 was:

Percentage of Payroll		Amount
Employer share	9.50%	$ 83,481
Employee share	4.50%	39,544
Total contribution	14.00%	$ 123,025

According to the latest actuarial study dated November 20, 1992 of the West Virginia Public Employees Retirement System prepared by Foster Higgins & Co., Inc., the unfunded actuarial accrued liability as of June 30, 1992 was $67,850,000 for state employees. For non-state employees, there was no unfunded actuarial liability; fund assets exceeded the present value of accrued benefits by $245.4 million.

A summary of the principal findings of the evaluation are as follows:

(a) Plan assets exceed the actuarial liability for vested benefits for both the state and non-state groups.

(b) The system will continue to be in a net investment position through at least the next 15 years (the period measured), i.e., plan contributions plus anticipated investment income may be expected to exceed benefit and expense outflow for the 15 year period.

The accompanying independent auditor's report is an integral part of these notes.

7. Cost for the Care and Feeding of Prisoners

As reflected in the schedule of costs for the care and feeding of prisoners, the total cost incurred for the care and feeding of all prisoners incarcerated in the Grant County Jail during fiscal year ended June 30, 1996 was $33,965 or an average cost of $87.99 per prisoner day.

In accordance with West Virginia Code §7-5-15, the cost associated with the care and feeding of prisoners incarcerated by magistrates for misdemeanor offenses is payable from the General School Fund; the cost for the care and feeding of all other prisoners is payable from the General County Fund. The amount chargeable to the General County Fund was determined by multiplying the number of jail days for all prisoners except those incarcerated by magistrates by the cost per jail day. The balance of costs was charged to the General School Fund.

8. Assessor Valuation Fund

In 1990, West Virginia House Bill 4127 required the West Virginia State Board of Investments to loan counties necessary funds to conduct county wide property reappraisals. The Grant County Assessor's Valuation Fund had satisfied this obligation by June 30, 1996.

9. Excess Levy

At a special election held on December 4, 1993, the county was authorized to lay an excess levy to provide approximately $881,333.33 annually, during the three fiscal years ended June 30, 1995, through June 30, 1997. The excess levy was approved by the voters for the following purposes:

> The financing of a portion of the costs of acquiring, constructing and erecting an addition to, and enlarging, extending, reconstructing, and improving Grant Memorial Hospital, including the emergency department, the surgical unit, the radiology department, the obstetrical unit, the laboratory, the physical therapy department, outreach services areas, ancillary services areas, patient rooms, heating and air conditioning systems, the medical offices and the administrative and support facilities thereof and acquiring and procuring the necessary apparatus therefor, including architectural, engineering and inspection costs, cost of issuance associated with the levy bonds and such other costs, costs of insurance associated with the levy bonds and such other costs, fees and expenses as may be necessary or properly incurred in connection therewith, with the issuance of levy bonds by the County Commission of Grant County payable from such additional levies, all according to and so more fully described in the order of The County Commission of Grant County, West Virginia.

The accompanying independent auditor's report is an integral part of these notes.

10. Restatement of Fund Balance

County Hospital Bond Fund

It was determined during this audit that the beginning fund balance of the County Hospital Bond Fund required restatement as follows:

Fund Balance at beginning of year, as originally reported	$ -0-
Add: Cash which was not recorded as of June 30, 1995	1,146
Fund Balance - restated	$ 1,146

Supplementary Schedule

It was determined during this audit that the beginning account balance of the Office of the Assessor - Supplementary Schedule required restatement as follows:

Account balance at beginning of year, as originally reported	$ 176
Less: Amount of money not deposited from June 30, 1994 audit - not deposited in the current year	(175)
Account Balance - restated	$ 1

11. Pending Litigation

Grant County has been named as defendant in several cases which in the opinion of the Grant County Prosecuting Attorney and other attorneys representing the County will not have a material adverse effect to the County.

12. Reclassification of Funds

It was determined during this audit that the classification of the Petersburg Current Fund, Petersburg Excess Fund, and Bayard Current Fund which are all Municipal Funds (Agency Funds) were inadvertently reversed in the preparation of the June 30, 1995 financial statements by the State of West Virginia Department of Tax and Revenue. Therefore, this error was corrected and is properly stated as of June 30, 1996.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1996

	Coal Severance Tax	General School	Magistrate Court	Worthless Check	Dog and Kennel	Home Confinement	Health Insurance Reserve	Communications	Terminal Insurance Reserve	Sheriff's Vehicles	Flood Disaster	Concealed Weapon	Development Authority Grant	County Hospital Bond	County Hospital Excess Levy	Hospital Series A Securities	Hospital Series B Securities	Total (Memorandum Only)
ASSETS																		
Cash	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ -0-	$ -0-	$ 535,081
Investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	529,129	830,190	1,359,319
TOTAL ASSETS	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,894,400
LIABILITIES AND FUND BALANCE																		
Liabilities																		
Accounts payable	$ 4,942	$ -0-	$ 275	$ -0-	$ -0-	$ 315	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 5,532
Total liabilities	4,942	-0-	275	-0-	-0-	315	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,532
Fund Balances (Deficiency)																		
Unreserved	288,801	30,427	(275)	580	7,461	31,194	39,018	55,364	40,298	9,825	12,864	1,517	-0-	1,564	10,911	529,129	830,190	1,888,868
Total fund balances (deficiency)	288,801	30,427	(275)	580	7,461	31,194	39,018	55,364	40,298	9,825	12,864	1,517	-0-	1,564	10,911	529,129	830,190	1,888,868
TOTAL LIABILITIES AND FUND BALANCES	$ 293,743	$ 30,427	$ -0-	$ 580	$ 7,461	$ 31,509	$ 39,018	$ 55,364	$ 40,298	$ 9,825	$ 12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,894,400

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Coal Severance Tax	General School	Magistrate Court	Worthless Check	Dog and Kennel	Home Confinement	Health Insurance Reserve	Communications	Terminal Insurance Reserve	Sheriff's Vehicles	Flood Disaster	Concealed Weapon	Development Authority Grant	County Hospital Bond	County Hospital Excess Levy	Hospital Series A Securities	Hospital Series B Securities	Total (Memorandum Only)
Revenues																		
Taxes (including interest and penalties	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 79,798	$ 1,157,772	$ -0-	$ -0-	$ 1,237,570
Intergovernmental:																		
Federal	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	$26,645	-0-	$464,948	-0-	-0-	-0-	-0-	$491,593
State	269,606	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,694	-0-	-0-	-0-	-0-	-0-	-0-	271,300
Fines and forfeitures	-0-	73,855	12,613	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	86,468
Licenses and permits	-0-	-0-	-0-	-0-	6,384	-0-	-0-	-0-	-0-	-0-	-0-	1,830	-0-	-0-	-0-	-0-	-0-	8,214
Charges for services	-0-	-0-	-0-	350	-0-	21,418	-0-	6,985	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	28,753
Interest	8,193	-0-	-0-	-0-	-0-	-0-	528	-0-	-0-	431	-0-	-0-	-0-	205	1,201	105,519	85,469	201,546
Miscellaneous	6,830	-0-	-0-	-0-	9	-0-	98,050	-0-	144,534	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	249,423
Total revenues	284,629	73,855	12,613	350	6,393	21,418	98,578	6,985	144,534	431	28,339	1,830	464,948	80,003	1,158,973	105,519	85,469	2,574,867
Expenditures																		
General government	181,559	73,611	12,888	-0-	6,040	-0-	59,560	-0-	107,245	-0-	15,475	-0-	464,948	439	-0-	-0-	-0-	921,765
Public safety	24,151	-0-	-0-	-0-	-0-	8,628	-0-	-0-	-0-	6,557	-0-	313	-0-	-0-	-0-	-0-	-0-	39,645
Equipment purchases	22,400	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	22,400
Capital projects	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,156,000	1,425,806	1,274,957	3,856,763
Total expenditures	228,110	73,611	12,888	-0-	6,040	8,628	59,560	-0-	107,245	6,557	15,475	313	464,948	439	1,156,000	1,425,806	1,274,957	4,840,577
Excess (deficiency) of revenues over (under) expenditures before other financing sources	56,519	244	(275)	350	353	12,790	39,018	6,985	37,289	(6,126)	12,864	1,517	-0-	79,564	2,973	(1,320,287)	(1,189,488)	(2,265,711)
Other Financing (Uses)																		
Operating transfers (out)	(12,889)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(79,146)	-0-	-0-	-0-	(92,035)
Total other financing (uses)	(12,889)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(79,146)	-0-	-0-	-0-	(92,035)
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	43,630	244	(275)	350	353	12,790	39,018	6,985	37,289	(6,126)	12,864	1,517	-0-	418	2,973	(1,320,287)	(1,189,488)	(2,357,746)
Fund balance at beginning of year - (restated)	245,171	30,183	-0-	230	7,108	18,404	-0-	48,379	3,009	15,951	-0-	-0-	-0-	1,146	7,938	1,849,416	2,019,678	4,246,614
Fund balance (deficiency) at end of year	$ 288,801	$ 30,427	$ (275)	$ 580	$ 7,461	$ 31,194	39,018	55,364	40,298	9,825	12,864	$ 1,517	$ -0-	$ 1,564	$ 10,911	$ 529,129	$ 830,190	$ 1,888,866

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 1996

	Grant County Nursing Home	Bond Grant County Memorial Hospital	Excess Grant County Memorial Hospital	Total (Memorandum Only)
ASSETS				
Restricted				
Deposits with Municipal Bond Commission	$ 1,221	$ 109,170	$ 650,549	$ 760,940
TOTAL ASSETS	$ 1,221	$ 109,170	$ 650,549	$ 760,940
FUND BALANCE				
Reserved for debt service	$ 1,221	$ 109,170	$ 650,549	$ 760,940
TOTAL FUND BALANCE	$ 1,221	$ 109,170	$ 650,549	$ 760,940

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Grant County Nursing Home	Bond Grant County Memorial Hospital	Excess Grant County Memorial Hospital	Total (Memorandum Only)
Revenues				
Taxes (including interest and penalties	$ -0-	$ 85,847	$ 1,152,962	$ 1,238,809
Interest	1,635	5,761	36,013	43,409
Total revenues	1,635	91,608	1,188,975	1,282,218
Expenditures				
Debt Service				
Principal retirement	-0-	30,000	800,000	830,000
Interest and other charges	-0-	124,285	79,900	204,185
Miscellaneous	88,917	-0-	-0-	88,917
Total expenditures	88,917	154,285	879,900	1,123,102
(Deficiency) excess of revenues (under) over expenditures before other financing sources	(87,282)	(62,677)	309,075	159,116
Other Financing Sources				
Operating transfers in	-0-	79,146	-0-	79,146
Total other financing sources	-0-	79,146	-0-	79,146
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(87,282)	16,469	309,075	238,262
Fund balances at beginning of year	88,503	92,701	341,474	522,678
Fund balances at end of year	$ 1,221	$ 109,170	$ 650,549	$ 760,940

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 1996

	Flood Control	Dam Site #7	Airport Extension	Total (Memorandum Only)
ASSETS				
Cash	$ 82,785	$ 4,789	$ 1,618	$89,192
TOTAL ASSETS	$ 82,785	$ 4,789	$ 1,618	$89,192
FUND BALANCE				
Reserved for capital projects	$ 82,785	$ 4,789	$ 1,618	$89,192
TOTAL FUND BALANCE	$ 82,785	$ 4,789	$ 1,618	$89,192

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	Flood Control	Dam Site #7	Airport Extension	Total (Memorandum Only)
Revenues				
Intergovernmental:				
Federal	$ 13,670	$ -0-	$ 141,708	$ 155,378
State	-0-	3,956	12,873	16,829
Interstate Commission	153,000	-0-	-0-	153,000
Interest	2,285	-0-	-0-	2,285
Miscellaneous	-0-	81	-0-	81
Total revenues	168,955	4,037	154,581	327,573
Expenditures				
Capital projects	86,170	3,668	166,988	256,826
Excess (deficiency) of revenues over (under) expenditures before other financing sources	82,785	369	(12,407)	70,747
Other Financing Sources				
Operating transfers in	-0-	-0-	12,889	12,889
Excess of revenues over expenditures and other financing sources	82,785	369	482	83,636
Fund balance at beginning of year - reserved for capital projects	-0-	4,420	1,136	5,556
Fund balance at end of year - reserved for capital projects	$ 82,785	$ 4,789	$ 1,618	$ 89,192

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1996

	State Funds	School Fund	Municipal Funds	Forfeited and Delinquent Land	Sale of Land Surplus	Tax Lien Surplus	Delinquent and Nonentered Lands	Assessor's Valuation	Health	Total (Memorandum Only)
ASSETS										
Cash June 30, 1995 (restated)	$ 19,128	$ 10,116	$ 2,429	$ 10	$ 58	$ 961	$ -0-	$ 68,097	$ 40,063	$ 140,862
Additions	209,167	3,385,649	189,389	-0-	-0-	3,720	50	110,133	551,508	4,449,616
Deductions	212,367	3,390,086	191,098	10	58	1,690	-0-	161,091	555,782	4,512,182
Cash June 30, 1996	$ 15,928	$ 5,679	$ 720	$ -0-	$ -0-	$ 2,991	$ 50	$ 17,139	$ 35,789	$ 78,296
LIABILITIES										
Due to:										
Other governmental entities June 30, 1995	$ 19,128	$ 10,116	$ 2,429	$ 10	$ 58	$ 961	$ -0-	$ 68,097	$ 40,063	$ 140,862
Additions	209,167	3,385,649	189,389	-0-	-0-	3,720	50	110,133	551,508	4,449,616
Deductions	212,367	3,390,086	191,098	10	58	1,690	-0-	161,091	555,782	4,512,182
Due to:										
Other governmental entities June 30, 1996	$ 15,928	$ 5,679	$ 720	$ -0-	$ -0-	$ 2,991	$ 50	$ 17,139	$ 35,789	$ 78,296

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STATE FUNDS (AGENCY FUNDS)
FOR THE YEAR ENDED JUNE 30, 1996

	State Current	Court Reporter	Criminal Charges	Pistol Licenses	Vehicle Licenses	State Fines	Total (Memorandum Only)
ASSETS							
Cash June 30, 1995	$ 283	$ -0-	$ -0-	$ 50	$ 18,795	$ -0-	$ 19,128
Additions	19,757	2,539	11,815	1,150	173,846	60	209,167
Deductions	19,657	2,539	11,815	1,200	177,096	60	212,367
Cash June 30, 1996	$ 383	$ -0-	$ -0-	$ -0-	$ 15,545	$ -0-	$ 15,928
LIABILITIES							
Due to: Other governmental entities June 30, 1995	$ 283	$ -0-	$ -0-	$ 50	$ 18,795	$ -0-	$ 19,128
Additions	19,757	2,539	11,815	1,150	173,846	60	209,167
Deductions	19,657	2,539	11,815	1,200	177,096	60	212,367
Due to: Other governmental entities June 30, 1996	$ 383	$ -0-	$ -0-	$ -0-	$ 15,545	$ -0-	$ 15,928

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MUNICIPAL FUNDS (AGENCY FUNDS)
FOR THE YEAR ENDED JUNE 30, 1996

	Petersburg Current	Petersburg Excess	Bayard Current	Total (Memorandum Only)
ASSETS				
Cash June 30, 1995	$ 1,662	$ 672	$ 95	$ 2,429
Additions	126,321	53,901	9,167	189,389
Deductions	127,544	54,385	9,169	191,098
Cash June 30, 1996	$ 439	$ 188	$ 93	$ 720
LIABILITIES				
Due to:				
Other governmental entities June 30, 1995	$ 1,662	$ 672	$ 95	$ 2,429
Additions	126,321	53,901	9,167	189,389
Deductions	127,544	54,385	9,169	191,098
Due to:				
Other governmental entities June 30, 1996	$ 439	$ 188	$ 93	$ 720

The accompanying independent auditor's report and notes are integral parts of the combining financial statements.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE SHERIFF
FOR THE YEAR ENDED JUNE 30, 1996

	Sheriff's Earnings	Committee Accounts	Total (Memorandum Only)
Receipts			
Charges for services	$ 4,093	$ -0-	$ 4,093
Committee receipts	-0-	778	778
Total receipts	4,093	778	4,871
Disbursements			
Remittances to General County Fund	4,093	-0-	4,093
Committee expenses	-0-	115	115
Total disbursements	4,093	115	4,208
Excess of receipts over disbursements	-0-	663	663
Account balance at beginning of year	-0-	7,455	7,455
Account balance at end of year	$ -0-	$ 8,118	$ 8,118

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE CLERK OF THE COUNTY COMMISSION
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Recording fees	$ 8,425	
Copy fees	1,722	
Property transfer stamps	52,939	
Marriage licenses	1,587	
Hunting and fishing licenses	7,171	
Fiduciary appointment fees	147	
UCC filing fees	598	
Miscellaneous	1,947	$ 74,536
Disbursements		
Remittances to:		
County treasurer	37,847	
State auditor	26,248	
Department of Natural Resources	7,429	
Other parties	40	71,564
Excess of receipts over disbursements		2,972
Account balance at beginning of year		7,800
Account balance at end of year		$ 10,772

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE CLERK OF THE CIRCUIT COURT
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Circuit clerk's fees	$ 8,613	
Sheriff's fees	3,060	
Prosecuting attorney's fees	280	
Court reporter's fees	2,728	
Court appointed attorney's fees	8,852	
Jury and witness fees	559	
Magistrate court costs	109	
Crime victims compensation	92	
Law enforcement training	26	
Domestic violence	1,800	
Regional jail authority fees	5,645	
State fines and forfeits	25	
Family law master	4,915	
Interest	574	
Probation	1,749	
Other fees and collections	801	
Collections for other parties	113,479	$ 153,307
Disbursements		
Remittances to:		
County treasurer	25,449	
State treasurer	14,242	
Other parties	160,230	199,921
(Deficiency) of receipts (under) disbursements		(46,614)
Account balance at beginning of year		64,846
Account balance at end of year		$ 18,232

The accompanying independent auditor's report and notes are integral parts of this schedule.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
OFFICE OF THE ASSESSOR
FOR THE YEAR ENDED JUNE 30, 1996

Receipts		
Head tax on dogs	$ 7,101	
Building permits	1,300	
Farm use decals	226	
Mobile home permits	16	$ 8,643
Disbursements		
Remittances to:		
County treasurer	7,225	
Municipalities	581	
Assessor's commission	775	8,581
Excess of receipts over disbursements		62
Account balance at beginning of year (restated)		1
Account balance at end of year		$ 63

The accompanying independent auditor's report and notes are integral parts of this schedule.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5584 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of failure to record general fixed assets, and accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Grant County, West Virginia is the responsibility of the County's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Grant County, West Virginia's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed instances of noncompliance as noted in the accompanying schedule that are required to be reported herein under Government Auditing Standards and that are material to the financial statements, the effects of which have been corrected in Grant County West Virginia's June 30, 1996 financial statements.

MEMBER

• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION • TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • NATIONAL ASSOCIATED CPA FIRMS

We considered these instances of noncompliance in forming our opinion on whether Grant County, West Virginia's June 30, 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated May 23, 1997 on those financial statements.

This report is intended solely for the use of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Sheriff's Record of Receipts and Disbursements

Finding #1

We noted during our audit that certain securities were in the name of the Grant County Commission instead of in the name of the Grant County Sheriff as treasurer of the county.

West Virginia Code §7-5-1 states in part that:

> "The sheriff shall be ex officio county treasurer and as such treasurer shall receive, collect and disburse all moneys due such county or any district thereof. He shall keep in his office a fair and accurate account of all receipts and disbursements by him, showing the time when, from whom, to whom and on what account received and paid, and he shall so arrange his books that the amount received and paid on account of separate and distinct funds, or specific appropriations, shall be exhibited in separate and distinct accounts, and he shall also keep separate and distinct accounts for the funds of each fiscal year.
>
> When any money is paid to the sheriff, except for taxes, the sheriff shall give to the person paying the same duplicate receipts therefor, stating briefly the fund or account for which paid; one of which receipts such person shall forthwith deposit with the clerk of the county court (county commission), who shall, in a well-bound book to be kept by him in his office for the purpose, charge the sheriff therewith and preserve such receipt in his office."

Recommendation

We recommend that the Grant Count Commission review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Collection of Home Incarceration Services

Finding #2

It came to our attention during our audit that the Circuit Clerk and the Magistrate Court Clerk failed to collect the fees for Home Incarceration Fund. Specifically, the sheriff's tax office and/or the sheriff's deputies have been collecting these fees.

West Virginia Code §62-11B-7 as amended states in part:

> "All home incarceration fees ordered by the circuit court shall be paid to the circuit clerk, who shall monthly remit the fees to the sheriff. All home incarceration fees ordered by a magistrate shall be paid to the magistrate court clerk, who shall monthly remit the fees to the county sheriff. The county sheriff shall establish a special fund designated the home incarceration services fund, in which the sheriff shall deposit all home incarceration fees remitted by the clerks."

Recommendation

We recommend that the Circuit Clerk and the Magistrate Court Clerk collect the fees for services that are assigned to their court docket for these individuals.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Bond of Depositories

Finding #3

We noted during our audit that at certain times public moneys were deposited in a county depository in excess of the securities pledged by that banking institution.

West Virginia Code §7-6-2 states in part:

> "No such designation shall be binding on such county, nor shall any public money be deposited thereunder, until the banking institution designated shall execute bond with good and sufficient sureties, to be accepted and approved by the county court (county commission), payable to the State of West Virginia, in such sum as the county court (county commission) shall direct, and which shall not be less than the maximum sum that shall be deposited in the depository at any one time."

Recommendation:

We recommend that the Grant County Commission and the Grant County Sheriff insure that all county depositories have provided sufficient sureties and that moneys are not deposited in a depository in excess of such sureties.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Homestead Exemptions

Finding #4

We noted during this audit that the Grant County Assessor failed to adhere to the statutory provisions regarding the exemption for homestead. Specifically, the Assessor granted Homestead Exemptions when the exemptions were not properly applied for. A review disclosed that applications were accepted and exemptions allowed after the October 1 deadline.

West Virginia Code §11-6B-4 states in part:

> "*General*. - No exemption shall be allowed under this article unless a claim of exemption is filed with the assessor of the county in which the homestead is located, on or before the first day of October following the July first assessment day...;
>
> "*Senior citizens*. - If the claimant is age sixty-five or older, then after the claimant has filed for the exemption once with his assessor, there shall be no need for that claimant to refile unless the claimant moves to a new homestead...;
>
> "*Waiver of exemption*. - Any person not filing his claim for exemption on or before the first day of October shall be determined to have waived his right to exemption for the next tax year."

Recommendation:

We recommend that the Grant County Commission and the Grant County Assessor review this statute and comply with the provisions set forth therein.

Exonerations

Finding #5

We noted during our audit that the Grant County Assessor and the Grant County Commission failed to adhere to the statutory provisions regarding the issuance of exonerations. Specifically, the assessor and the county commission granted relief from taxes without an application for exoneration signed by the owner.

West Virginia Code §11-3-27 states in part:

> "Any taxpayer, claiming to be aggrieved by any entry in the property books of the county, resulting from a clerical error, or a mistake occasioned by an unintentional or inadvertent act as distinguished from a mistake growing out of negligence or the exercise of poor judgment, may within one year from the time the property books are delivered to the sheriff or within one year from the time such clerical error or mistake is discovered or reasonably could have been discovered, apply for relief to the county commission of the county in which such books are made out...
>
> In the event it is ascertained that the applicant is entitled to relief, any excess taxes already paid shall be refunded and, if charged but not paid, the applicant shall be released from the payment of such excess..."

Recommendation:

We recommend that the Grant County Assessor and the Grant County Commission review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Basis of Accounting

Finding #6

We noted during our audit that the Grant County Commission has failed to maintain its accounting records in accordance with generally accepted accounting principles (GAAP). Specifically, the county's financial statements do not disclose the debt of the county which includes several bond issues and monies due to vendors for goods and services received.

The Tax Commissioner as the ex officio Chief Inspector and Supervisor of Public Offices has directed all counties throughout the state to maintain their financial records of all funds on the GAAP basis of accounting. The Governmental Accounting Standards Board (GASB) is recognized as the authoritative source on generally accepted accounting principles for governmental entities. Pronouncements of the GASB apply to financial reports of all state and local governmental entities.

West Virginia Code §6-9-2 states in part:

> "The Chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies."

Recommendation:

We recommend that the Clerk of the Grant County Commission as the chief financial officer maintain the financial records of all funds in accordance with generally accepted accounting principles.

Non-Compliance with Excess and Bond Levy Call

Finding #7

We noted during our audit that the Grant County Commission failed to comply with the provisions of the levy call which was voted on and passed on December 3, 1993. Specifically, the General County Fund was not reimbursed the cost of the special election, which costs exceeded $14,000.00.

The levy call states in part that:

> "(3). A portion of the proceeds from the sale of the Levy Bonds will be to pay expenses with respect to the special levy election."

Recommendation:

We recommend that the Grant County Commission review this levy call and comply with the provisions set forth therein.

Guardianship and Conservatorship Act

Finding #8

We noted during our audit that the Grant County Commission appointed the Sheriff of Grant County as guardian for five individuals on February 27, 1996, after their powers of appointment were discontinued on July 1, 1994.

West Virginia Code §44A-1-2 states in part that:

> (c) "From and after the effective date of this chapter, the circuit courts shall have exclusive jurisdiction of all matters involving determinations of mental incompetency, mental retardation or mental handicap, including the jurisdiction of any proceedings pending as of such effective date. All orders entered prior to the effective date of this chapter in such cases shall remain in full force and effect until terminated, revoked or modified as provided herein."

Recommendation:

We recommend that the Grant County Commission review this statute and comply with the provisions set forth therein. These matters should be forwarded to the circuit court for proper handling.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Health Insurance Coverage

Finding #9

It was noted during a prior audit that the Grant County Commission has private health insurance company coverage for county employees. It was also noted that the county had established, within the county's personnel policy, the criteria which must be met to be eligible for insurance coverage. It was further noted that insurance coverage was provided for certain employees employed on a part year or part time basis, or who do not work on a full time basis, as described in the county personnel policy.

The county personnel policy states in part, that:

> "Group hospitalization and life insurance is available to all regular full time employees."
>
> "A regular full time employee is one who regularly works 35-40 hours per week and a minimum of five days per week and has met all minimum standards required by the county."

Recommendation:

The County Commission is directed to review the county personnel policy on insurance and comply with the provisions set forth therein.

Filing of Reports and Accountings

Finding #10

We noted during our audit that the Grant County Sheriff is not filing reports as guardian or accountings as conservator on the individuals for whom the Sheriff has such authority. The reports should be filed with the Grant County Circuit Clerk.

West Virginia Code §44A-3-11 states in part that:

"(a) Reports of guardians and accountings of conservators, as described in this article shall be filed with the circuit clerk of the county in which appointed, within sixty days following the first anniversary of the appointment and:

(1) At least annually thereafter;

(2) When the court orders additional reports or accountings to be filed;

(3) When the guardian or conservator resigns or is removed; and

(4) When the appointment of the guardian or conservator is terminated, except that in the case of a guardian, the court may determine that there is no need for a report upon such termination; and in the case of a conservator, no accounting will be required if the persons entitled to the estate consent thereto.

b) A guardian or conservator may elect to file a periodic report or accounting on a calendar-year basis; however, in no event may such a report or accounting cover a period of more that one year. A calendar-year report or accounting shall be filed with the circuit clerk no later that the fifteenth day of April of the succeeding year."

Recommendation:

We recommend that the Grant County Sheriff review this statute and comply with the provisions set forth therein.

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1996

Expenditures in Excess of Amounts Allocated in the Levy Estimate-General Fund

Finding #11

It was determined during this examination that the Grant County Commission incurred expenditures for certain items in the General Fund in excess of the amounts allocated for those items in the official estimate (budget) as last revised. The following categories exceeded the approved budget amount:

Account Number	Department	Budget	Actual	Over Expenditure
404	Sheriff - Treasurer	$ 118,692	$ 119,805	$ 1,113

This over expenditure did not cause the total levy estimate (budget) of the General Fund to be over expended; however, West Virginia code §11-8-26 states in part that:

"...a local body shall not expend money or incur obligations:

(1) In an unauthorized manner;
(2) For an unauthorized purpose;
(3) In excess of the money allocated to the fund in the levy order;
(4) In excess of the funds available for current expenses..."

Recommendation:

The Grant County Commission is directed to implement effective budgetary controls to insure that actual expenditures do not exceed the amounts allocated for those expenditures in the official levy estimate (budget) as approved by the State Tax Commissioner. Revisions are authorized with prior written approval if submitted prior to the end of the fiscal year.

Prior Year Findings

All of the current year's findings were also found in the June 30, 1995 audit except for Filing of Reports and Accountings. With the exception of the findings noted during this audit, all other findings reported on the June 30, 1995 Schedule of Findings and Questioned Costs were resolved.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996 and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Grant County, West Virginia is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

MEMBER

• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION • TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • NATIONAL ASSOCIATED CPA FIRMS

In planning and performing our audit of the financial statements of Grant County, West Virginia, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants as disclosed in the accompanying schedule. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, as disclosed in the accompanying schedule, we noted matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Grant County, West Virginia, for the year ended June 30, 1996.

This report is intended solely for the use of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF WEAKNESSES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 1996

Material Weaknesses in Internal Control Systems

Comment #1

We noted during our audit that the Assessor's Office dog tax collections were not remitted to the various levying bodies within the county in a timely manner.

It was also noted that the prior year's supplementary schedule note concerning the $175 not deposited from the June 30, 1994 fiscal year has not been recovered as of June 30, 1996, but was subsequently recovered on May 23, 1997.

Recommendation

We recommend that the Assessor's Office remit in a more timely manner the various levying bodies' share of the dog taxes, and not hold the funds in the office.

Comment #2

We noted during our audit that the County does not have a proper segregation of duties. Segregation of duties requires that the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Recommendation

We recommend that the responsibility of approval, execution, recording and custody be distributed among the staff in each department. However, we recognize the fact that complete segregation of duties is not feasible due to the limited number of staff in each department.

Comment #3

We noted during our audit that the Emergency Office of Communications does not issue prenumbered receipts for all monies received by employees in that office. The use of prenumbered receipts allows for the accountability and proper classification of receipts in sequential order and strengthens controls over the receiving function.

Recommendation

We recommend that the Emergency Office of Communications implement the use of prenumbered receipts into their internal control system. Voided receipts should be maintained for accountability.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. These financial statements are the responsibility of Grant County, West Virginia management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia taken as a whole. The accompanying schedule of federal and state financial assistance is presented for purposes of additional analysis

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules taken as a whole.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1996

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency Pass-through Number	Program or Award Amount	Federal/State Revenues	Federal/State Expenditures
Federal Assistance Programs					
Economic Development Administration - Grant County Commission passed funds through to the Grant County Development Authority	11.3002**	01-01-3347	$ 990,000	$ 464,948	$ 464,948
Department of Army US Army Corps of Engineers	N/A	N/A	13,670	13,670	13,670
Small Cities Block Grant Passed through to the West Virginia Development Office	14.219	93-268	287,321	3,956	3,956
Federal Emergency Management Assistance Passed to through the state of West Virginia	N/A	FEMA-1096-DR	28,339	28,339	28,339
Federal Aviation Administration Airport Improvement Project	20.106	3-54-0019-0895	141,708	141,708	141,708
State of WV Department of Transportation State Aeronautics Commission	N/A	3-54-0019-0895	12,873	12,873	12,873
			$ 1,473,911	$ 665,494	$ 665,494

** Denotes Major Program

The accompanying independent auditor's report and notes are integral parts of the above schedule.

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We have applied procedures to test Grant County, West Virginia's compliance with the following requirements applicable to its federal and state financial assistance programs, which are identified in the Schedule of Federal and State Financial Assistance, for the year ended June 30, 1996:

General Requirements

Political activity	Federal Financial Reports
Davis Bacon Act	Allocable Costs/Cost Principles
Civil Rights	Drug-Free Workplace Act
Cash Management	Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grant County, West Virginia's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Grant County, West Virginia, had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

We have also audited Grant County, West Virginia's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal and state financial assistance programs, which are identified in the accompanying Schedule of Federal and State Financial Assistance, for the year ended June 30, 1996. The management of Grant County, West Virginia, is responsible for Grant County, West Virginia's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about the whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about Grant County, West Virginia's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of non-compliance with the requirements referred to in the second paragraph.

MEMBER

• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION • TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • NATIONAL ASSOCIATED CPA FIRMS

In our opinion, Grant County, West Virginia, complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal and state programs for the year ended June 30, 1996.

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.
Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8538 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NON-MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units.

In connection with our audit of the financial statements of Grant County, West Virginia, and with our consideration of Grant County, West Virginia's control structure used to administer federal and state financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments", we selected certain transactions applicable to certain nonmajor federal and state financial assistance programs for the year ended June 30, 1996.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements and amounts: claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grant County, West Virginia's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Grant County, West Virginia had not complied, in all material respects, with those requirements.

The results of our audit did not disclose any immaterial instances of non-compliance with the requirements referred to in the second paragraph.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

Tetrick, Bartlett & Co.
CERTIFIED PUBLIC ACCOUNTANTS

122 N. Oak St. • P. O. Box 1916 • Clarksburg, WV 26302-1916 • Telephone: (304) 624-5564 • (800) 227-8536 • FAX: (304) 624-5582

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

Honorable Members of the
Grant County Commission
Petersburg, West Virginia

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements and the supplementary schedules of Grant County, West Virginia, as of and for the year ended June 30, 1996, and have issued our report thereon dated May 23, 1997. In our report, our opinion was qualified because of the failure to record general fixed assets, accrued vacation and sick leave in accordance with generally accepted accounting principles. In addition, the financial statements do not include the financial data of component units. We have also audited the compliance of Grant County, West Virginia, with requirements applicable to major federal and state financial assistance programs and have issued our report thereon dated May 23, 1997.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Grant County, West Virginia, complied with laws and regulations, noncompliance with which would be material to a major federal and state financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered the internal control structure of Grant County, West Virginia, in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of Grant County, West Virginia, and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal and state financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated May 23, 1997.

MEMBER
• AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• WEST VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
• DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION
• TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
• NATIONAL ASSOCIATED CPA FIRMS

The management of Grant County, West Virginia, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal and state financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal and state financial assistance programs in the following categories:

Accounting Controls

Cycles	Accounting Applications
Budgetary accounting	Cash receipts
Revenue control	Purchasing and receiving
Expenditure control	Cash disbursements
External financing reporting	

Controls Used in Administering Federal and State Programs

General Requirements	Specific Requirements
Political activity	Types of services
Civil rights	Eligibility
Cash management	Matching, level of effort, and earmarking
Federal financial reports	Cost allocation
Allowable costs/cost principles	Special requirements
Drug-free workplace	Reporting
Administrative requirements	
Davis-Bacon Act	

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Grant County, West Virginia, expended 86.91 percent of its total federal and state financial assistance under major federal and state financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of Grant County, West Virginia's major federal and state financial assistance programs, which are identified in the accompanying Schedule of Federal and State Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants, as disclosed in the accompanying schedule. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Grant County, West Virginia's ability to administer federal and state financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal and state financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal and state financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, as disclosed in the accompanying schedule, we noted matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Grant County, West Virginia with requirements applicable to its major federal and state financial assistance programs for the year ended June 30, 1996, and this report does not affect our report thereon dated May 23, 1997.

This report is intended for the information of the officials of Grant County, West Virginia, the West Virginia State Tax Department and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Tetrick, Bartlett & Co.

Clarksburg, West Virginia

May 23, 1997

GRANT COUNTY, WEST VIRGINIA
SCHEDULE OF WEAKNESSES IN INTERNAL CONTROLS
FOR THE YEAR ENDED JUNE 30, 1996

Material Weaknesses in Internal Control Systems

Comment #1

We noted during our audit that the County does not have a proper segregation of duties. Segregation of duties requires that the responsibility for approving, executing and recording a transaction and custody of the resulting asset arising from the transaction be assigned to different individuals.

Recommendation

We recommend that the responsibility of approval, execution, recording and custody be distributed among the staff in each department. However, we recognize the fact that complete segregation of duties is not feasible due to the limited number of staff in each department.

APPENDIX D

FINANCIAL STATEMENTS OF THE HOSPITAL

[This Page is Intentionally Left Blank]

GRANT MEMORIAL HOSPITAL

Financial Report

June 30, 1997

DCP

GRANT MEMORIAL HOSPITAL

Financial Report

June 30, 1997

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	I
FINANCIAL STATEMENTS	
Balance sheets	1a-1b of 15
Statements of operations - unrestricted funds	2 of 15
Statements of changes in fund balance	3 of 15
Statements of cash flows	4a-4b of 15
Notes to financial statements	5-15 of 15
INDEPENDENT AUDITOR'S REPORT ON THE ACCOMPANYING FINANCIAL INFORMATION	II
ACCOMPANYING FINANCIAL INFORMATION	
Revenue detail	1-2 of 4
Expense detail	3-4 of 4

[This Page is Intentionally Left Blank]

Doak, Cuppett & Poling a.c.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grant Memorial Hospital
Petersburg, West Virginia

We have audited the accompanying balance sheets of Grant Memorial Hospital as of June 30, 1997 and 1996, and the related statements of operations - unrestricted funds, changes in fund balances, and cash flows for the years ended June 30, 1997, 1996, and 1995. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grant Memorial Hospital as of June 30, 1997 and 1996, and the results of its operations, changes in fund balance and cash flows for the years ended June 30, 1997, 1996, and 1995 in conformity with generally accepted accounting principles.

Doak, Cuppett & Poling a.c.

Clarksburg, West Virginia
September 5, 1997

DCP

PO BOX 1626 • Clarksburg, WV 26302 • (304) 622-0804 • FAX (304) 622-2215
PO BOX 212 • Charleston, WV 25321 • (304) 345-0320 • FAX (304) 344-4456

GRANT MEMORIAL HOSPITAL

BALANCE SHEETS
As of June 30, 1997 and 1996

ASSETS	1997	1996
CURRENT ASSETS		
Cash	$ 1,494,615	$ 1,541,328
Certificates of deposit	2,090,820	1,642,802
Patient receivables, net	3,908,058	3,485,375
Due from third-party payors	121,637	111,139
Accounts receivable, other	42,657	82,333
Grants receivable	175,772	98,917
Supplies inventories	428,538	397,079
Prepaid expenses and deposits	171,024	163,145
Total current assets	8,433,121	7,522,118
ASSETS WHOSE USES ARE LIMITED, non-current		
By Board for capital improvements	2,936,975	2,450,681
Under grant arrangements	1,122,509	1,128,488
By Board for malpractice insurance arrangement	88,092	83,345
By Hospice Board for Hospice program	25,712	16,400
Under bond indenture	1,682,195	5,055,456
Total assets whose uses are limited	5,855,483	8,734,370
PROPERTY AND EQUIPMENT, at cost		
Land and improvements	325,541	315,601
Buildings	2,697,653	2,697,653
Equipment	5,072,230	4,031,583
	8,095,424	7,044,837
Less accumulated depreciation	(5,346,071)	(4,876,214)
	2,749,353	2,168,623
Construction-in-progress	7,451,458	4,344,128
Net property and equipment	10,200,811	6,512,751
OTHER ASSETS		
Bond issue costs, net	357,137	373,128
Total assets	$ 24,846,552	$ 23,142,367

LIABILITIES AND FUND BALANCE	1997	1996
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,666,346	$ 2,155,404
Current portion of bonds payable	60,000	
Due to third-party payors	747,401	704,809
Interest payable	53,325	53,325
Total current liabilities	3,537,072	2,913,538
OTHER LIABILITY		
Estimated malpractice costs	269,003	269,003
LONG-TERM DEBT		
Bonds payable	3,090,000	3,150,000
FUND BALANCE		
Unrestricted	16,837,968	15,681,339
Restricted	1,122,509	1,128,487
Total fund balance	17,960,477	16,809,826
Total liabilities and fund balance	$ 24,846,552	$ 23,142,367

The Notes to Financial Statements are an integral part of these statements.

GRANT MEMORIAL HOSPITAL

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
For the Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
REVENUE			
Net patient service revenue	$ 17,697,438	$ 16,562,339	$ 15,745,836
Other revenues	814,946	603,483	412,849
Total operating revenues	18,512,384	17,165,822	16,158,685
EXPENSES			
Salaries and wages	7,288,840	6,944,508	6,673,908
Employee health and welfare	1,482,276	1,382,067	1,345,308
Supplies	2,768,607	2,635,596	2,417,069
Purchased services	2,524,844	2,129,713	2,251,139
Utilities	196,574	173,790	146,579
Insurance	149,605	138,746	139,282
Interest	1,851	4,910	9,922
Depreciation and amortization	485,848	461,467	428,232
Other operating expenses	1,289,327	1,258,086	1,052,237
Provision for bad debts	1,609,735	1,263,897	1,086,495
Total operating expenses	17,797,507	16,392,780	15,550,171
Income from operations	714,877	773,042	608,514
NONOPERATING GAINS			
Interest income	316,437	271,622	195,700
Contributions	54,831	11,071	30,658
Transfers from County Commission	3,386	1,159	31,219
Total nonoperating gains	374,654	283,852	257,577
Revenue and gains in excess of expenses	$ 1,089,531	$ 1,056,894	$ 866,091

The Notes to Financial Statements are an integral part of these statements.

GRANT MEMORIAL HOSPITAL

STATEMENTS OF CHANGES IN FUND BALANCE
Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
UNRESTRICTED			
Fund balance, beginning	$ 15,681,339	$ 14,118,263	$ 9,045,251
Revenue and gains in excess of expenses	1,089,531	1,056,894	866,091
Assets purchased with grant monies, included in property and equipment	67,098	6,182	6,921
Contribution from the State of West Virginia		500,000	
Contribution from Grant County Commission from sale of general obligation and levy bonds			4,200,000
Fund balance, ending	$ 16,837,968	$ 15,681,339	$ 14,118,263
RESTRICTED			
Fund balance, beginning	$ 1,128,488	$ 888,385	$ 564,809
Grant funds received	533,922	495,730	419,100
Grant funds released from restrictions	(599,475)	(306,298)	(128,896)
Interest income	59,574	50,671	33,372
Fund balance, ending	$ 1,122,509	$ 1,128,488	$ 888,385

The Notes to Financial Statements are an integral part of these statements.

GRANT MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenues and gains in excess of expenses	$ 1,089,531	$ 1,056,894	$ 866,091
Adjustments to reconcile revenues and gains in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	485,848	461,467	428,232
Decrease (increase) in patient receivables	(422,683)	(81,625)	544,373
(Increase) in supplies inventories	(31,459)	(73)	(35,872)
(Increase) decrease in prepaid expenses	(7,879)	(49,856)	1,461
(Increase) decrease in amounts due from third-party payors	(10,498)	(68,243)	175,520
Decrease (increase)in grant receivable	(76,855)	(23,917)	(38,544)
(Increase) decrease in accounts receivable other	39,676	(7,982)	(8,194)
Increase (decrease) in accounts payable and accrued expenses	510,942	729,835	(202,110)
Increase in amounts due to third-party payors	42,592	281,344	204,067
Increase (decrease) in deferred revenue	(5,978)	165,102	382,859
Increase in interest payable			53,325
Net cash provided by operating activities	1,613,237	2,462,946	2,371,208
CASH FLOWS FROM INVESTING ACTIVITIES			
(Investment in) use of certificates of deposit	(448,018)	(85,479)	(946,155)
Use of (additions to) assets whose use is limited	2,878,887	1,310,643	(7,434,247)
Purchases of property and equipment	(4,157,917)	(4,177,369)	(1,130,627)
Net cash (used in) investing activities	(1,727,048)	(2,952,205)	(9,511,029)

	1997	1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from Grant County Commission	$	$	$ 4,200,000
Contribution from the State of West Virginia		500,000	
Proceeds from revenue bonds			3,150,000
Principal payments on borrowings		(29,290)	(172,903)
Grant funding for equipment and building	67,098	6,182	6,921
Payment of bond issue costs			(399,781)
Net cash provided by financing activities	67,098	476,892	6,784,237
(Decrease) increase in cash	(46,713)	(12,367)	(355,584)
Cash at beginning of year	1,541,328	1,553,695	1,909,279
CASH AT END OF YEAR	$ 1,494,615	$ 1,541,328	$ 1,553,695
Supplemental disclosure of cash flow information:			
Cash used for non-capitalized interest payments	$ 1,851	$ 4,910	$ 9,922

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Description of Organization

Organization

Grant Memorial Hospital is a nonprofit, county-owned facility providing acute, emergency, long-term nursing care, home health, and physician clinic medical services to Grant, Hardy, and Pendleton counties in West Virginia and their surrounding communities.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant Accounting Policies

Basis of Financial Reporting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles including guidelines recommended by the Health Care Committee and the Health Care Audit and Accounting Guide Task Force of the American Institute of Certified Public Accountants.

Taxes

The Hospital is a governmental entity which has also been identified as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is subject to the Health Care Provider Tax imposed by the state of West Virginia.

Cash

For purposes of the statement of cash flows, cash includes checking and savings deposits. Certificates of deposit and amounts whose use is limited by Board designation or other arrangements under trust agreements are not included.

Significant Accounting Policies (Continued)

Patient Receivables, Net

Patient receivables include amounts due from third-party payors for patient accounts and are disclosed net of allowances for uncollectibles and contractual adjustments of $5,749,429 in 1997 and $4,359,155 in 1996. The majority of patients and residents at Grant Memorial Hospital are from Grant, Hardy and Pendleton Counties and their surrounding communities.

Supplies Inventories

Supplies inventories consist of medical, pharmacy, dietary, housekeeping, and office supplies which are valued at average cost.

Assets Whose Uses are Limited

Assets whose uses are limited consist of certificates of deposit under a grant agreement and an indenture agreement. Additionally, this classification includes amounts set aside by the Board of Trustees for future capital improvements and self-insurance malpractice claims, over which the Board retains control and may at its discretion subsequently use for other purposes.

Property and Equipment

Property and equipment is recorded at cost or fair value at date of donation. The Hospital computes depreciation on the straight-line method based on estimated service lives established by the American Hospital Association. Depreciation on equipment acquired under capital lease obligations has been included with depreciation on owned property and equipment.

Construction-in-Progress

Construction-in-progress consists primarily of costs incurred in connection with expansion and renovation of Hospital facilities as described in other Notes to Financial Statements.

Bond Issue Costs

Bond issue costs include expenditures relating to costs incurred in connection with the 1995 bond issue for expansion and renovation of Hospital facilities. Bond issue costs are being amortized over the life of the bond issue by the straight-line method.

Estimated Malpractice Costs

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for both claims and claims incurred but not reported.

Significant Accounting Policies (Continued)

Statements of Revenue and Expenses

For the purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital has established criteria under its charity care policies to provide services to those patients without the financial resources to pay for the services. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Interest Costs

Interest costs incurred for the years ending June 30, 1997 and 1996 amounted to $215,151 and $219,860, respectively, of which $213,300 and $214,950, respectively, have been capitalized and are included with property and equipment on the Balance Sheets. All interest costs incurred for the year ended June 30, 1995 has been expensed.

Bad Debts

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to hold these costs to a minimum. These costs have been recorded as an expense in the Statements of Operations net of any collections received subsequent to write-off.

Investment Income

Investment income from all investments is reported as nonoperating gains. Investment income earned on assets held under bond indenture during the year ended June 30, 1997 and 1996, amounted to $309,293 and $463,006, respectively, which has been capitalized and included with property and equipment on the Balance Sheets.

Significant Accounting Policies (Continued)

Compensated Absences

A liability has been established for vacation rights earned, but not paid, as of the end of each fiscal year.

Malpractice Coverage

The Hospital maintains claims-made malpractice coverage through Medical Assurance of West Virginia. The coverage premium is based on experience of participating hospitals and of the Hospital.

Restatement of Prior Year Financial Statements

Prior year financial statements are restated to conform with present year format.

Assets Whose Uses are Limited

Assets whose use is limited are presented at fair market value. The composition of assets whose uses are limited at June 30, 1997 and 1996 is as follows:

	1997 Cost	1997 Market	1996 Market Value
By Board for designated purposes:			
Capital improvements			
Cash - checking account	$ 74,762	$ 74,762	$ 30,804
Cash - savings account	18,796	18,796	18,096
Cash - certificates of deposit	2,843,417	2,843,417	2,401,781
	2,936,975	2,936,975	2,450,681
Under grant arrangements:			
Cash - checking account	34,280	34,280	162,644
Grant receivable	43,496	43,496	
Cash - certificates of deposit and money market	1,044,733	1,044,733	965,844
	1,122,509	1,122,509	1,128,488
Self-insurance malpractice arrangement			
Cash - certificates of deposit	88,092	88,092	83,345

Assets Whose Uses are Limited (Continued)

By Hospice Board for Hospice Program			
Cash - checking account	$ 15,432	$ 15,432	$ 15,432
Cash - certificates of deposit	10,280	10,280	9,729
	25,712	25,712	25,161
Under bond indenture:			
Construction related accounts			
Cash equivalents	887,226	887,226	439,990
U.S. Treasury Securities	491,250	486,875	4,314,603
Debt service reserve account			
Cash equivalents	18,094	18,094	8,516
U.S. Treasury Securities	290,000	290,000	292,887
	1,686,570	1,682,195	5,055,996
	$ 5,859,858	$8,855,483	$ 8,743,671

Estimated Third-Party Payor Settlements

Estimated third-party payors settlements consists of amounts due from/to Medicare and Medicaid programs for settlement of current and prior years' cost reports. Identification of the receivable/payable program is as follows:

	1997	1996
Due from intermediary		
Medicare	$	$
Disproportionate share	121,637	111,139
	$ 121,637	$ 111,139
Due to intermediary		
Medicaid	$ 130,000	$ 115,000
Medicare	120,000	155,000
Disproportionate share	497,401	434,809
	$ 747,401	$ 704,809

Bonds Payable

General Obligation Bonds, Series 1994A and Levy Bonds, Series 1994B

On November 30, 1994, the County Commission of Grant County issued $1,800,000 of General Obligation Bonds, Series 1994A and $2,400,000 of Levy Bonds, Series 1994 B. The proceeds from the sale of the bonds were used to provide an equity contribution of $4,200,000 to the Hospital. The Hospital has use of the funds for the sole purpose of completing the Grant Memorial Hospital Project. The Hospital is not responsible for the repayment of the principal or interest on the Series 1994A and 1994B bonds.

Hospital Revenue Bonds, Series 1994C

On November 30, 1994 the County Commission of Grant County issued $3,150,000 in Hospital Revenue Bonds, Series 1994C. The proceeds from the sale are to be used for the acquisition and construction of certain improvements to the Hospital, to capitalize interest for 30 months, to fund a Debt Service Reserve Fund for the Series 1994C Bonds, and to pay the cost of issuance. The repayment of the Series 1994C Bonds is the responsibility of the Hospital and is secured by the net revenues of the Hospital pledged under the Bond Trust Indenture. The bonds bear interest at rates of 5% to 7.3% payable semi-annually on April and October 1. Scheduled principal payments are due as follows during years ending June 30:

1998	$ 60,000
1999	70,000
2000	70,000
2001	75,000
2002	80,000
Later years	2,795,000
	$ 3,150,000

Certain required bond funds are maintained for security of the Bonds, Series 1994C as summarized in other Notes to the Financial Statements. The bond indentures contain covenants which impose compliance requirements by the Hospital.

Third-Party Payor Arrangements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare Program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under either a fee schedule or cost-based system. Those outpatient services subject to a cost-based reimbursement methodology are paid at a tentative rate with final settlement determined after submission of annual cost report by the Hospital and settlements thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare intermediary through June 30, 1994.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates. In years prior to 1997, a cost reimbursement methodology was in place. Under the cost reimbursement methodology the Hospital was reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 1993.

The state of West Virginia has a Medicaid Disproportionate Share Program which allows eligible hospitals to receive additional reimbursement based on Medicaid utilization and other factors. For the years ended June 30, 1997, 1996 and 1994, the Hospital reduced contractual adjustments by $501,908, $533,948, and $562,472, respectively, as a result of participation in this program.

Other

The Hospital has also entered into payment agreements with certain commercial carriers. The West Virginia Public Employees Insurance Association has imposed limitations on payments. The basis for payments to the Hospital under these agreements includes discounts from established charges.

Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided:

	1997	1996	1995
Charges foregone, based on established rate	$ 789,916	$ 657,991	$ 602,970

Net Patient Service Revenue

A summary of patient revenues, contractuals, and charity care included as net patient service revenue in the Statements of Operations is as follows:

	1997	1996	1995
Gross Patient Revenues	$ 24,048,223	$ 23,116,373	$ 23,386,062
Charges foregone for charity	(789,916)	(657,991)	(602,970)
Adjusted gross patient revenue	23,258,307	22,458,382	22,783,092
Contractual adjustments	5,560,869	5,896,043	7,037,256
Net patient revenue	$ 17,831,212	$ 16,562,339	$ 15,745,836

Pension Plan

Grant Memorial Hospital has a funded defined contribution pension plan available to all active full-time employees who have completed two years of service. Each employee is required to contribute 2% of gross wages up to $14,100 and 5% is contributed by the Hospital. For gross wages over $14,100 the employee contributes 4% and the Hospital contributes 10%. The Hospital contributed $270,200, $235,730, and $190,699 for the years ended June 30, 1997, 1996, and 1995, respectively. The Hospital has no additional liability to the plan. Pension plan contributions are included with employee health and welfare.

The total payroll for the years ended June 30, 1997 and 1996 was $7,288,840 and $6,944,508, respectively. The payroll of employees covered by the basic plan for 1997 and 1996 was $4,382,072 and $3,954,599, respectively. The Hospital contribution as a percent of annual covered payroll for the year ended June 30, 1997 and 1996 was 6.2% and 6.0%, respectively.

Assets Held in Trust

The Hospital is an income beneficiary of a trust. Because the assets of the trust are not controlled by the Hospital, they are not included in the Hospital's financial statements. At June 30, 1997, 1996 and 1995, respectively, the market value of the trust assets totaled $532,452, $498,641, and $438,368.

Self-Insurance Trust

The Hospital is self-insured for health insurance claims. The Hospital deposits monthly premiums in a trust fund maintained by the Health Plan of West Virginia, the trustee of the funds. Any foreign claims, claims for services provided at other hospitals, are paid from this trust fund along with monthly service fees and stop loss premiums. At June 30, 1997, the balance in this trust fund was $414,072. Estimated outstanding foreign claims were $120,000. These balances were not included in the Hospital's financial statements.

Grant Revenue

Rural Health Initiative Grant

On July 1, 1992, the Hospital entered into an agreement with the University of West Virginia System Board of Trustees to serve as the lead agency for the rural health initiative health education site. The purpose of the grant is to improve health education programs, increase the placement of students, interns, medical residents, faculty and other care providers and education in rural areas and to improve the health care services in the Hospital's service area. The trustees have agreed to provide financial support to this program by providing monies in the form of a restricted grant. Grants relating to future program services to be provided are recorded as deferred grant income. As the program services are provided, the costs will be included in operating expenses and the deferred income will be included in other operating revenue. In 1997 the Hospital purchased equipment for $20,210 and incurred salaries and other expenses of $280,475.

Grant Revenue (Continued)

Other Grants

The Hospital also receives various grants for implementation of Rural Health Networking and for provision of health care related services to the community. Grant revenues earned under these programs amounted to $251,902 in 1997 and $96,412 in 1996.

The use of unexpended grant funds is limited under the terms of the grant agreements. Unexpended funds on hand reported in assets limited as to use in the balance sheet, with the related liability reported as restricted fund balance. Grant funds released from restrictions are reported in operating revenue in the statements of operations - unrestricted funds.

Facilities Expansion

The Hospital has received Certificate of Need approval from the West Virginia Health Care Cost Review Authority to renovate and expand the existing facility. The primary areas affected include surgery, emergency, radiology, laboratory, obstetrics, mechanical, public and administrative space. The contract price for construction is approximately $12,700,000 which is being financed through a county contribution of $4,200,000, excess levy funds to be received, a hospital equity contribution of $900,000, a contribution from the State of West Virginia of $500,000 and the sale of Hospital Revenue Bonds of $3,150,000. At June 30, 1997, the Hospital had incurred various costs of construction of $7,451,458 including capitalized interest costs of $554,918 and net of capitalized interest income of $907,558.

West Virginia Health Care Authority

The State of West Virginia has legislation which allows a state agency the authority to review the annual budget and establish gross revenue limits from non-Medicare/Medicaid/PEIA patients for all hospitals located in West Virginia. Under the legislation, hospitals which exceed the revenue limits will either have revenue limits in future years reduced or be requested to pay the excess revenues to the State.

The ability of the Hospital to remain within the revenue limitations and to maintain its existing rate structure cannot be determined.

Disclosure of Cash Balances in Excess of FDIC Insurance

The Company maintains accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) insures a maximum of $100,000 per depositor. In addition to the FDIC insurance, the banks have supplemental coverage on these funds through investments in U.S. Government Agencies. Differences between bank and book balances exist due to deposits-in-transit, outstanding checks, and other reconciling items. Management believes the credit risk related to these deposits is minimal. The following excess exist at June 30, 1997:

	Bank Balance	Book Balance
Amount on deposit	$ 7,798,912	$ 7,615,633
FDIC and additional coverage	5,770,000	5,770,000
Uninsured excess	$ 2,028,912	$ 1,845,633

ACCOMPANYING FINANCIAL INFORMATION

Doak, Cuppett & Poling a.c.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE ACCOMPANYING FINANCIAL INFORMATION

To the Board of Trustees
Grant Memorial Hospital
Petersburg, West Virginia

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 1997, 1996 and 1995 accompanying financial information on pages 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Doak, Cuppett & Poling a.c.

Clarksburg, West Virginia
September 5, 1997

DCP

PO BOX 1626 • Clarksburg, WV 26302 • (304) 622-0804 • FAX (304) 622-2215
PO BOX 212 • Charleston, WV 25321 • (304) 345-0320 • FAX (304) 344-4456

GRANT MEMORIAL HOSPITAL
REVENUE DETAIL
Years Ended June 30, 1997, 1996, and 1995

	1997			1996			1995		
	Inpatient	Outpatient	Extended Care	Inpatient	Outpatient	Extended Care	Inpatient	Outpatient	Extended Care
PATIENT SERVICE REVENUES									
Routine	$ 2,389,598	$	$ 687,628	$ 2,380,441	$	$ 678,552	$ 2,165,841	$	$ 673,021
Intensive care	486,966			471,128			450,276		
Nursery	95,707			80,785			84,901		
Obstetrics	243,508			208,276			232,214		
	3,215,779		687,628	3,140,630		678,552	2,933,232		673,021
OTHER NURSING SERVICES									
Operating room	503,822	550,770		662,407	586,526		574,696	565,065	
Recovery room	61,707	218,860		74,861	211,197		59,063	182,336	
Observation room		152,638		55,838	150,439		42,264	158,892	
Delivery room	52,005	62,331		65,697	84,314		95,738	89,169	
Emergency room	77,267	519,323		78,779	404,942		68,128	363,334	
Medical and surgical supplies	560,226	455,677	66,863	640,994	432,572	56,143	632,182	429,842	61,210
Intravenous solutions	732,582	139,415	112,141	704,583	128,947	83,114	608,987	119,575	46,577
Home health		1,195,583			1,013,746			1,151,685	
Hospice		245,317			122,445			74,879	
	1,987,609	3,539,914	179,004	2,283,159	3,135,128	139,257	2,081,058	3,134,777	107,787
OTHER PROFESSIONAL SERVICES									
Laboratory	1,439,794	1,701,008	123,541	1,546,221	1,678,425	129,575	1,591,862	1,628,633	112,675
Electrocardiology	271,565	226,758	2,129	303,552	220,441	2,370	271,624	207,150	2,009
Electroencephalography	2,298	7,972		1,930	4,129		3,721	8,531	
Radiology	257,975	796,169	17,770	237,932	708,712	12,323	431,770	1,106,939	15,925
Nuclear medicine	10,601			3,413			3,604		555
CT scan	198,769	437,253	1,924	226,860	366,411	41	179,609	316,664	395
Pharmacy	1,748,769	371,844	482,816	1,766,319	315,982	368,696	1,729,393	290,201	282,242
Anesthesiology	120,848	185,205		196,842	197,796		167,226	185,431	
Physical therapy	43,890	200,970	159,090	41,099	159,759	194,918	43,175	186,147	173,220
Physician fees	241,634	1,000,917	30	247,159	838,641		262,420	864,180	
Inhalation therapy	1,102,914	163,858	276,012	946,969	140,327	174,458	1,009,712	153,354	173,821
Mt. Top Clinic		61,684			48,875			50,070	
Orthopedic Clinic		70,695			55,245			44,664	
Ambulance service	9,073	157,980		6,665	142,829		7,395	122,061	
OB/GYN practice		2,101,628			2,144,373			2,492,631	
Pediatric practice		343,906			310,360			337,178	
	5,448,130	7,926,847	1,063,312	5,524,961	7,332,305	882,381	5,701,511	7,993,834	760,842
	10,651,518	11,466,761	1,929,944	10,948,750	10,467,433	1,700,190	10,715,801	11,128,611	1,541,650
Total patient service revenues		24,048,223			23,116,373			23,386,062	
Less charges foregone for charity		789,916			657,991			602,970	
Gross patient service revenues		23,258,307			22,458,382			22,783,092	
Less contractual adjustments		5,560,869			5,896,043			7,037,256	
Net patient service revenue		$ 17,697,438			$ 16,562,339			$ 15,745,836	

GRANT MEMORIAL HOSPITAL
REVENUE DETAIL (CONTINUED)
Years Ended June 30, 1997, 1996 and 1995

	1997	1996	1995
OTHER REVENUES			
Pharmacy items sold to nonpatients	$ 124,385	$ 122,859	$ 122,045
Cafeteria	122,661	117,125	114,842
Grant programs revenue	532,377	300,116	121,975
Gain on disposal		9,850	
Miscellaneous income	35,523	53,533	53,987
Total other revenues	$ 814,946	$ 603,483	$ 412,849

GRANT MEMORIAL HOSPITAL

EXPENSE DETAIL
Years Ended June 30, 1997, 1996 and 1995

	1997 Salaries	1997 Other	1996 Salaries	1996 Other	1995 Salaries	1995 Other
NURSING SERVICES						
Administration	$ 188,917	$	$ 219,789	$	$ 240,325	$
Routine	874,893	55,478	815,263	47,929	774,206	59,167
Obstetrics	230,075	22,353	206,902	12,542	194,651	11,817
Intensive care	317,023	9,216	270,085	5,087	267,290	3,721
Emergency room	375,276	84,191	286,914	60,908	218,611	49,665
Nursery	80,110	5,520	81,618	4,983	82,217	3,011
Delivery room	73,072		68,708		67,220	
Extended care	359,128	30,094	385,273	29,282	415,410	26,953
Operating room	239,848	80,439	233,735	89,954	258,992	76,788
Recovery room	86,429		80,317		73,083	
Intravenous therapy		169,254		158,203		139,070
Home health	519,312	233,375	519,549	146,816	534,505	110,155
Hospice	40,942	8,388	22,612	7,090	21,042	2,536
	3,385,025	698,308	3,190,765	562,794	3,147,552	482,883
	$ 4,083,333		$ 3,753,559		$ 3,630,435	
OTHER PROFESSIONAL SERVICES						
Laboratory	$ 389,665	$ 374,120	$ 371,652	$ 374,120	$ 347,850	$ 354,449
Electrocardiology	10,900	19,149	10,505	14,574	10,061	15,836
Electroencephalography		4,001		2,368		4,147
Nuclear medicine		4,978		1,328		5,245
Radiology	365,162	154,308	355,639	194,857	290,486	172,766
CT scan		442,092		442,246		301,661
Radiologist				370,830		370,830
Respiratory therapy		2,131		2,320		4,388
Respiratory therapy fees		370,800		360,000		360,000
Pharmacy	200,037	828,442	196,812	733,367	185,161	724,857
Anesthesiology	56,700	(14,083)	55,861	17,579	54,132	17,065
Physical therapy		6,233		12,577		12,363
Physical therapy fees		232,357		183,710		181,144
Pathology fees		3,156		3,920		3,538
ER physician fees		800,569		686,768		680,425
Mt. Top Clinic	38,298	78,133	36,174	75,257	35,108	72,499
Moorefield Clinic				(5,000)		
Orthopedic Clinic	6,071	44,849	9,438	34,158	5,244	27,975
Ambulance	226,059	22,169	218,422	29,256	209,257	25,225
OB/GYN practice	572,031	359,253	569,726	267,158	539,016	231,320
Pediatric practice	195,686	49,939	189,265	15,212	241,525	14,837
Rural Health	72,032	178,406	63,201	113,075	32,657	53,550
Rural Transition Program	46,754	7,470	14,253			
Health Services Network	24,691	108,876	26,070	12,441		
	2,204,086	4,077,991	2,117,018	3,576,291	1,950,497	3,634,120
	$ 6,282,077		$ 5,693,309		$ 5,584,617	

GRANT MEMORIAL HOSPITAL

EXPENSE DETAIL (CONTINUED)
Years Ended June 30, 1997, 1996 and 1995

	1997		1996		1995	
	Salaries	Other	Salaries	Other	Salaries	Other
GENERAL SERVICES						
Central supply	$ 48,786	$ 297,214	$ 45,635	$ 324,503	$ 44,773	$ 300,415
Medical records	146,875	17,178	132,564	43,505	127,376	4,789
Dietary	227,772	172,720	219,148	163,282	207,620	155,801
Plant operation	141,044	368,588	146,241	469,033	122,834	273,837
Housekeeping	178,290	45,201	159,486	36,592	153,735	33,636
Laundry	68,448	45,712	67,798	25,389	66,285	27,936
Social service	56,045	28,057	55,250	31,167	52,508	16,988
	867,260	974,670	826,122	1,093,471	775,131	813,402
	$ 1,841,930		$ 1,919,593		$ 1,588,533	
ADMINISTRATIVE SERVICES						
Administration	$ 827,478	$ 918,620	$ 810,146	$ 945,936	$ 804,101	$ 919,042
Medical support	4,990	109,764	457	18,693	(3,373)	17,577
Employee health and welfare		1,221,074		1,138,796		1,154,609
Insurance		149,605		138,746		139,282
Pension		261,202		243,271		190,699
	832,468	2,660,265	810,603	2,485,442	800,728	2,421,209
	$ 3,492,733		$ 3,296,045		$ 3,221,937	
OTHER EXPENSES						
Interest		$ 1,851		$ 4,910		$ 9,922
Depreciation		485,848		461,467		428,232
Provision for bad debts		1,609,735		1,263,897		1,086,495
		2,097,434		1,730,274		1,524,649
	$ 2,097,434		$ 1,730,274		$ 1,524,649	
Total expenses	$ 17,797,507		$ 16,392,780		$ 15,550,171	

APPENDIX E

DEFINITION OF CERTAIN TERMS AND SUMMARY OF INDENTURE

[This Page is Intentionally Left Blank]

DEFINITION OF CERTAIN TERMS; SUMMARY OF G.O. REFUNDING BOND ORDER AND BOND INDENTURE

DEFINITIONS

Set forth below are summary definitions of certain terms used in the summaries of the G.O. Refunding Bond Order and Bond Indenture contained in the Official Statement, including this Appendix E.

"Adjusted Annual Revenues" means, as of any date of determination thereof, the total Revenues of the Property for a given fiscal year, including, without limitation, patient service revenues, other operating income and nonoperating income and the income therefrom that would in each case be excluded from a statement of revenues and expenses, less contractual adjustments with third-party payors and adjustments for free or reduced services relating to such fiscal year, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Balloon Debt" means Long-Term Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12-month period if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period.

"Beneficial Owner" means, whenever used with respect to a Refunding Bond, the Person in whose name such Refunding Bond is recorded as the beneficial owner of such Refunding Bond by a Participant on the records of such Participant or such Person's subrogee.

"Board Representative" means the Person or Persons at the time designated to act on behalf of the Board in a written certificate furnished to the Issuer and the Bond Commission with respect to the G.O. Refunding Bonds or the Bond Trustee with respect to the Revenue Refunding Bonds, containing the specimen signature or signatures of such Person or Persons and signed by an officer of the Board.

"Bond Commission" means the West Virginia Municipal Bond Commission and any successor to the functions thereof.

"Bond Fund" means the Bond Fund created pursuant to the Bond Indenture, and the terms "Interest Account," "Principal Account" and "Redemption Account" mean the respective accounts established in said fund.

"Bond Insurer" or "Insurer" means Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York, or any successor thereto.

"Bond Register" means the registration books maintained pursuant to the G.O. Refunding Bond Order or the Indenture, as the case may be.

"Bond Trustee" means Wesbanco Bank Parkersburg, a state banking institution with principal offices in Parkersburg, West Virginia, and any successor to its duties under the Bond Indenture.

"Bond Trust Indenture," "Bond Indenture" or "the Indenture" means the Bond Trust Indenture, dated as of May 1, 1998, as amended or supplemented from time to time.

"Book Value," when used in connection with any Property, means the value of such Property, net of accumulated depreciation and amortization of capitalized lease assets, determined in accordance with generally accepted accounting principles.

"Business Day" means any day on which the principal corporate trust offices of the Bond Trustee and commercial banks located in New York, New York, are open for the transaction of business.

"Cash on Hand" means the total of unrestricted cash, investments and Board-designated funds of the Hospital on the date of determination.

"Certified Resolution," with respect to the Issuer, means a copy of an order or resolution certified by the Clerk to have been duly entered or adopted by the Issuer at a meeting duly called and convened; and, with respect to the Board, means a copy of a resolution of the Board certified by the Secretary of the Board to have been duly adopted at a meeting duly called and convened.

"Clerk" means the Clerk of the Issuer or any acting Clerk duly appointed or elected to such office.

"Code" means the Internal Revenue Code of 1986, as amended, and any applicable Regulations. Reference in the G.O. Refunding Bond Order or the Indenture to any specific provision of the Code are deemed to refer to any successor provision of the Code.

"Commitment Debt" means the indebtedness referred to in Subsection 7.06(e) of the Bond Indenture and hereinafter described.

"Completion Debt" means any Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of the Hospital Facilities or any portion thereof with respect to which prior Indebtedness for borrowed money has been incurred by the Issuer or the Board in accordance with the provisions of the Bond Indenture, and (b) in a principal amount not in excess of the amount required to provide a completed and equipped facility of substantially the same type and scope contemplated at the time such prior Indebtedness was originally incurred, to provide for any requisite capitalized interest or reserve funds and to pay the cost and expenses of issuing such Completion Indebtedness, as shown by an Officer's Certificate delivered to the Bond Trustee at the time of issuance thereof, which Officer's Certificate shall be supported, as to the cost of completion of such facility, by a certificate of an Independent Architect.

"Costs of Issuance Account" means the account created pursuant to the Bond Indenture and hereinafter described.

"Covered Debt" means Balloon Debt, Completion Debt, Guaranteed Debt, Letter of Credit Debt and Long-Term Debt and excluding Commitment Debt except to the extent drawn upon as in Section 7.06(e) of the Bond Indenture and hereinafter described.

"Current Value," when used in connection with any Property, means the current fair market value of such Property as shown by an appraisal made by an independent appraiser satisfactory to the Bond Trustee.

"Days Cash on Hand" means the amount equal to (i)(x) Cash on Hand as of the last day of the prior Fiscal Year divided by (y) total Operating Expenses for the prior Fiscal Year times (ii) 365.

"Debt Service Reserve Fund" means the fund created pursuant to the Bond Indenture and hereinafter described.

"Debt Service Reserve Fund Requirement" means an amount equal to the lesser of (i) Maximum Annual Debt Service or (ii) 10 percent of the proceeds (as defined by the Code) of the Revenue Refunding Bonds.

"Defaulted Interest" means Defaulted Interest as defined in Section 2.02 of the Indenture and hereinafter described.

"Default Rate" means an interest rate per annum equal to the rate from time to time announced by the Insurance Trustee as its base lending rate, plus three percent (3%).

"Event of Default" means any of the events defined as an event of default in the Indenture and hereinafter described.

"Financial Guaranty Insurance Policy" or "Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the G.O. Refunding Bonds or the Revenue Refunding Bonds, as the case may be, as respectively provided therein.

"Fiscal Year" or "fiscal year" means the 12-month period ending on June 30 of each year.

"G.O. Refunding Bonds" means The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A, issued by the Issuer pursuant to the G.O. Refunding Bond Order.

"Government Obligations" means certificates or interest-bearing notes or obligations of the United States of America or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

"Hospital Act" means Chapter 7, Article 3, Sections 14 through 17 of the Code of West Virginia, 1931, as amended.

"Hospital Facilities" means the existing Hospital facilities owned by the Issuer and operated under the management and supervision of the Board, together with any replacements thereof, extensions, betterments or improvements thereto, and equipment therefor.

"Indebtedness" means (i) all indebtedness of the Issuer or the Board, as appropriate, for borrowed money relating to the ownership and operation through the Board of the Hospital Facilities, and (ii) all installment sales, guaranties, conditional sales and capital lease obligations, incurred or assumed by the Issuer

or the Board, as appropriate, relating to the ownership and operation through the Board of the Hospital Facilities, in each case whether constituting Long-Term Indebtedness or Short-Term Indebtedness, but excluding indebtedness payable from ad valorem property taxes levied by the Issuer.

"Independent" or "independent" means, as regards any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member, director, officer or employee of the Board, the Hospital or the Issuer and, as regards any individual, one who is not a member, director, officer or employee of the Board, the Hospital or the Issuer; provided, in either case, that the fact that a Person is retained regularly by or transacts business with the Board, the Hospital or the Issuer shall not, in and of itself, cause such Person to be deemed an employee of the Board, the Hospital or the Issuer for the purposes hereof.

"Insurance Trustee" means The United States Trust Company of New York.

"Interest Payment Date" means each April 1 and October 1 of each year, commencing October 1, 1998.

"Investment Securities" means and includes, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.

(iii) Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association.

(iv) Repurchase agreements with primary dealers and banks, or either thereof, rated, at all times, AA and AA2 or better by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively, collateralized with the obligations described in (i) or (ii) above, held by a third party custodian, at the

levels set forth below, which repurchase agreements have been approved by the Bond Insurer;

(v) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Bond Trustee or an affiliate of the Bond Trustee acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.

(vi) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., provided that such certificates of deposit are fully secured by the obligations described in (i) or (ii) above, at the levels set forth below, the Bond Trustee has a perfected first security interest in the obligations securing the certificates and the Bond Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates.

(vii) Certificates of deposit of any bank (including the Bond Trustee), trust company or savings and loan association, which certificates are fully insured by the Federal Deposit Insurance Corporation.

(viii) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc., and A-1+ by Standard & Poor's Corporation.

(ix) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof, which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc., in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

(x) Any other investment approved by the Bond Insurer.

Collateral Levels for United States Government Securities

	Remaining Maturity				
	1 Year or Less	5 Years or Less	10 Years or Less	15 Years or Less	30 Years or Less
Frequency of Valuation					
Daily	102%	105%	106%	107%	113%
Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly . . .	106	118	128	130	135

Further Requirements: (1) On each valuation date the market value of the collateral will be an amount equal to the requisite collateral percentage of the obligation (including unpaid accrued interest) that is being secured. (2) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: One business day for daily valuations, two business days for weekly valuations, and one month for monthly and quarterly valuations. The use of different restoration periods affects the requisite collateral percentage. (3) The Bond Trustee shall terminate the repurchase agreement upon a failure to maintain the required collateral percentage after the restoration period and, if not paid by the counterpart in federal funds against transfer of the repo securities, liquidate the collateral.

No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Refunding Bonds without the prior written consent of the Bond Insurer.

"Issuer" means The County Commission of Grant County, a body corporate and a governmental instrumentality of the State, acting on behalf of Grant County, a political subdivision of the State of West Virginia.

"Issuer Representative" means the President of the Issuer or such other Person as the Issuer may designate to act on its behalf by written certificate furnished to the Board and the Bond Commissioner with respect to the G.O. Refunding Bonds or the Bond Trustee with respect to the Revenue Refunding Bonds, containing a specimen signature of such Person and signed on behalf of the Issuer by the Clerk, which Person may be the Board Representative.

"Letter of Credit Indebtedness" or "Letter of Credit Debt" means the Indebtedness referred to in Section 7.06(d) of the Indenture and hereinafter described.

"Long-Term Indebtedness" or "Long Term Debt" means (i) all Indebtedness for borrowed money or which has been incurred in connection with the acquisition of assets (other than trade accounts payable and accrued employee compensation), and (ii) the capitalized value of liability under any lease of real or personal property which is properly capitalized on a balance sheet, in each case having a final maturity of more than one year from the date of creation thereof (or which is or may be renewable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Management Consultant" means an Independent firm selected by the Board and acceptable to the Bond Trustee and the Bond Insurer, qualified to pass upon questions relating to the financial affairs, conditions and operations of hospitals and having a favorable reputation for skill and experience in the analysis of such financial affairs.

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

"Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Bond Trustee.

"Net Income Available for Debt Service" means, for any period of determination thereof, Adjusted Annual Revenues for such period minus total Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles, (ii) gain or loss on the extinguishment of indebtedness, and (iii) proceeds of insurance policies owned or held by the Issuer or the Board, as appropriate, other than policies for use and occupancy or business interruption insurance, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Net Revenues" means the balance of the Adjusted Annual Revenues remaining after deduction of Operating Expenses.

"Non-Recourse Indebtedness" or "Non-Recourse Debt" means Long-Term Indebtedness incurred subsequent to the date of execution and delivery of the Bond Indenture for the purpose of financing the purchase or acquisition of tangible personal property secured by a security interest in the property being purchased or acquired and evidenced by an instrument which expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of the Issuer or the Hospital nor to any other Property.

"Officer's Certificate" means a certificate signed by the chief executive officer or the chief financial officer of the Hospital or any other Person duly appointed to act on behalf of the Board by written certificate furnished to the Issuer and the Bond Trustee containing a specimen signature of such Person and signed on behalf of the Board by its President.

"Operating Expenses" means the reasonable, proper and necessary costs or repair, maintenance and operation of the Hospital Facilities, paid or accrued, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those paid from the proceeds of the 1994 Bonds or the Refunding Bonds, fees and expenses of fiscal agents, the Bond Trustee, other than those paid from the proceeds of the 1994 Bonds or the Refunding Bonds, salaries, wages, food, supplies, medicines, payments to pension or retirement funds, taxes relating and chargeable solely to the Hospital Facilities, the accumulation of appropriate reserves for charges not annually recurrent but which may reasonably be expected to be incurred, and such other reasonable operating costs and expenses as should normally and regularly be included for a hospital under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Refunding Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Opinion of Counsel" means an opinion of counsel (who may be counsel to the Issuer or to the Board) satisfactory to the Bond Trustee.

"Outstanding" or "outstanding," when used with reference to Refunding Bonds, means, at any date as of which the amount of Outstanding G.O. Refunding or Revenue Refunding Bonds is to be determined, all G.O. Refunding Bonds or Revenue Refunding Bonds which have been theretofore authenticated and delivered in accordance with the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, except:

(a) Refunding Bonds canceled or required to be canceled at or prior to such date;

(b) Refunding Bonds for the full payment of the principal of and premium, if any, and interest on which cash shall have been theretofore deposited with the Paying Agent or the Bond Trustee, as the case may be, and which (i) shall have matured by their terms but shall not have been surrendered for payment or (ii) shall have been purchased by the Paying Agent or the Bond Trustee, as the case may be, in lieu of paying such Refunding Bond upon presentation thereof;

(c) Refunding Bonds for the payment of which, at the maturity or redemption date thereof, cash or Government Obligations, or both, shall have been theretofore deposited with the Bond Commission pursuant to the G.O. Refunding Bond Order or with the Bond Trustee pursuant to Article III or Article IX of the Bond Indenture, as the case may be; provided that, if such Refunding Bonds are to be redeemed, (i) notice of redemption shall have been given as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, or waiver of such notice, satisfactory in form to the Bond Commission or the Bond Trustee, as the case may be, shall have been filed with the Bond Commission or the Bond Trustee, as the case may be, or (ii) irrevocable instructions to call the Refunding Bonds for redemption shall have been given to the Bond Commission or the Bond Trustee, as the case may be, as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be; and

(d) Refunding Bonds in lieu of which others have been authenticated and delivered.

Notwithstanding the foregoing, in determining whether the Owners of the requisite principal amount of Outstanding Refunding Bonds have given any request, demand, authorization, direction, notice,

consent or waiver under the G.O. Refunding Bond Order or the Bond Indenture, as the case may be, Refunding Bonds owned by the Issuer or the Board shall be disregarded and deemed not to be Outstanding, except that in determining whether the Bond Commission or the Bond Trustee, as the case may be, shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Refunding Bonds which the Bond Commission or the Bond Trustee, as the case may be, knows to be so owned shall be disregarded. Refunding Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Bond Commission or the Bond Trustee, as the case may be, the pledgee's right so to act with respect to such Refunding Bonds and that the pledgee is not the Issuer or the Board.

"Owner," or any similar term, means the Person in whose name a Refunding Bond is registered in the Bond Register.

"Paying Agent" means either the West Virginia State Treasurer or Wesbanco Bank Parkersburg, or both, as required by the G.O. Refunding Act.

"Permitted Encumbrances" means those Permitted Encumbrances set forth in the Indenture and hereinafter described.

"Person" means an individual, a corporation or any division thereof, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Principal Installments" means, as of any date of calculation, so long as any G.O. Refunding or Revenue Refunding Bonds are Outstanding, (i) the principal amount of G.O. Refunding Bonds or Revenue Refunding Bonds, as the case may be, due on a certain future date for which no Mandatory Redemption Requirements have been established or (ii) the unsatisfied balance (determined as provided in the G.O. Refunding Bond Order or the Bond Indenture, as the case may be) of any such Mandatory Redemption Requirements due on a certain future date for G.O. Refunding Bonds or Revenue Refunding Bonds, in a principal amount equal to said unsatisfied balance of such Mandatory Redemption Requirements.

"Principal Payment Date" means any date on which the principal of any G.O. Refunding Bond or Revenue Refunding Bond shall become due, whether at maturity, by redemption, by acceleration or to satisfy Mandatory Redemption Requirements.

"Projected Long-Term Indebtedness" or "Projected Long Term Debt" means, as of the date of any determination thereof, Long-Term Indebtedness maturing in substantially equal annual payments of principal and interest over a period equal to the remaining term of the underlying Indebtedness, but in no event longer than twenty (20) years from the date of issuance thereof, at the actual rate of interest thereon or, if the interest is at a variable rate, at a rate of interest equal to either (i) the average annual rate of interest attributable to debt securities issued by or for the benefit of entities engaged in operating one or more general acute care hospitals having a comparable credit rating maturing over a comparable period in such substantially equal annual payments then being offered for sale, as shown by a certificate of an underwriting or investment banking firm experienced in marketing such securities, or (ii) if a determination of Projected Long-Term Indebtedness is being made with respect to Indebtedness that has been outstanding for at least 12 months, the average annual rate of interest on such Indebtedness over the most recent 12 months, as shown in an Officer's Certificate.

"Property" means any and all rights, titles and interests of the Issuer, as managed and supervised by the Board, in and to any and all property constituting the Hospital Facilities, whether real or personal, tangible or intangible, and wherever situated.

"Regulations" means rules and regulations promulgated by or on behalf of the United States Treasury Department pursuant to the Code or any predecessor thereto.

"Revenues" means all receipts, revenues, income and other moneys received by or on behalf of the Board or by or on behalf of the Issuer in connection with the Hospital, including, without limitation, contributions, donations and pledges, whether in the form of cash, securities or other personal property, revenues derived from the operation of all facilities of the Hospital, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Board or by the Issuer in connection with the Hospital; provided, however, that the proceeds of the Refunding Bonds shall not constitute "Revenues"; provided, further, that gifts, grants, bequests, donations and contributions heretofore and hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, shall be excluded from "Revenues"; and provided, further, that all rents, income and profits from Property subject to Permitted Encumbrances shall be excluded from "Revenues" to the extent required by such Permitted Encumbrances.

"Revenue Refunding Bonds" means The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C, issued by the Issuer pursuant to the Bond Indenture.

"S&P" means Standard and Poor's Corporation, its successors and their assigns, and, if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Bond Trustee.

"Short-Term Indebtedness" means all Indebtedness and the current portion of Long-Term Indebtedness, incurred or assumed by the Issuer or the Board, as appropriate, for any of the following:

(i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) years or less; and

(iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

"State" means the State of West Virginia.

"Subordinated Indebtedness" or "Subordinated Debt" means any Indebtedness evidenced by an instrument or instruments subordinated to the payment of amounts payable under the Bond Indenture.

"Supplement" means an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Issuer and the Bond Trustee in accordance with Article XIII of the Bond Indenture, as hereinafter described.

G.O. REFUNDING BOND ORDER

Constitutional and Statutory Limit

The G.O. Refunding Bonds are payable from a direct annual tax levied and collected on all taxable property in the County, in the ratio as between the several classes or types of such taxable property specified in Section 1, Article X of the Constitution, sufficient to pay annually the interest on and principal of the G.O. Refunding Bonds falling due in each year, which tax levy shall be laid separate and apart from levies laid for the current general expenses of the County, such tax to be levied and collected by the same officers, at the same time and in the same manner as the general taxes of the County. Said tax shall be levied within the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia; and, in the levy, collection and disbursement of taxes within Constitutional and statutory limits, the levy for the interest on and the principal of the G.O. Refunding Bonds shall have preference over all other taxes collected by the Issuer for any purpose whatsoever except the payment of interest or the sinking fund requirements on bonds which may hereafter be authorized and issued, there being no such bonds previously authorized and issued and there being no outstanding indebtedness of the Issuer created prior to October 1, 1938.

The Issuer determined that the aggregate amount of the G.O. Refunding Bonds does not exceed or violate any provisions or limitations in any manner provided by the Constitution or statutory provisions of the State of West Virginia, and that, after laying and allocating all the levies for payment for both principal and interest requirements of the G.O. Refunding Bonds, there will be out of the levies authorized by law and apportioned for current expenses a sufficient levy authorized by law which, when added to other income, will be sufficient to carry on the proper and requisite functions of the County Commission.

Bond Insurance Covenants

So long as the G.O. Refunding Bonds are insured by Asset Guaranty Insurance Company (and the Insurer is not in default under the terms of the Policy), the following terms, provisions and covenants apply:

(1) At least three (3) days prior to all interest payment dates, the Bond Commission will determine whether there will be sufficient funds to pay the principal of or interest on the G.O. Refunding Bonds on such interest payment date. If the Bond Commission determines that there will be insufficient funds, the Bond Commission shall so notify the Paying Agent and the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the G.O. Refunding Bonds to which such deficiency is applicable and whether such G.O. Refunding Bonds will be deficient as to principal or interest, or both.

(2) The Paying Agent shall, after receiving notice as provided in (1) above, make available to the Insurer and the Insurance Trustee the registration books of the Issuer maintained by the Paying Agent. The Bond Commission shall, after giving notice as provided in (1) above, make available to the Insurer and the Insurance Trustee all records relating to the funds maintained for the G.O. Refunding Bonds by the Bond Commission.

(3) The Paying Agent shall provide the Insurer and the Insurance Trustee with a list of registered owners of G.O. Refunding Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (a) to mail checks or drafts to the registered owners of G.O. Refunding Bonds entitled to receive full or partial interest payments from the Insurer and (b) to pay principal upon G.O. Refunding Bonds surrendered to the Insurance Trustee by the registered owners of G.O. Refunding Bonds entitled to receive full or partial principal payments from the Insurer.

(4) The Paying Agent shall, immediately after receiving notice pursuant to (1) above, notify registered owners of G.O. Refunding Bonds entitled to receive the payment of principal thereof or interest thereon from the Insurer (a) as to the fact of such entitlement, (b) that the Insurer will remit to them all or part of the interest payments next coming due upon proof of owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Insurer, of an appropriate assignment of the registered owner's right to payment, (c) that, should they be entitled to receive full payment of principal from the Insurer, they must surrender their G.O. Refunding Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurer to permit ownership of such G.O. Refunding Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Paying Agent, and (d) that, should they be entitled to receive partial payment of principal from the Insurer, they must surrender their G.O. Refunding Bonds for payment thereon first to the Paying Agent, who shall note on such G.O. Refunding Bonds the portion of the principal paid by the Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(5) In the event that the Paying Agent has notice that any payment of principal of or interest on a G.O. Refunding Bond which has become due for payment and which is made to a registered owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall immediately notify the Insurance Trustee of such fact and shall at the same time notify all registered owners that, in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the G.O. Refunding Bonds which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments are made.

(6) The Insurer shall, to the extent it makes payment of principal of or interest on G.O. Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (a) in the case of subrogation as to claims for past due interest, the Paying Agent shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon receipt from the Insurer of proof of the payment of interest thereon to the

registered owners of the G.O. Refunding Bonds and (b) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon surrender of the G.O. Refunding Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(7) Unless otherwise provided, the Insurer's consent shall be required for the following purposes: (a) execution and delivery of any amendment or supplement to the G.O. Refunding Order or any other document executed in connection with the issuance of the G.O. Refunding Bonds; (b) removal of the Paying Agent; and (c) initiation or approval of any action not described in (a) and (b) above which requires G.O. Refunding Bond owner consent.

(8) Anything in the G.O. Refunding Bond Order to the contrary notwithstanding, upon the occurrence and continuance of an event of default on the G.O. Refunding Bonds, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the G.O. Refunding Bonds or any trustee appointed for the benefit of the owners under applicable law.

(9) While the Policy is in effect, the Issuer shall furnish to the Insurer a copy of any information filed by the Issuer with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR

(10) In the event that the principal and interest, or either thereof, due on the G.O. Refunding Bonds shall be paid by the Insurer pursuant to the Policy, the G.O. Refunding Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of such registered owners.

(11) The insured G.O. Refunding Bonds may be defeased only in accordance with Chapter 13, Article 3, of the Code of West Virginia, 1931, as amended, and with other applicable provisions of law, and only if the following conditions are complied with:

(a) only non-redeemable Governmental Obligations may be used to defease the G.O. Refunding Bonds;

(b) a verification report by a verifier acceptable to the Insurer shall be rendered to the Issuer in form and substance satisfactory to the Insurer; and

(c) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of the G.O. Refunding Bond Order and said statute and laws for defeasance of the G.O. Refunding Bonds have been complied with.

(12) The Insurer shall be included as a party in interest (third party beneficiary) with respect to the G.O. Refunding Bond Order and any other documents relating to the G.O. Refunding Bonds.

(13) Notwithstanding any other provision of the G.O. Refunding Bond Order, in determining whether the rights of the registered owners of the G.O. Refunding Bonds will be adversely affected by any action

taken pursuant to the terms and provisions of the G.O. Refunding Bond Order, the Paying Agent shall consider the effect on the registered owners without regard to the Policy.

(14) Amounts due from the Issuer in respect of the principal and interest on the G.O. Refunding Bonds, or either thereof, shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%) (the "Default Rate"). To the extent the Default Rate exceeds the rate on the G.O. Refunding Bonds, it shall be payable from the Net Revenues of the Hospital. Payments at the Default Rate on account of principal shall be credited against payment of interest that would otherwise be due on the outstanding principal of the G.O. Refunding Bonds.

(15) Redemption of the G.O. Refunding Bonds shall be permitted at any time without the Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Bond Commission, a trustee or the Paying Agent prior to rendering notice of redemption to the registered owners of the G.O. Refunding Bonds or, in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer.

(16) All funds on deposit in connection with the G.O. Refunding Bonds, including the proceeds thereof and the sinking funds established therefor, shall be invested only in Investment Securities, and the Issuer shall so instruct the sheriff of the County (the "Sheriff") and the Bond Commission. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the G.O. Refunding Bonds without the prior written consent of the Insurer.

(17) The Issuer shall cure a default of any covenant set forth in the G.O. Refunding Bond Order with respect to the G.O. Refunding Bonds within 30 days after notice of the default, and failure to pay interest on the G.O. Refunding Bonds shall be an immediate event of default.

No waivers shall be granted by any party with respect to the G.O. Refunding Bonds without the prior written consent of the Insurer.

Prior to an event of default the Insurer shall have the right to remove the Paying Agent for cause, and, after an event of default, the Insurer shall have the right to remove the Paying Agent for any reason.

To the extent allowable under applicable law, upon the occurrence of an event of default, the Insurer may direct the appointment of a trustee to preserve the assets of the trust estate and to seek all legally available remedies.

(18) Any rating agency rating the G.O. Refunding Bonds must receive notice of each amendment to the G.O. Refunding Bond Order and any other documents relating to the G.O. Refunding Bonds and a copy thereof at least 15 business days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings rating to the execution of any such amendment.

(19) The Issuer shall request the Sheriff to make regular deposits of the tax revenues received for the G.O. Refunding Bonds to the Bond Commission and, specifically, to transfer all such monies received by the County to the Bond Commission at least 20 days prior to each April 1 and October 1.

(20) The Issuer covenants that it will not permit at any time or times any of the proceeds of the Refunding Bonds or any other funds of the Issuer or the Hospital to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Refunding Bonds to be "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

(21) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to or related to the G.O. Refunding Bond Order, whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with the G.O. Refunding Bond Order or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Issuer shall pay any reasonable fee charged by the Insurer as a condition to executing any amendment, waiver or consent proposed in respect of the G.O. Refunding Order. Payments as described in this paragraph are to be made to the Insurer from the net revenues derived from the operation of the Hospital. The obligation of the Issuer to the Insurer shall survive discharge and termination of the G.O. Refunding Bond Order.

BOND INDENTURE

General Covenants and Provisions

Payment of Bonds. The Issuer covenants that it will promptly pay or cause to be paid, but solely out of the Net Revenues derived from, or in connection with, the operation of the Hospital Facilities, or from the Revenue Refunding Bond proceeds or other funds deposited in the Bond Fund or the Debt Service Reserve Fund, the principal of and premium, if any, and interest on every Revenue Refunding Bond on the dates and in the manner provided in the Bond Indenture and the Revenue Refunding Bonds.

Amounts paid by the Bond Insurer in respect to the principal of and interest on the Revenue Refunding Bonds, or either thereof, shall bear interest until repaid to the Bond Insurer at the Default Rate. Interest paid at the Default Rate on amounts paid by the Bond Insurer in respect of principal of the Revenue Refunding Bonds shall be credited against the interest payments otherwise due on the Revenue Refunding Bonds. In addition, the Issuer and the Hospital shall pay the difference between the Default Rate and the rate of interest borne by the G.O. Refunding Bonds if the Bond Insurer pays amounts in respect of principal of and interest on the G.O. Refunding Bonds, from Net Revenues.

Covenants and Representations Regarding Section 148 of the Code. The Issuer and the Board recognize that the Revenue Refunding Bonds are being sold on the basis that the interest payable on the Revenue Refunding Bonds is excludable from gross income of the recipients thereof for federal income tax purposes. The

Issuer and the Board covenant and agree with the Bond Trustee and the Owners of the Revenue Refunding Bonds that (a) no use of the proceeds of the Revenue Refunding Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Revenue Refunding Bonds, would have caused the Revenue Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Issuer, the Board and the Bond Trustee shall be obligated to comply with the requirements of Section 148 of the Code, and the applicable Regulations thereunder, through the term of the Revenue Refunding Bonds; and (b) the Issuer and the Board will not take any action or fail to take any action with respect to the investment of the proceeds of any Revenue Refunding Bonds or otherwise which may result in constituting the Revenue Refunding Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

Special Obligations. The Revenue Refunding Bonds and the interest and any premium thereon are special obligations of the Issuer and are payable solely from the Net Revenues, and from the funds maintained under the Bond Indenture, all at the times and subject to the conditions set forth in the Bond Indenture. The principal of the Revenue Refunding Bonds and the premium, if any, and the interest thereon shall not constitute or be deemed to constitute a debt or a pledge of the faith and credit or taxing power of the State, the County or any municipality or any other political subdivision thereof but are special obligations of the Issuer, payable solely from the Net Revenues and other sources pledged by the Issuer therefor. The Owners of the Revenue Refunding Bonds shall have no right to have taxes levied by the Legislature of West Virginia, the Issuer or the taxing authority of any municipality or any other political subdivision of the State for payment of the principal of or premium, if any, or interest on the Revenue Refunding Bonds or other costs incident thereto.

Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Revenue Refunding Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the operation of the Hospital Facilities. Such Net Revenues in an amount sufficient to pay the principal of and premium, if any, and interest on and other payments for the Revenue Refunding Bonds, and to make the payments into the Bond Fund required by the Bond Indenture, are irrevocably pledged to the payment of the principal of and premium, if any, and interest on the Revenue Refunding Bonds as the same become due.

Bond Fund, Debt Service Reserve Fund

Bond Fund. (a) The Bond Indenture establishes with the Bond Trustee a trust fund in respect to the Revenue Refunding Bonds to be designated the "Bond Fund." The Bond Fund shall consist of an "Interest Account," a "Principal Account" and a "Redemption Account."

(b) There shall be deposited in the Bond Fund (i) any amount required to be paid thereto pursuant to the Bond Indenture; (ii) from the Net Revenues, into the Interest Account, 1/6 of the interest coming due on the Revenue Refunding Bonds on the next Interest Payment Date and 1/12 of the principal coming due on the next Principal Payment Date; (iii) except as otherwise provided, all interest and other income received on investments of the Bond Fund; and (iv) all other moneys received by the Bond Trustee in respect of the Revenue Refunding Bonds unless otherwise provided. The amounts described in clause (ii) shall be adjusted as necessary to accommodate less than 6 months prior to the first payment of interest from Net Revenues and less than 12 months prior to the first Principal Payment Date and to account for Revenue Refunding Bond proceeds deposited into the Bonds Fund, moneys transferred to the Bond Fund from the Bond Fund for the 1994 Revenue Bonds, or the earnings thereon, as required by the Bond Indenture. In each case, and for each Interest and Principal

Payment Date thereafter, moneys to make the payments of interest or principal coming due shall be on deposit with the Bond Trustee not less than 30 days prior to the applicable Interest or Principal Payment Date.

(c) The moneys in the Interest Account, the Principal Account and the Redemption Account shall be used solely for the purposes of paying the Principal Installments or redemption price of, and interest on, the Revenue Refunding Bonds and of retiring such Revenue Refunding Bonds at or prior to maturity in the manner provided in the Bond Indenture. Moneys set aside from time to time with the Bond Trustee for the payment of such Principal Installments or redemption price of and interest on the Revenue Refunding Bonds shall be held in trust for the Owners of the Revenue Refunding Bonds in respect of which the same shall have been so set aside. Until so set aside for the payment of Principal Installments, redemption price or interest, as aforesaid, all moneys in such accounts shall be held in trust for the benefit of the Owners of all Revenue Refunding Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Revenue Refunding Bonds.

(d) In the event there shall be, on any Interest Payment Date, a deficiency in the Interest Account, or, on any Principal Payment Date, a deficiency in the Interest Account or in the Principal Account or both, the Bond Trustee shall make up such deficiencies from the Debt Service Reserve Fund by the withdrawal of moneys from the Debt Service Reserve Fund and the deposit thereof into the appropriate account in the Bond Fund for that purpose and by the sale or redemption of securities held in the Debt Service Reserve Fund, if necessary, in such amounts as will, at the respective times, provide moneys in the Interest Account and the Principal Account sufficient to make up any such deficiency or deficiencies.

(e) The Bond Trustee shall deposit in the Interest Account the amounts required by the Bond Indenture and the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Interest Account, including the moneys credited thereto pursuant to the Bond Indenture, the interest becoming due on the Revenue Refunding Bonds on each Interest Payment Date or the date for the payment of Defaulted Interest. The Bond Trustee shall also pay out of the Interest Account, on or before any redemption date for the Revenue Refunding Bonds, the interest on the Revenue Refunding Bonds then to be redeemed, to the extent not otherwise provided pursuant to the Bond Indenture.

Thirty days prior to any Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, if the balance in the Interest Account is insufficient for the payment of interest becoming due on the Revenue Refunding Bonds on the next ensuing Interest Payment Date, date for the payment of Defaulted Interest or date upon which Revenue Refunding Bonds are to be redeemed, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(f) The Bond Trustee shall deposit in the Principal Account the payments made by the Issuer described as such in Item (b)(ii) above, and shall pay out of the moneys then held for the credit of the Principal Account, including the moneys credited thereto as described above, the Principal Installment due on the Revenue Refunding Bonds on each Principal Payment Date.

Thirty days prior to any Principal Payment Date, if the balance in the Principal Account is insufficient for the payment of such principal, the Bond Trustee shall notify the Issuer of the amount of the deficiency. Upon notification, the Issuer shall cause the Board to immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Principal Account, the Bond Trustee shall transfer to such account such amounts as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund; provided, that no such transfer shall be made in the case of optional redemption.

(g) The Bond Trustee shall deposit in the Redemption Account the payments made by the Board to the Bond Trustee but not required by Item (b)(ii) above. The Bond Trustee shall use moneys in the Redemption Account in the Bond Fund, as a Issuer Representative may direct, to purchase Revenue Refunding Bonds then Outstanding on the most advantageous terms obtainable with reasonable diligence or in such other manner as the Issuer shall so direct, without regard as to whether the purchase price paid for such Revenue Refunding Bonds so purchased is less than the redemption price of such Revenue Refunding Bonds. The purchase price of such Revenue Refunding Bonds, interest accrued thereon and all expenses in connection with such purchases shall be paid from the Redemption Account in the Bond Fund.

(h) If any installment of the required payments described above should be insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall so notify the Issuer and request that each future installment of the required payments be increased as may be necessary to make up any previous deficiency or any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

Debt Service Reserve Fund. The Indenture creates and establishes with the Bond Trustee a separate trust fund in respect of the Revenue Refunding Bonds to be known as the "Debt Service Reserve Fund." The Debt Service Reserve Fund shall be funded upon the issuance of the Revenue Refunding Bonds in an amount equal to the Debt Service Reserve Fund Requirement as provided by the Indenture.

The Bond Trustee shall immediately notify the Issuer in the event that moneys are withdrawn from the Debt Service Reserve Fund. The Issuer shall cause the Board to make up such deficiency through monthly payments beginning in the month following the month in which the withdrawal was made equal to (a) 1/12th of the amount by which the Debt Service Reserve Fund Requirement exceeded the amount on deposit in the Debt Service Reserve Fund on the day that such withdrawal was made or (b) any lesser amount which will result in the amount on deposit in the Debt Service Reserve Fund equaling the Debt Service Reserve Fund Requirement. Any deficiency in the Debt Service Reserve Fund determined upon the quarterly valuation thereof shall be replenished in three equal monthly payments prior to the next succeeding valuation date.

Nonpresentment of Revenue Refunding Bonds. In the event any Revenue Refunding Bonds shall not be presented for payment when the principal thereof becomes due, or at the date fixed for redemption thereof, if funds sufficient to pay such Revenue Refunding Bonds shall be held by the Bond Trustee for the benefit of the Owner or Owners thereof, all liability of the Issuer and the Hospital to the Owner thereof for the payment of such Revenue Refunding Bond shall forthwith terminate and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such fund or funds without liability for interest thereon, for the benefit of the Owner of such Revenue Refunding Bond, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Revenue Refunding

Bond. Such funds shall not be deemed to be part of the Bond Fund after the due date and shall not be subject to investment.

Any moneys held by the Bond Trustee for the payment of the principal of or the premium, if any, or interest on any Bond and remaining unclaimed for two (2) years after such principal, premium, if any, or interest has become due and payable shall, upon the request of a Issuer Representative to the Bond Trustee, be paid to the Board to the extent permitted by the law of the state in which the Bond Trustee is domiciled. After the payment of such unclaimed moneys to the Board, the Owner of such Revenue Refunding Bond shall thereafter look only to the Board for the payment thereof, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease.

Payment Procedures Pursuant to the Policy. The Bond Trustee or any paying agent shall not make a claim for payment on the Policy until any and all funds held by it pursuant hereto have been fully drawn to pay debt service on the Revenue Refunding Bonds. As long as the Policy shall be in full force and effect, the Issuer, the Hospital, the Bond Trustee and any paying agent agree to comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Bond Trustee or paying agent, if any, will determine whether there will be sufficient funds to pay the principal of or interest on the Revenue Refunding Bonds on such Interest Payment Date. If the Bond Trustee or paying agent, if any, determines that there will be insufficient funds, the Bond Trustee or paying agent, if any, shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Revenue Refunding Bonds to which such deficiency is applicable and whether such Revenue Refunding Bonds will be deficient as to principal or interest, or both. The Bond Insurer will make payments of principal or interest due on the Revenue Refunding Bonds on or before the first day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Bond Trustee or paying agent, if any.

(b) The Bond Trustee or paying agent, if any, shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Bond Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, and all records relating to the funds maintained under the Indenture.

(c) The Bond Trustee or the paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of the Revenue Refunding Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered Owners of Revenue Refunding Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Revenue Refunding Bonds surrendered to the Insurance Trustee by the registered Owners of the Revenue Refunding Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Bond Trustee or the paying agent, if any, shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered Owners of Revenue Refunding Bonds entitled to receive the payment of principal or interest thereon from the Bond

Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Bond Insurer, of an appropriate assignment of the registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer to permit ownership of such Revenue Refunding Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Bond Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Revenue Refunding Bonds for payment thereon first to the Bond Trustee or paying agent, if any, who shall note on such Revenue Refunding Bonds the portion of the principal paid by the Bond Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Bond Trustee and paying agent, if any, have notice that any payment of principal of or interest on a Revenue Refunding Bond which has become due for payment and which is made to a registered Owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Trustee or paying agent, if any, shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Trustee or paying agent, if any, shall furnish to the Insurance Trustee and the Bond Insurer its records evidencing the payments of principal of and interest on the Revenue Refunding Bonds which have been made by the Bond Trustee or paying agent, if any, and subsequently recovered from registered Owners and the dates on which such payments are made.

(f) In addition to those rights granted the Bond Insurer under the Bond Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Revenue Refunding Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners of the Revenue Refunding Bonds and (ii) in the case of subrogation as to claims for past due principal, the Bond Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Trustee or paying agent, if any, upon surrender of the Revenue Refunding Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Deposit of Revenues upon Event of Default. Upon the occurrence and continuance of an Event of Default, the Bond Trustee shall establish a special account, to be designated the "Revenue Fund." All Revenues from or of the Hospital shall be deposited immediately upon receipt in the Revenue Fund and shall be used only to pay the reasonable and necessary Operating Expenses of the Hospital and as set forth in the Bond Indenture.

Costs of Issuance Account. The Bond Indenture creates and establishes with the Bond Trustee a trust fund to be designated the "Costs of Issuance Account." The Bond Trustee shall deposit in the Costs of Issuance Account Revenue Refunding Bond proceeds in the amount set forth in the Bond Indenture. Upon receipt of an Officer's Certificate requesting the same, the Bond Trustee is authorized and directed to make disbursements from the Costs of Issuance Account to reimburse or pay the Board or any Person designated by the Board for the costs of issuance of the Revenue Refunding Bonds, without further authorization from the Issuer. Ninety days after the issuance of the Revenue Refunding Bonds, all moneys remaining in the Costs of Issuance Account shall be deposited in the Interest Account in the Bond Fund to be used as provided in the Bond Indenture, and the Bond Trustee shall thereafter file a statement of receipts and disbursements with respect to the Costs of Issuance Account with the Issuer and the Board.

Additional Covenants of Issuer and Board

Maintenance of the Hospital Facilities. Until all the Revenue Refunding Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Issuer under the Bond Indenture shall have been paid, or sufficient funds as provided in the Bond Indenture are held in trust for the payment of all such obligations, the Board shall, at its sole cost and expense, keep and maintain the Hospital Facilities, both inside and outside, in a good state of repair and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted, and will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times. The Board will not use or permit the use of the Hospital Facilities, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. The Board shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Hospital Facilities in an economical and efficient manner, consistent with generally acceptable medical facilities comparable to the Hospital Facilities. The Board will properly operate and maintain the Hospital Facilities and make all necessary equipment replacements and repairs while the Revenue Refunding Bonds are Outstanding.

Operation of the Facilities. The Issuer will, through the Board, maintain the Hospital Facilities in good condition and faithfully and efficiently administer, maintain and operate the Hospital Facilities primarily as a health care facility, and the Issuer and the Board further covenant and agree that:

(a) they shall use, maintain and operate the Hospital Facilities primarily as a health care facility upon a revenue-producing basis, at a reasonable cost, consistent with the obligations imposed under the Indenture and its status as a public corporation, for the care and treatment of patients and other related purposes, and for the welfare and benefit of the general public;

(b) the Board will at all times use its best efforts to maintain and operate the Hospital Facilities to meet the standards and requirements and provide health care of such quality and in such manner as shall enable the Hospital to participate in, and provide services in connection with, recognized medical insurance programs (including Medicare and Medicaid), unless the Board shall determine by a Certified Resolution filed with the Issuer and the Bond Trustee that it is in the best interest of the Hospital and the Bondholders to not so comply;

(c) the Board will comply with Title VI of the Civil Rights Act enacted by the Congress of the United States in the operation and maintenance of the Hospital Facilities and otherwise will conform to applicable federal and State laws prohibiting discrimination based on race, religion, creed, color, age, handicap, sex or national origin; and

(d) the Board will use the Hospital Facilities only in furtherance of the lawful corporate purposes of the Issuer, the Board and the Hospital.

Maintenance of Tax Exemption. Neither the Issuer nor the Board shall take any action that would adversely affect the exclusion of interest on any Revenue Refunding Bonds from the gross income of the recipient thereof for purposes of federal income taxation.

Sale of Hospital Facilities. Except as permitted by Sections 7.05, 7.06 and 7.08 of the Indenture, as hereinafter described, the Issuer will not sell, convey or otherwise transfer any portion of the Hospital Facilities.

Permitted Encumbrances. Neither the Issuer nor the Board will create or suffer or permit to exist any lien, charge, encumbrance or security interest on or in (a) all or any part of the Revenues or (b) the Hospital Facilities, except in each case for Permitted Encumbrances. Permitted Encumbrances shall include the following as of any particular time:

(i) liens and encumbrances on the Property in existence on the date of the execution and delivery of the Indenture;

(ii) liens for ad valorem taxes and special assessments not then delinquent or, if delinquent, being in good faith contested in appropriate proceedings;

(iii) utility, access and other easements and rights-of- way, restrictions and exceptions that will not materially interfere with or impair the operations of the Hospital Facilities;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Hospital Facilities and as do not in the aggregate materially impair the Property affected thereby for the purpose for which it was acquired or is held;

(v) leases of portions of the Hospital Facilities to be used as offices for physicians, other providers of health care and other organizations;

(vi) leases of various departments of the Hospital Facilities such as food facilities, the emergency room, the laboratory, the radiology department, a gift shop, the pharmacy and other similar departments;

(vii) zoning laws and similar restrictions and liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith, and such other liens and charges at the time required by law as a condition precedent to the transaction of the health care activities of the Hospital, the Board or the Issuer, as applicable, or the exercise of any privileges or licenses;

(viii) liens or security interests securing Non-Recourse Indebtedness;

(ix) liens on moneys deposited by patients or others with the Hospital, the Board or the Issuer, as applicable, as security for or as prepayment for the cost of patient care;

(x) liens on Property received by the Hospital, the Board or the Issuer, as applicable, through gifts, grants or bequests, due to restrictions on such gifts, grants or bequests of Property or the income thereon, provided the Indebtedness, if any, secured by such lien is not assumed by the Hospital, the Board or the Issuer, as applicable;

(xi) liens on Property due to rights of third-party payors for recoupment of amounts paid to the Hospital, the Board or the Issuer, as applicable;

(xii) rights of the United States of America under Title 42 of the United States Code, Section 291, or by reason of any loan, grant or subsidy made available by the United States of America, and similar rights under state statutes;

(xiii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Hospital, the Board or the Issuer, as applicable, to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit-sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(xiv) any lien granted in connection with a sale of accounts receivable described in Paragraph (C) of "Transfers of Property" below; and

(xv) any lien consented to in writing by the Bond Insurer.

Permitted Indebtedness. Neither the Issuer nor the Board shall incur, assume or guarantee any indebtedness or liability in connection with the Hospital Facilities required by generally accepted accounting principles from time to time in effect to be shown or noted on the liability side of a balance sheet except for:

(a) Indebtedness and liabilities existing on the date of execution and delivery of the Indenture;

(b) Liabilities (other than for borrowed money) incurred in the regular course of the operations of the Hospital Facilities, including, without limitation, contributions to self-insurance programs, liabilities for accrued and unpaid vacation pay, unfunded pension liabilities, bank overdrafts incurred in the ordinary course of operations, and liabilities as lessee under leases of real or personal property which are not required to be capitalized on the balance sheet of the Hospital in accordance with such accounting principles, or, if such liabilities have not been so incurred, for the payment of which moneys have been deposited in a fund restricted for such purpose;

(c) Long-Term Debt, in addition to any Long-Term Debt included within the foregoing paragraphs (a) and (b); provided that, except as provided in the next succeeding clause (1) and (2), there shall at the time of issuance thereof be delivered to the Bond Trustee either:

(1) Certificate as to Historical Coverage: An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, the annual Net Income Available for Debt Service was not less than 135% of the Maximum Annual Debt Service Requirement on all Covered Debt then outstanding, and the Long-Term Debt then proposed to be issued, adjusted for any rate increases in effect on the date of incurrence of such Long-Term Debt, the appeal period, if any, for which has expired; or

(2) Reports on Historical and Pro-Forma Coverage. The following reports or opinions:

(x) An Officer's Certificate to the effect that for each of the two most recent Fiscal Years next preceding the issuance of such Long-Term Debt for which audited income statements are available, Net Income Available for Debt Service was not less than 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding at the end of such Fiscal Year, including the Long-Term Debt then proposed to be issued; and

(y) a report or opinion of a Management Consultant to the effect that the estimated annual Net Income Available for Debt Service is not less than 135% of the Maximum Annual Debt Service Requirement on all Covered Debt to be outstanding, after giving effect to the issuance of such Long-Term Debt and the application of the proceeds thereof (i) for each of the two Fiscal Years following the completion of any acquisition, construction, renovation or replacement of any capital assets or improvements being financed with any of the proceeds of such Long-Term Debt or (ii) if none of the proceeds of such Long-Term Debt are being used to finance any such acquisition, construction,

renovation or replacement, then for each of the two Fiscal Years following the issuance of such Long-Term Debt, including the then current fiscal year;

provided, however, that notwithstanding the foregoing, the certificate, reports or opinions set forth in the foregoing clauses (1) and (2) need not be delivered if such Long-Term Debt is incurred for refunding or advance refunding purposes and, after giving effect to the issuance of such Long-Term Debt and to the application of the proceeds thereof, the Maximum Annual Debt Service Requirement on all Covered Debt then to be outstanding does not exceed 110% of the Maximum Annual Debt Service Requirement on all Covered Debt outstanding immediately prior to such issuance, as evidenced by an Officer's Certificate delivered to the Bond Trustee concurrently with such issuance;

(d) Letter of Credit Debt consisting of Indebtedness for borrowed money, whether or not constituting Long-Term Debt, secured by a commitment from a foreign or domestic financial institution provided that at the time of issuance of any such indebtedness there shall be delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Letter of Credit Debt were Projected Long-Term Debt;

(e) Commitment Debt consisting of Indebtedness under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the issuance of any Indebtedness; provided, however, if such liquidity or credit facility is used or drawn upon, then the liability represented by such use or draw shall be included in Indebtedness for all other purposes of the Indenture and the Indebtedness paid from the proceeds of the use or draw shall no longer be included in Indebtedness;

(f) Short-Term Indebtedness incurred in the ordinary course of business, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Short-Term Debt plus the current portion of Long-Term Indebtedness does not exceed twenty-five percent (25%) of the Adjusted Annual Revenues as shown on the most recently available audited financial statements; provided, however, that there shall be a period of at least twenty (20) consecutive calendar days during each Fiscal Year during which all Short-Term Indebtedness shall not exceed five percent (5%) of such Adjusted Annual Revenues;

(g) Non-Recourse Debt; provided, that all the Property which is subject to said Non-Recourse Debt may not produce greater than 25% of the Adjusted Annual Revenues of the Hospital;

(h) Balloon Debt, provided that at the time of issuance thereof there is delivered to the Bond Trustee the certificate or reports or opinions set forth in clauses (1) or (2) of the foregoing paragraph (c) prepared as though such Balloon Debt were Projected Long-Term Debt;

(i) Completion Debt, provided that at the time of issuance thereof the Board shall deliver to the Bond Trustee an Officer's Certificate (x) stating that at the time of the original issuance of the Indebtedness in respect of which such Completion Debt is being issued, the Issuer had reasonably expected such Indebtedness to be adequate to complete the facilities or portion thereof thereby being financed and (y) demonstrating how such Completion Debt would be repaid if it were Projected Long-Term Debt;

(j) Other Long-Term Debt in addition to the Indebtedness permitted by the preceding clauses (a) through (i), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof, the aggregate unpaid principal amount of all such Indebtedness incurred pursuant to this subparagraph (j) then Outstanding shall not exceed 25% of Adjusted Annual Revenue as shown on the most recently available audited financial statements;

(k) Subordinated Debt; provided, that prior to the issuance thereof the Board shall deposit with the Bond Trustee an Officer's Certificate indicating that the Hospital will comply with the Indenture for the next two Fiscal Years, assuming issuance of such Subordinated Debt. Any Subordinated Debt shall provide that such Subordinated Debt may not be accelerated without the consent of the Bond Insurer;

(l) Indebtedness repayable from ad valorem or other tax levies; and

(m) Any other Indebtedness approved by the Bond Insurer.

Any Indebtedness issued or guaranteed by the Issuer or the Board, as appropriate, pursuant to any of the preceding paragraphs may at any time and from time to time, if the same shall then be permitted to be issued or guaranteed pursuant to another paragraph, be reclassified as having been issued or guaranteed pursuant to such other paragraph by delivery to the Bond Trustee of an Officers' Certificate setting forth the fact of such reclassification, which Certificate shall be supported by the documents and showings, if any, which would be required if such Indebtedness or guaranty were then being issued pursuant to such other paragraph.

No Indebtedness shall be incurred by the Issuer or the Hospital unless no Event of Default shall have occurred and be continuing with respect to the Revenue Refunding Bonds.

Any Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds shall also be secured by a debt service reserve fund, funded upon the issuance of such Indebtedness and maintained in an amount equal to the maximum annual debt service on such Indebtedness (or, if the Indebtedness is issued with its interest excludable from gross income for federal income tax purposes, such lesser amount as is allowable under the Code).

Rates and Charges. The Board agrees to fix rates, fees and charges for the services furnished by the Hospital Facilities in amounts sufficient to maintain Net Income Available for Debt Service in an amount not less than 110% (a ratio of 1.1:1) of the Maximum Annual Debt Service Requirement on the Revenue Refunding Bonds and all other Indebtedness payable from and secured by the Net Revenues on a parity with the Revenue Refunding Bonds and 100% (1:1 ratio) of the Maximum Annual Debt Service Requirement on all

Indebtedness and on required deposits to the Debt Service Reserve Fund and other deposits required pursuant hereto. In the event that the annual audit reports for any Fiscal Year shall disclose that the amount required by the preceding sentence is not being maintained, the Board shall, within 30 days following the delivery of such audit report, employ a Management Consultant to prepare a report containing recommendations, if any, as to changes in the operating policies of the Board designed to maintain such amount and the Board shall follow such recommendations, if any, to the extent deemed feasible. A copy of such report shall be delivered to the Bond Trustee.

Transfers of Property. (A) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), neither the Issuer nor the Board will, in any Fiscal Year sell, lease, dispose of or otherwise transfer any Property, in excess of the greater of (i) 5% of the Current Value of all Property or (ii) 5% of the Book Value of all property, each determined as of the end of the most recent fiscal year in respect for which audited financial statements are available, unless the Issuer or the Board, as appropriate, shall certify to the Bond Trustee that:

(a) the Property in question has, or will within two years of the date of such Certificate, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary; or

(b) the disposition in question consists of an exchange of such Property for other property of equal or greater value than the Property being disposed of; or

(c) such Property consists of assets which may not legally be used or sold to pay Indebtedness; or

(d) such Property consists of charitable contributions previously received which are being transferred to a not-for-profit corporation organized for charitable purposes and has been shown by an Appraisal to be within the limits set forth in (i) and (ii) of (A), above; or

(e) after giving effect to such disposition, the estimated ratio of Net Income Available for Debt Service for the then current and next succeeding fiscal year to the Maximum Annual Debt Service Requirement on all Covered Debt scheduled to be outstanding at the end of each such fiscal year shall not be reduced by more than 20% and shall not be less than 1.75:1.00. Any Officer's Certificate given pursuant to this subparagraph (e) must be supported by a report or opinion of a Management Consultant.

(B) Except with the prior written consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), the Board shall not, in any Fiscal Year, transfer cash in an amount greater than 10% of its average Cash on Hand for the prior Fiscal Year.

(C) Notwithstanding the foregoing, the Board may sell, lease, dispose of or otherwise transfer Property in the ordinary course of business and may sell, transfer or assign accounts receivable without recourse at a discount of not more than 25% of the face value (being the amount expected to be received by the Board after contractual allowances, discounts and the like) thereof.

Cash on Hand Requirement. The Hospital shall at all times maintain at least 40 Days Cash on Hand.

Reporting Requirements. While the Policy is in effect, the Hospital shall furnish to the Bond Insurer:

(i) annual audited financial statements within thirty (30) days of such statements being made available to the Hospital;

(ii) with respect to the project financed with the proceeds of the 1994 Bonds (the "Project"), a report on the disposition of funds contested with the general contractor in connection with the ongoing construction and completion of the Project, a final construction report with respect to the Project and a copy of the architect's certificate of completion regarding the Project;

(iii) with respect to the additional improvements described in this Official Statement, a description of such improvements, together with an estimate of the costs thereof, the source of funding therefor and the estimated timing thereof, a final construction report with respect to such improvements and an architect's certificate or, if no architect is involved with such improvements, an Officer's Certificate regarding completion of such improvements;

(iv) a copy of any notice or report required to be given to the Bond Trustee, the Insurance Trustee, any paying agent, the registered Owners of the Revenue Refunding Bonds or any other party to any of the documents executed in connection with the issuance of the Revenue Refunding Bonds, including, without limitation, notice of any redemption of or defeasance of Revenue Refunding Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the Revenue Refunding Bonds;

(v) a copy of any request to the West Virginia Health Care Authority to change the licensed bed component of the Hospital;

(vi) a copy of any information filed by the Hospital with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR; and

(vii) such additional information as the Bond Insurer may reasonably request.

The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to discuss the affairs, finances and accounts of the Hospital or any information the Bond Insurer may reasonably request regarding the security for the Revenue Refunding Bonds with appropriate officers of the Issuer or the Hospital. The Issuer and the Board will permit the Bond Insurer and the Insurance Trustee, or either thereof, to have access to and make copies of all books and records relating to the Revenue Refunding Bonds, and the security therefor at any reasonable time.

Insurance. The Issuer or the Board shall continuously maintain insurance on the Hospital. As long as the Policy is in effect, such insurance shall be against such risks (including casualty, accident and workers'

compensation), in such amounts and with such deductibles, as are acceptable to the Bond Insurer; provided that such terms are consistent with customary coverage, as from time to time in effect, in connection with the operation of a hospital of type and size comparable to the Hospital and as maintained by a political subdivision similar to the Issuer, all as determined in the sole discretion of the Bond Insurer. All such insurance must be provided by a recognized insurance company acceptable to the Bond Insurer.

Also, as long as the Policy is in effect, the Board (i) shall cause an Independent insurance consultant acceptable to the Bond Insurer, which may be the Hospital's independent insurance broker, to review the Hospital's insurance coverage at least once every two years and to make recommendations; (ii) shall comply with such recommendations; and (iii) shall not self-insure for any risks not self-insured as of the date hereof without the consent of the Bond Insurer.

Environmental Covenants. The Issuer and the Board represent and, so long as the Policy is in effect, covenant that the operations or activities of the Hospital shall not result in the disposal or release of any contaminant other than in compliance with all current and future applicable environmental laws, and that the Hospital shall not engage in any activities that will result in the violation of such laws.

Investments

Investment of Moneys. Except as described below and as otherwise provided in the Indenture, any moneys held as a part of the funds created pursuant to the Indenture shall be invested or reinvested by the Bond Trustee at the direction of the Board, confirmed by an Officer's Certificate, only in Investment Securities; provided, however, that, in the absence of any direction from the Board, the Bond Trustee shall keep such funds invested in Government Obligations. No forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Revenue Refunding Bonds without the prior written consent of the Insurer (so long as the Policy is in effect and the Insurer is not in default thereunder). Accrued and capitalized interest on deposit in the Interest Account shall be invested only in Government Obligations. Moneys on deposit in the Debt Service Reserve Fund shall be invested only in instruments described in Paragraphs (i), (ii) and (v) of the definition of Investment Securities, with maturities of not longer than one year.

Except as otherwise specifically provided in the Indenture, any such investment shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund in which such moneys were originally held. Any loss resulting from such investments shall be charged to such fund. Except as otherwise provided in the Indenture, any interest or other gain from any fund from any investment or reinvestment shall be allocated and transferred as follows:

(a) Except as provided in (c) below, any interest or other gain realized as a result of any investments or reinvestments of moneys in the Principal Account or the Interest Account of the Bond Fund shall be credited to the Principal Account unless a deficiency exists in the Debt Service Reserve Fund, in which case such interest or other gain shall be paid into the Debt Service Reserve Fund forthwith.

(b) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund if a deficiency exists therein at that time. If a deficiency does not exist in the Debt Service Reserve Fund at that time, such interest or other gain shall be paid into the Principal Account at least semiannually.

(c) Any interest or gain realized as a result of any investments or reinvestments of Revenue Refunding Bond proceeds deposited in the Interest Account shall be maintained in the Interest Account.

At least quarterly, the Bond Trustee shall value the investments held for any fund at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the owner, including the value of accrued interest and giving effect to the amortization of discount. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient to make the payments required from such fund regardless of the loss on such liquidation. The Bond Trustee may make any and all investments permitted by the Bond Indenture through its own bond department.

In making investments of the moneys held hereunder the Bond Trustee may rely on the direction of the Board and shall not be liable for any investments made in violation of the covenant as to arbitrage contained in the Indenture or otherwise, if made pursuant to such direction.

Satisfaction and Discharge

Satisfaction and Discharge. All obligations of the Issuer and the Board under the Indenture shall terminate, and the estate and rights granted shall cease, determine and be void, and the Bond Trustee shall assign and deliver to the Board any moneys and investments in the Bond Fund and Debt Service Reserve Fund when:

(a) all fees and expenses of the Bond Trustee shall have been paid as provided for;

(b) the Issuer and the Board shall have performed all of their agreements in the Indenture;

(c) if, when the Revenue Refunding Bonds (i) shall have become due and payable in accordance with their terms or (ii) shall have been duly called for redemption or (iii) irrevocable instructions to call such Revenue Refunding Bonds for redemption or to pay such Revenue Refunding Bonds at their respective maturities or combination of such payment and redemption shall have been given by the Issuer, the whole amount of the principal and the interest and premium, if any, so due and payable upon all such Revenue Refunding Bonds then Outstanding shall be paid or sufficient moneys, or non-redeemable Government Obligations the principal of and the interest on which when due will provide sufficient moneys, shall be held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, for such purpose under the provisions of the Indenture and provision shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of the Owners of such Revenue Refunding Bonds in the revenues, funds and accounts mentioned in the Indenture shall thereupon cease, determine and become void, the Issuer shall have no obligation with respect to such Revenue Refunding Bonds except for the payment of the principal of, redemption premium, if any, and interest thereon solely from the moneys or Government Obligations

deposited as described herein, otherwise the Indenture shall be, continue and remain in full force and effect; provided, however, that in the event Government Obligations shall be deposited with and held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, as hereinabove provided, in addition to the requirements set forth in Article III of the Indenture, the Issuer shall within thirty (30) days after such Government Obligations shall have been deposited with the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, cause a notice to be mailed by first class mail, postage prepaid, to each Owner of such Revenue Refunding Bonds at the address listed in the Bond Register, of (i) the date, if any, designated for redemption of such Revenue Refunding Bonds or if a portion of such Outstanding Revenue Refunding Bonds are to be redeemed prior to their maturities or mandatory redemption dates, a statement to the effect that designated Revenue Refunding Bonds are being paid at maturity or prior mandatory redemption and designated Revenue Refunding Bonds are being redeemed in amounts and at a time which will satisfy the Principal Installments therefor, (ii) a description of the non-redeemable Government Obligations so held by the Bond Trustee or other bank, trust company or other appropriate financial institution, acting as escrow agent, and (iii) that the Indenture has been repealed and canceled in accordance with the Indenture;

(d) if any portion of the Revenue Refunding Bonds are to be redeemed prior to the stated maturity date thereof, arrangements, satisfactory to the Bond Trustee, shall have been made for the giving of notice of redemption of such Revenue Refunding Bonds on the date required by the Indenture;

(e) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer, a certificate executed by the Issuer Representative and an Opinion of Counsel, each stating that all requirements of the Indenture for defeasance of the Revenue Refunding Bonds have been complied with; and

(f) the Issuer has delivered to the Bond Trustee and, so long as the Policy is in effect, the Bond Insurer a verification report by a verifier acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer (so long as the Policy is in effect).

Application of Trust Moneys. All moneys and Government Obligations deposited with or held by the Bond Trustee as described above shall be held in trust for the Owners of the Revenue Refunding Bonds and applied by it, in accordance with the provisions of such Revenue Refunding Bonds and the Indenture, to the payment to the persons entitled thereto, of the principal and interest for the payment of which such moneys and Government Obligations have been deposited with the Bond Trustee; but such moneys and Government Obligations need not be segregated from other funds except to the extent required by law. Such moneys and Government Obligations shall not be deemed to be "available" for purposes of the Indenture and shall not be subject to investment.

Subrogation. Notwithstanding anything in the Bond Indenture to the contrary, in the event that the principal and interest, or either thereof, due on the Revenue Refunding Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Revenue Refunding Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer or the Hospital, and all covenants, agreements and other obligations of the Issuer and the Hospital to the registered Owner shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

Defaults and Remedies

Events of Default. Each of the following shall be an "Event of Default" under the Indenture:

(a) Failure to pay the principal of, or the premium, if any, or interest on any of the Revenue Refunding Bonds when the same shall become due and payable at maturity, upon redemption or otherwise; or

(b) Failure by the Issuer or the Board to perform any of its covenants, conditions, agreements and provisions contained in the Revenue Refunding Bonds or in the Indenture other than as specified in (a) above, and such failure shall continue for the period and after the notice specified in the Bond Indenture; or

(c) Subject to any grace provisions therefor, failure to pay when due the principal of or interest on any other Indebtedness of or relating to the Hospital.

Notice of Default; Opportunity to Cure Such Default. No default described under (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Issuer and the Board by the Bond Trustee or by the Owners of not less than 25 percent in aggregate principal amount of all Revenue Refunding Bonds Outstanding and until the Issuer and the Board shall have had 30 days after receipt of such notice to correct such default, and shall not have corrected it; provided, however, if said default be such that it cannot be corrected within such 30 day period and with the consent of the Bond Insurer (unless it is in default under the Financial Guaranty Insurance Policy), it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Board within the applicable period and the default is corrected within 120 days after receipt of the notice to correct such default.

Acceleration; Cure. Upon the occurrence and continuance of any Event of Default, the Bond Trustee may, and, upon the written request of the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding, the Bond Trustee shall, by notice in writing delivered to the Issuer and the Board, declare the principal of all Revenue Refunding Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein without any presentment, demand, protest or other notice of any kind.

The above provisions, however, are subject to the condition that if, after the principal of the Revenue Refunding Bonds shall have been so declared to be due and payable, all arrears of interest upon the Revenue Refunding Bonds, and all other sums payable under the Indenture (except the principal of, and interest on, the Revenue Refunding Bonds which by such declaration shall have become due and payable) shall have been paid by or on behalf of the Issuer, and the Issuer and the Board also shall have performed all other things in respect of which they, or either of them, may have been in default hereunder, and shall have paid the reasonable charges of the Bond Trustee, its counsel and the Owners of the Revenue Refunding Bonds, including reasonable attorneys' fees paid or incurred, then and in every such case, the Owners of not less than a majority in aggregate principal amount of Revenue Refunding Bonds then Outstanding may, by written notice to the Issuer and to the Bond Trustee, waive such default and rescind and annul such declaration and its consequences, and such waiver shall be binding upon the Bond Trustee and upon all Owners of Revenue Refunding Bonds; but no such waiver,

rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Powers of Bond Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Bond Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding hereunder shall, proceed, subject to the provisions of the Bond Indenture, to protect and enforce its rights and the rights of the Owners under the laws of the State and under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained in the Indenture or in aid or execution of any power in the Indenture granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Upon the occurrence and continuance of an Event of Default and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Owners under the Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Hospital Facilities and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

The Bond Trustee may maintain any proceedings without the possession of any of the Revenue Refunding Bonds or the production thereof in connection with said proceeding.

If any proceeding taken by the Bond Trustee on account of any Event of Default is discontinued or abandoned for any reason, or determined adversely to the Bond Trustee, then and in every case the Issuer, the Hospital, the Bond Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bond Trustee shall continue as though no such proceeding had been taken.

Powers of Owner. The Owners of a majority in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee under the Indenture.

Limitations on Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or any other remedy hereunder or on the Revenue Refunding Bonds, unless:

(a) such Owner previously shall have given to the Bond Trustee written notice of an Event of Default;

(b) the Owners of not less than 25 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding shall have made written request of the Bond Trustee, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture above granted or to institute such action, suit or proceeding in its or their name;

(c) there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(d) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time.

Such notification, request and offer of indemnity are, at the option of the Bond Trustee, conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder; its being understood and intended that no Owner shall have any right in any manner whatever by his action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder or under the Revenue Refunding Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal and ratable benefit of all Owners of Outstanding Revenue Refunding Bonds affected thereby, subject to the provisions of the Indenture. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner to institute suit for the enforcement of payment of the principal of and the premium, if any, and interest on such Revenue Refunding Bond when due and payable in accordance with its terms, upon redemption or otherwise.

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

Delay or Omission of Bond Trustee. No delay or omission of the Bond Trustee or of any Owner of the Revenue Refunding Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given to the Bond Trustee and to the Owners of the Revenue Refunding Bonds with respect thereto may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. Any moneys received by the Bond Trustee while an Event of Default is continuing, and any available moneys held in any of the funds created hereunder shall, after first being applied to the payment of the reasonable fees and expenses of the Bond Trustee, be applied in the following order:

(a) Unless the principal of all the Revenue Refunding Bonds shall have been declared due and payable, all such moneys shall be applied to the payment to the Persons entitled thereto of all installments of interest then due on the Revenue Refunding Bonds, in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

(b) If the principal of all the Revenue Refunding Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid on the Revenue Refunding Bonds, without preference or priority, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto; and

(c) To the extent of the surplus, if any, to the Board, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

For the purpose of the Indenture, moneys which, at the time an Event of Default occurs, are held in the Redemption Account in the Bond Fund for the redemption of any Revenue Refunding Bonds for which a notice of redemption has been given prior to such Event of Default, or in the Interest Account for the payment of interest which shall have become payable prior to such Event of Default, shall not be deemed "available," but shall be applied to such redemption or payment.

Whenever moneys are to be applied as described above, the Bond Trustee shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Revenue Refunding Bond until such Revenue Refunding Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Notice of Default. The Bond Trustee shall mail to all Owners of the Revenue Refunding Bonds, at their addresses as they appear on the Bond Register, written notice of the occurrence of any Event of Default set forth above within thirty (30) days after the Bond Trustee shall have notice of the same; provided, that, except upon the happening of an Event of Default specified in Paragraph (a) above, the Bond Trustee may withhold such notice if in its opinion such withholding is in the interest of the Owners; and provided further, that the Bond Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

Consent and Control of the Bond Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence of an Event of Default, the indebtedness evidenced by the Revenue Refunding Bonds shall not be accelerated without the Bond Insurer's prior written consent. At that time, the Bond Insurer may, in its discretion, either direct the Bond Trustee to accelerate payment of the Revenue Refunding Bonds or continue to pay principal and interest on the originally scheduled due dates of the Revenue Refunding Bonds.

No waivers shall be granted by the Bond Trustee or any paying agent without the prior written consent of the Bond Insurer.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as described above, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or any trustee appointed for the benefit of the Owners under the Indenture.

Bond Trustee

Bond Trustee. The Bond Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or the Board except as set forth in the Bond Indenture. The Bond Trustee has no obligation to perform any of the duties of the Issuer or the Board under the Bond Indenture. The Bond Trustee shall not be required to expend or risk its own funds or otherwise

incur any financial liability (except for its own negligence or willful misconduct) in the performance of its duties or in the exercise of any of its rights and powers. Except during the continuance of an Event of Default, the Bond Trustee is obligated to perform only such duties as are specifically set forth in the Bond Indenture. Except as expressly required in the Indenture, the Bond Trustee shall not be required to institute any suit or action or other proceeding in which it may be a defendant or to take any steps to enforce its rights and expose it to liability or be deemed liable for failure to take such action, unless and until it shall have been indemnified to its satisfaction against any and all reasonable costs, expenses, fees and other reasonable disbursements against all liabilities and damages.

Notice of Potential Default to Owners; Presumed Knowledge. Within 30 days after the occurrence of any event which would, with the passage of time or giving of notice or both, be an Event of Default of which the Bond Trustee has actual knowledge or has, or is deemed to have, notice, the Bond Trustee shall, unless such event shall no longer exists, mail notice thereof to all Owners; provided, however, that, except upon the happening of an Event of Default specified in Paragraph (a) of "Events of Default," such notice need not be given if the Bond Trustee determines that to give such notice is not in the best interest of the Owners.

For purposes of Articles X and XI of the Indenture, the Bond Trustee shall not be deemed to have actual knowledge of any such event unless a trust officer, assistant trust officer or other person charged with the administration of the obligations of the Bond Trustee hereunder shall during the course of his duties have actual knowledge thereof. Such person shall be deemed to have actual knowledge if notified in writing of such by the Owners of at least 15 percent in aggregate principal amount of Revenue Refunding Bonds then Outstanding.

Rights and Powers During Default. Subject to its responsibility to act upon the direction of Owners, the Bond Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that, if in the opinion of the Bond Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Right to Rely Upon Documents. The Bond Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine. The Bond Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Intervention by Bond Trustee. The Bond Trustee may intervene on behalf of the Owners in any judicial proceeding to which the Issuer is a party and which, in the opinion of the Bond Trustee and its counsel, has a substantial bearing on the interests of the Owners, and shall intervene if it is requested in writing by the Owners of at least 50 percent in aggregate principal amount of the Revenue Refunding Bonds then Outstanding and provided indemnity. Such rights and obligations of the Bond Trustee are subject to the approval of a court of competent jurisdiction.

Board's Right of Possession and Use of Hospital Facilities. So long as the Issuer and the Board are in full compliance with the terms and provision of the Indenture, the Board shall be entitled to possess, use, operate and enjoy the properties and appurtenances constituting the Hospital Facilities without interference from, or entry on the Hospital Facilities by, and free from claims of, the Bond Trustee or persons claiming by, through or under it.

Consent and Control of the Bond Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence of an Event of Default, the indebtedness evidenced by the Revenue Refunding Bonds shall not be accelerated without the Bond Insurer's prior written consent. At that time, the Bond Insurer may, in its discretion, either direct the Bond Trustee to accelerate payment of the Revenue Refunding Bonds or continue to pay principal and interest on the originally scheduled due dates of the Revenue Refunding Bonds.

Supplemental Indenture; Amendments

Supplemental Indentures Without Consent of Owners. The Issuer and the Bond Trustee may without the consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Bond Trustee or either of them;

(c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new Bond Trustee under the Indenture;

(e) to provide for the issuance of Revenue Refunding Bonds as other than Book-Entry Bonds;

(f) to preserve the exclusion of interest on the Revenue Refunding Bonds from the gross income of the recipients thereof for federal income tax purposes;

(g) to obtain a favorable credit rating from Moody's and S&P, or any thereof, with respect to the Revenue Refunding Bonds;

(h) to make any other changes approved by the Bond Insurer; or

(i) to make any other change in the Indenture which, in the judgment of the Bond Trustee in reliance upon an Opinion of Counsel, does not materially adversely affect the rights of the Owners of any Revenue Refunding Bonds.

Modification of the Indenture with Consent of Owners. From time to time the Owners of not less than 67 percent (except in the case of a rescission of acceleration under the Bond Indenture) in aggregate principal amount of the Outstanding Revenue Refunding Bonds materially adversely affected by any waiver under, or modification or alteration of, the Indenture may, by an instrument or instruments in writing signed by such Owners and filed with the Bond Trustee, assent to and authorize any such waiver, modification or alteration that shall be proposed by the Issuer and the Board and consented to by the Bond Trustee; and any action authorized in the Indenture to be taken, with the assent or authority given as aforesaid, shall be binding upon the Owners of all of the Revenue Refunding Bonds and upon the Bond Trustee as fully as though such action were specifically and expressly authorized by the terms of the Indenture; provided, that, without the consent of the Owners of all Revenue Refunding Bonds affected thereby, no such waiver, modification or alteration shall permit: (a) the reduction of the portion of the Revenue Refunding Bonds the consent of the Owners of which is required for any waiver, modification or alteration of the Indenture or (b) the extension of the time or times of payment of the principal of or the premium, if any, or interest on the Revenue Refunding Bonds, whether at maturity, upon redemption or otherwise, or the reduction in the principal amount thereof or in the rate of interest or the amount of any premium thereon or any change in the currency for payment thereof. No modification of the rights, duties or immunities of the Bond Trustee shall be made without the written consent of the Bond Trustee.

Anything in the Indenture to the contrary notwithstanding, a supplemental indenture which affects any rights or obligations of the Board shall not become effective unless and until the Board shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Board at least 15 days prior to the proposed date of execution and delivery of any such supplemental indenture.

Consent of Bond Insurer Required. Unless otherwise provided in the Indenture and provided it is not in default under the Policy, the Bond Insurer's consent shall be required for the following purposes: (i) execution and delivery of any supplemental indenture or any amendment of or supplement to any other document executed in connection with the issuance of the Revenue Refunding Bonds; (ii) appointment of a paying agent; (iii) removal of the Bond Trustee or any paying agent; and (iv) initiation or approval of any action not described in (i), (ii) or (iii) above which requires Revenue Refunding Bond Owner consent. Provided it is not in default under the Policy, the Bond Insurer shall have the sole right to give the consent of the Owners required for any amendment, change, waiver, modification or alteration of the Bond Indenture, except in those instances requiring the consent of the Owners of all Revenue Revenue Refunding Bonds affected thereby or then Outstanding, in which case the consent of the Owners shall not be effective unless the consent of the Bond Insurance is also received.

Miscellaneous

Sole Benefit of Parties and Owners; Bond Insurer. Except as otherwise provided with respect to the Board and the Bond Insurer, nothing in the Indenture expressed or implied is intended or shall be construed to confer upon any Person other than the parties thereto (including the Board) and the Owners of the Revenue

Refunding Bonds any right, remedy or claim under or by reason of the Indenture, the Indenture's being intended to be for the sole and exclusive benefit of such parties hereto and the Owners of the Revenue Refunding Bonds.

The Bond Insurer shall be included as a party in interest (third party beneficiary) with respect to the Indenture and as a party entitled to (i) notify the Bond Trustee of the occurrence of an event of default, and (ii) request the Bond Trustee to intervene in judicial proceedings that affect the Revenue Refunding Bonds or the security therefor.

Severability of Provisions. In case any one or more of the provisions of the Indenture or of the Revenue Refunding Bonds shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Indenture or of said Revenue Refunding Bonds, but the Indenture and the Revenue Refunding Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein.

CHASFS3:120206

[This Page is Intentionally Left Blank]

APPENDIX F

FORM OF PROPOSED BOND COUNSEL OPINION FOR G.O. REFUNDING BONDS

[This Page is Intentionally Left Blank]

[Jackson & Kelly letterhead]

_____, 1998

The County Commission of Grant County
5 Highland Avenue
Petersburg, WV 26847

RE: $_____ The County Commission of Grant County [West Virginia] General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $_____ in aggregate principal amount of General Obligation Refunding Bonds (Grant Memorial Hospital), Series 1998A (the "G.O. Refunding Bonds"), of The County Commission of Grant County, West Virginia (the "County Commission"), a body corporate and governmental instrumentality organized and existing under the laws of the State of West Virginia.

The G.O. Refunding Bonds are issued under and pursuant to Chapter 13, Articles 1 and 2 of the Code of West Virginia, 1931, as amended (the "Act"), and under and pursuant to orders entered by the County Commission on February 11, 1998 and _____ _____, 1998 (together, the "Bond Order").

The G.O. Refunding Bonds are being issued for the purpose of advance refunding the County Commission's $1,800,000 General Obligation Bonds (Grant Memorial Hospital Project), Series 1994A (the "1994 G.O. Bonds").

We are of the opinion that:

1. The County Commission is a duly created and validly existing statutory corporation acting on behalf of Grant County, a duly created and validly existing political subdivision of the State of West Virginia, and is authorized by the Act to issue and sell the G.O. Refunding Bonds.

2. The County Commission has the right and power under the Act to enter the Bond Order, and the Bond Order has been duly and lawfully entered by the County Commission, is in full force and effect and is valid and binding upon the County Commission and enforceable in accordance with its terms, and no other authorization for the Bond Order is required.

3. The County Commission is duly authorized and entitled to issue the G.O. Refunding Bonds, and the same have been duly and validly authorized and issued by the County Commission in accordance with the statutes of the State of West Virginia, including the Act, and the Bond Order and constitute valid, binding limited obligations of the County Commission, enforceable in accordance with their terms and the terms of the Bond Order and entitled to the benefits of the Act and of the Bond Order.

4. Unless paid from other sources, the principal of and interest on the G.O. Refunding Bonds are payable from ad valorem taxes levied upon all the taxable property within the County, subject to the limitations prescribed by the Constitution and statutes of the State of West Virginia.

5. Under existing statutes and court decisions, the interest on the G.O. Refunding Bonds is excludable from the 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"). In addition, interest on the G.O. Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax that may be imposed under the Code with respect to individuals or corporations. However, interest on the G.O. Refunding Bonds is included under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the G.O. Refunding Bonds in order that, for federal income tax purposes, interest on the G.O. Refunding Bonds is not includable in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of G.O. Refunding Bond proceeds, restrictions on the investment of G.O. Refunding Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the G.O. Refunding Bonds to become subject to federal

income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

On the date of delivery of the G.O. Refunding Bonds, the County Commission, the Hospital and the West Virginia Municipal Bond Commission (the "Bond Commission") will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the County Commission and the Hospital covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the G.O. Refunding Bonds will not, for the purposes of federal income taxation, be includable in gross income.

In rendering the opinion in paragraph 5 hereof, we have assumed continued compliance of the County Commission, the Hospital and the Bond Commission with the covenants, provisions and procedures set forth in the Tax Regulatory Agreement.

6. Under the Act, the G.O. Refunding Bonds are exempt from all taxation by the State of West Virginia or any political subdivision thereof.

7. The County Commission has designated the G.O. Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the amount of the refunding obligations does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the G.O. Refunding Bonds are "qualified tax-exempt obligations" within the meaning of § 265(b)(3) of the Code.

We express no opinion herein regarding other tax consequences arising with respect to the G.O. Refunding Bonds.

No opinion is expressed herein as to the effect upon enforceability of the G.O. Refunding Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or the exercise of judicial discretion or equitable principles in appropriate cases.

We have examined one of the executed G.O. Refunding Bonds and, in our opinion, the form of said G.O. Refunding Bond and its execution are regular and proper.

Very truly yours,

CHASFS3:115606

APPENDIX G

FORM OF PROPOSED BOND COUNSEL OPINION FOR REVENUE REFUNDING BONDS

[This Page is Intentionally Left Blank]

[Jackson & Kelly letterhead]

_____, 1998

The County Commission of Grant County
5 Highland Avenue
Petersburg, WV 26847

RE: $_____ The County Commission of Grant County [West Virginia] Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $_____ in aggregate principal amount of Hospital Revenue Refunding Bonds (Grant Memorial Hospital), Series 1998C (the "Revenue Refunding Bonds"), of The County Commission of Grant County, West Virginia (the "County Commission"), a body corporate and governmental instrumentality organized and existing under the laws of the State of West Virginia.

The Revenue Refunding Bonds are issued under and pursuant to Chapter 7, Article 3 (the "Hospital Act"), and Chapter 13, Article 2E (the "Refunding Act") of the Code of West Virginia, 1931, as amended (the Hospital Act and the Refunding Act are hereinafter referred to together as the "Act"), and under and pursuant to orders entered by the County Commission on February 11, 1998, and _____, 1998 (together, the "Bond Order"), and a Bond Trust Indenture dated as of May 1, 1998 (the "Bond Indenture"), by and among the County Commission, Grant Memorial Hospital (the "Hospital") and Wesbanco Bank Parkersburg, Parkersburg, West Virginia, as bond trustee (the "Bond Trustee").

The Revenue Refunding Bonds are being issued for the purpose of advance refunding the County Commission's $3,150,000 Hospital Revenue Bonds (Grant Memorial Hospital Project), Series 1994C (the "1994 Revenue Bonds").

We are of the opinion that:

1. The County Commission is a duly created and validly existing statutory corporation acting on behalf of Grant County, a duly created and validly existing political subdivision of the State of West Virginia, and is authorized by the Act to issue and sell the Revenue Refunding Bonds.

2. The County Commission has the right and power under the Act to enter the Bond Order, and the Bond Order has been duly and lawfully entered by the County Commission, is in full force and effect and is valid and binding upon the County Commission and enforceable in accordance with its terms, and no other authorization for the Bond Order is required. The Bond Order and the Bond Indenture create the valid pledge which they purport to create of the Net Revenues, as defined in the Bond Indenture, and the funds held in trust pursuant to the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

3. The County Commission is duly authorized and entitled to issue the Revenue Refunding Bonds, and the same have been duly and validly authorized and issued by the County Commission in accordance with the statutes of the State of West Virginia, including the Act, the Bond Order and the Bond Indenture and constitute valid, binding special obligations of the County Commission, enforceable in accordance with their terms and the terms of the Bond Order and the Bond Indenture and entitled to the benefits of the Act and of the Bond Order and the Bond Indenture.

4. The Bond Indenture has been duly authorized, executed and delivered by the County Commission and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and legally binding agreement by and among the parties thereto, enforceable in accordance with its terms.

5. Under existing statutes and court decisions, the interest on the Revenue Refunding Bonds is excludable from the 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"). In addition, interest on the Revenue Refunding Bonds will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals or corporations. However, interest on the Revenue Refunding Bonds is included under the Code in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Revenue Refunding Bonds in order that, for federal income tax

purposes, interest on the Revenue Refunding Bonds is not includable in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Revenue Refunding Bond proceeds, restrictions on the investment of Revenue Refunding Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Revenue Refunding Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

On the date of delivery of the Revenue Refunding Bonds, the County Commission, the Hospital and the Bond Trustee will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the County Commission and the Hospital covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Revenue Refunding Bonds will not, for the purposes of federal income taxation, be includable in gross income.

In rendering the opinion in paragraph 5 hereof, we have assumed continued compliance of the County Commission, the Hospital and the Bond Trustee with the covenants, provisions and procedures set forth in the Tax Regulatory Agreement.

6. Under the Refunding Act, the Revenue Refunding Bonds and the income therefrom are exempt from State taxation, except inheritance, estate and transfer taxes.

7. The County Commission has designated the Revenue Refunding Bonds as "qualified tax-exempt obligations" for purposes of § 265(b) of the Code and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligations of the County Commission to the extent the amount of the refunding obligations does not exceed the outstanding amount of the refunded obligations) during the calendar year 1998. Therefore, the Revenue Refunding Bonds are "qualified tax-exempt obligations" within the meaning of § 265(b)(3) of the Code.

We express no opinion herein regarding other tax consequences arising with respect to the Revenue Refunding Bonds.

No opinion is expressed herein as to the effect upon enforceability of the Revenue Refunding Bonds of bankruptcy, insolvency, reorganization, moratorium and other

laws affecting creditors' rights or the exercise of judicial discretion or equitable principles in appropriate cases.

We have examined one of the executed Revenue Refunding Bonds and, in our opinion, the form of said Revenue Refunding Bond and its execution are regular and proper.

Very truly yours,

CHASFS3:115599

APPENDIX H

SPECIMEN INSURANCE POLICY

[This Page is Intentionally Left Blank]

FINANCIAL GUARANTY INSURANCE POLICY

Obligor:

Bonds:

Bond Trustee:

Insurance Trustee:

Policy Number:

Premium:

SPECIMEN

Asset Guaranty Insurance Company ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the holders from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the due date, the Insurer shall, not later than such due date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this policy, in full. When referring to interest on the Obligation, "due date" means the stated date for payment of interest.

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This policy is non-cancelable for any reason. Premiums paid on this policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this policy to be issued to the Insurance Trustee for the benefit of the holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this __day of _____, 19__.

ASSET GUARANTY INSURANCE COMPANY

By: _____
Name:
Title:

SPECIMEN

This policy is not covered by the property/casualty insurance security fund established by Article 76 of the New York Insurance Law.

Form FMLI-0101