Shepherd University Board of Governors  
Meeting of April 14, 2005  
Agenda Item No. 5

**FINAL APPROVAL OF ISSUANCE OF SERIES 2005 BONDS**

The following pages contain the Indenture, Preliminary Offering Statement, and Bond Purchase Agreement for the Series 2005 Bond issuance which has been previously authorized by the Board.

The University would issue 30-year bonds in an amount not to exceed $23,595,000, to fund the new apartment complex construction and to pay off the $1.8 million in notes issued to finance the Shaw/Thacher Halls renovations. Bond insurance will be utilized in this issuance.

The Governor has approved this bond issuance. A campus visit by Moody’s Investors Services, Inc. is scheduled for April 19, 2005. Bid requests for the construction have been issued and will be opened April 22. It is anticipated that pricing will be completed May 10, 2005, at which time the Notice to Proceed could be issued to the successful construction bidder.

Adoption of these resolutions would be final action for the Board to authorize this issuance, subject to the final approval of the pricing by the President and Board Chair.

The following resolution is recommended for adoption by the Board:

**SUPPLEMENTAL RESOLUTION OF THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS WITH RESPECT TO THE ISSUANCE BY THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS OF NOT TO EXCEED $23,595,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHEPHERD UNIVERSITY BOARD OF GOVERNORS REVENUE BONDS (SHEPHERD UNIVERSITY RESIDENCE FACILITIES PROJECTS), SERIES 2005**

WHEREAS, by Resolutions adopted on January 8, 2004, April 8, 2004, November 11, 2004 and January 13, 2005 (collectively, the “Prior Resolutions”), the Shepherd University Board of Governors (the “Board”) approved, and by this Supplemental Resolution does hereby approve, the undertaking of certain capital projects relating to the campus of Shepherd University (the “University”), including without limitation the planning, design,
acquisition, construction and equipping of a new residence complex on the West Campus of the University, and the refunding of the Board’s $1,865,000 University Facilities Revenue Notes, Series 2004A, which Notes were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction and equipping of certain renovations and improvements to Shaw Hall and Thacher Hall and other capital renovations and improvements to the University’s residence facilities pending issuance of the Bonds, as hereinafter defined (collectively, the “Project”) and the financing of the costs of the Project through the issuance of the Board’s Revenue Bonds (Shepherd University Residence Facilities Projects) Series 2005 Bonds to be issued in a maximum aggregate principal amount not to exceed $23,595,000 (the “Bonds”), as further set forth in the Prior Resolutions; and

WHEREAS, the Issuer has received the approval of the Higher Education Policy Commission (the “HEPC”) of West Virginia for the Project and the financing of such Project through the issuance of the Bonds in the form of a resolution duly adopted by the HEPC on February 4, 2005 (the “HEPC Resolution”); and

WHEREAS, the Issuer has received the express written consent and direction of the Governor to issue the Bonds as required by Senate Bill No. 1002 enacted by the West Virginia Legislature on January 29, 2005; and

WHEREAS, the Board desires to approve the forms of the Bond Trust Indenture, the Preliminary Official Statement and the Bond Purchase Agreement relating to the Bonds, which shall be substantially in the forms presented at this meeting, with such additions, deletions, modifications or other changes as may be approved by the President of the University, the Chairperson of the Board or Vice Chairperson of the Board (each, an “Authorized Officer”).

NOW, THEREFORE, BE IT RESOLVED BY THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS THAT:

1. The form of the Bond Trust Indenture (the “Indenture”), between the Board and WesBanco Bank, Inc., as Trustee, substantially in the form presented at this meeting, is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver said Indenture on behalf of the Board, with such additions, deletions, modifications or
other changes as shall be approved by the Authorized Officer executing the same, the execution of said Indenture by the Authorized Officer to be conclusive evidence of such approval.

2. The form of the Preliminary Official Statement (the “Preliminary Official Statement”) relating to the Bonds, substantially in the form presented at this meeting, is hereby approved, with such additions, deletions, modifications or other changes as shall be approved by an Authorized Officer.

3. The form of the Bond Purchase Agreement (the “Bond Purchase Agreement”), between the Board and Ferris, Baker Watts, Incorporated, substantially in the form presented at this meeting, is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver said Bond Purchase Agreement on behalf of the Board, with such additions, deletions, modifications or other changes as shall be approved by the Authorized Officer executing the same, the execution of said Bond Purchase Agreement by the Authorized Officer to be conclusive evidence of such approval.

4. WesBanco Bank, Inc. is hereby appointed to serve as Trustee under the Indenture.

5. Except as expressly supplemented, modified or amended hereby, the Prior Resolutions shall remain in full force and effect, and the same are hereby ratified and affirmed in all respects and all prior actions taken by the Board in connection therewith and in connection with the Bonds are likewise ratified and affirmed in all respects.

Adopted by the Shepherd University Board of Governors at a meeting held on April 14, 2005.
In the opinion of Bowles Rice McDavid Graff & Love LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2005 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is includible in adjusted current earnings when calculating corporate alternative minimum taxable income. In addition, under the Act, the Series 2005 Bonds, together with the interest thereon, shall be exempt from all taxation by the State of West Virginia or by any county, school district, municipality or political subdivision thereof. See "Tax Exemption and Other Tax Matters" herein for a description of certain provisions of the Code which may affect the tax treatment of interest on the Series 2005 Bonds for certain beneficial owners of the Series 2005 Bonds.

$23,595,000*

The Shepherd University Board of Governors
Revenue Bonds (Shepherd University Residence Facilities Projects)
Series 2005

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The Series 2005 Bonds are being issued by The Shepherd University Board of Governors (the "Issuer") under a Bond Trust Indenture dated as of May 1, 2005 (the "Indenture") between the Issuer and WesBanco Bank, Inc., as Bond Trustee (the "Bond Trustee"). The Series 2005 Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2005 Bonds. Purchasers of the Series 2005 Bonds will not receive certificates representing their interests in the Series 2005 Bonds purchased. Ownership by the beneficial owners of the Series 2005 Bonds will be evidenced by book-entry only. Principal of, premium, if any, and interest on the Series 2005 Bonds will be paid by the Trustee to DTC, which in turn will remit such principal, premium, if any, and interest payments to its participants for subsequent disbursement to the beneficial owners of Series 2005 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2005 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See "BOOK-ENTRY SYSTEM."

Interest on the Series 2005 Bonds will be payable on December 1, 2005, and semi-annually thereafter on each June 1 and December 1.

The Series 2005 Bonds are secured by and payable from Pledged Revenues of Shepherd University (the "University") which have been pledged to the payment of such Series 2005 Bonds and certain funds held by the Trustee under the Indenture. The Series 2005 Bonds also are payable from (but not secured by) other moneys legally available to be used for such purposes. The sources of payment of, and security for, the Series 2005 Bonds are more fully described in this Official Statement.

The Series 2005 Bonds are subject to optional redemption prior to their maturity dates in the manner set forth herein, and the Series 2005 Bonds are subject to mandatory redemption prior to their maturity dates in the manner set forth herein.

The scheduled payment of the principal of and interest on the Series 2005 Bonds when due will be insured under a bond insurance policy to be issued by _____________________ concurrently with the delivery of the Series 2005 Bonds.

(Insurer’s Logo)

The proceeds of the Series 2005 Bonds will be used, together with other moneys available therefore, to (i) finance the costs of planning, design, acquisition, construction and equipping of a 300-bed apartment style residence complex on the West Campus of the University; (ii) fund capitalized interest on the Series 2005 Bonds to December 1, 2006; (iii) refund the Issuer’s $1,865,000 University Facilities Revenue Notes, Series 2004A, which were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction and equipping of certain renovations and improvements to Shaw Hall and Thacher Hall and other capital renovations and improvements to the University’s residence facilities pending issuance of the Series 2005 Bonds; and (iv) pay the costs of issuance of the Series 2005 Bonds.


The Series 2005 Bonds are offered when, as and if issued by the Issuer and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approving legal opinion of Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the University by its K. Alan Perdue, and for the Underwriter by its Counsel, Goodwin & Goodwin, LLP, Charleston, West Virginia. It is expected that the Series 2005 Bonds will be available for book-entry delivery to DTC in New York, New York, on or about May ___, 2005.

Ferris, Baker Watts, Incorporated

May ___, 2005
**$23,595,000**

Shepherd University Board of Governors
Revenue Bonds (Shepherd University Residence Facilities Projects)
Series 2005

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS***

**SERIES 2005 BONDS**

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<th>Maturity (June 1)</th>
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$ ,___,000 __% Term Bonds due June 1, 2025 at __%
$ ,___,000 __% Term Bonds due June 1, 2035 at __%

*Preliminary, subject to change.
THE ISSUER
The Shepherd University Board of Governors
Shepherdstown, West Virginia

ISSUER’S COUNSEL
General Counsel
Shepherd University
Shepherdstown, West Virginia

BOND COUNSEL
Bowles Rice McDavid Graff & Love LLP
Charleston, West Virginia

BOND TRUSTEE
WesBanco Bank, Inc.
Wheeling, West Virginia

UNDERWRITER’S COUNSEL
Goodwin & Goodwin, LLP
Charleston, West Virginia

BOND INSURER
New York, New York
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOCATE OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 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 ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2005 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The information set forth herein has been obtained from Shepherd University (the “University”), its governing board, The Shepherd University Board of Governors (the “Issuer”), and other sources which are believed to be reliable, but the Underwriter does not guarantee the accuracy or completeness of the information, and the information is not to be construed or relied upon as a representation or promise by the Underwriter. The information and expressions of opinions 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 any of the information set forth herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Underwriter or the University to give any information or to make any representations with respect to the Series 2005 Bonds, other than those contained 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 any offer to buy any of the Series 2005 Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The Series 2005 Bonds are not and will not be registered under the Securities Act of 1933, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of the Official Statement.

This Official Statement contains statements that are “forward-looking” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “intend” and “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to significant risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than with respect to information concerning ____________ (the “Bond Insurer”) contained under the caption “Bond Insurance” and APPENDIX D – “Specimen __________ Policy” herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer, and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2005 Bonds; or (iii) the tax exempt status of the interest on the Series 2005 Bonds.

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OFFICIAL STATEMENT

$23,595,000*
The Shepherd University Board of Governors
Revenue Bonds (Shepherd University Residence Facilities Projects)
Series 2005

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. Capitalized terms used in this Official Statement, unless otherwise defined herein or the context otherwise indicates, shall have the meanings given to them in the Indenture. Certain of these definitions are summarized in APPENDIX C hereto.

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and the Appendices, is to furnish certain information relating to (1) Shepherd University (the “University”), (2) its governing board, The Shepherd University Board of Governors (the “Issuer”), and (3) the Issuer’s Revenue Bonds (Shepherd University Residence Facilities Projects) Series 2005, in the aggregate principal amount of $23,595,000* (the “Series 2005 Bonds”).

The Issuer

The Issuer is the governing board of the University. The Issuer is vested under West Virginia law with various powers and duties with respect to the University, including but not limited to the power and duty to determine, control, supervise and manage the financial, business and education policies and affairs of the University. The Issuer also is responsible for fixing tuition and other fees at the University, subject to approval of the Higher Education Policy Commission of West Virginia (the “Commission”). The Issuer has the power (subject to proper authorization) to issue revenue bonds to finance certain types of projects under the Act (as defined herein). See “THE ISSUER” herein for additional information regarding the Issuer.

The University

The University is situated in the Shenandoah Valley, on the banks of the Potomac River, in Shepherdstown, West Virginia. The oldest town in the state, Shepherdstown is a quaint college community, with the town and campus combining to offer a unique learning-living environment. Located in the Eastern Panhandle of West Virginia, Shepherdstown is within 20 miles of Maryland, Pennsylvania, and Virginia. Within a short drive of the campus are such well-known historic landmarks as Harpers Ferry and the Antietam Battlefield. The United States Capitol and numerous other federal and state facilities are easily accessible. Richmond and Williamsburg, Virginia, as well as New York and Philadelphia are all within a few hours of Shepherdstown.

*Preliminary, subject to change.
The University, a fully accredited public institution of higher education, was founded in 1871. The University provides a broad spectrum of undergraduate degree programs, both baccalaureate and graduate, for residential and commuting students. The University became a four-year college for the training of teachers on July 1, 1930, at which time the institution began granting the Bachelor of Arts degree. Today, the University offers Bachelor of Arts, Bachelor of Fine Arts, and Bachelor of Science degrees in a wide range of fields, encompassing the liberal arts, business administration, teacher education, the social and natural sciences, and other career-oriented areas. The University holds institutional membership in numerous national associations.

**APPENDIX A** contains certain information on the history, organization, operations, and financial condition of the University. **APPENDIX B** contains certain financial statements of the University.

**The Series 2005 Bonds**

The Series 2005 Bonds are being issued pursuant to a Resolution adopted by the Issuer on January 13, 2005, as amended and ratified by the Issuer on April 14, 2005. The Series 2005 Bonds will be issued pursuant to the Constitution and laws of the State of West Virginia, including Chapter 18B, Article 10 and Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended (collectively, the “Act”), and the Bonds will be secured pursuant to a Bond Trust Indenture, dated as of May 1, 2005 (the “Indenture”), between the Issuer and WesBanco Bank, Inc., Wheeling, West Virginia, as trustee (the “Trustee”). The proceeds of the Bonds will be used, together with other moneys available therefore, to (i) finance the costs of planning, design, acquisition, construction and equipping of a 300-bed apartment style residence complex on the West Campus of the University, (ii) fund capitalized interest on the Series 2005 Bonds to December 1, 2006, (iii) refund the Issuer’s $1,865,000 University Facilities Revenue Notes, Series 2004A, which were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction and equipping of certain renovations and improvements to Shaw Hall and Thacher Hall and other capital renovations and improvements to the University’s residence facilities pending issuance of the Series 2005 Bonds, and (iv) pay the costs of issuance of the Series 2005 Bonds (collectively, the “Project”). The Series 2004A Notes were issued in anticipation of being refunded as part of the issuance of the Series 2005 Bonds. The University has received approval of the West Virginia Higher Education Policy Commission and the Governor of West Virginia for the Project and the financing of the Project through the issuance of the Series 2005 Bonds.

In January 2003, the Issuer issued its Student Fee Revenue Bonds, Series 2003 (the “Series 2003 Bonds”), in the original principal amount of $5,990,000, to pay for planning, design, acquisition, construction and equipping certain capital improvements including a new athletic building known as the Ken Boone Field House at Ram Stadium, the expansion and improvement of the Creative Arts Center, a new West Campus parking lot and other capital renovations, repairs and improvements. The Series 2003 Bonds are currently outstanding in the principal amount of $5,885,000. The Series 2003 Bonds are payable from a specific student fee implemented for such purpose, which student fee is a part of the Pledged Revenues. The pledge of such specific student fee in favor of the holders of the Series 2003 Bonds is senior and prior in right to the pledge thereof, as part of the Pledged Revenues, in favor of the Series 2005 Bonds and, accordingly, are not on parity as to liens, pledge and source of and security for payment with the Series 2005 Bonds.

In September 2004, the Issuer issued its Infrastructure Revenue Bonds, Series 2004B (the “Series 2004B Bonds”), in the original principal amount of $3,405,000 to pay for planning, design, acquisition, construction and equipping of certain capital improvements including certain roads, water and sewer system expansion, extensions and improvements and other infrastructure projects on the West Campus of the University and other capital renovations and improvements to the University’s campus. The Series 2004B Bonds are payable from a specific student fee implemented for such purpose, which student fee is a part of
the Pledged Revenues. The pledge of such specific student fee in favor of the holders of the Series 2004B Bonds is senior and prior in right to the pledge thereof, as part of the Pledged Revenues, in favor of the Series 2005 Bonds and, accordingly, are not on parity as to liens, pledge and source of and security for payment with the Series 2005 Bonds.


Security and Sources of Payment for the Series 2005 Bonds

The Series 2005 Bonds are limited obligations of the Issuer, payable from and secured under the Indenture by (1) Pledged Revenues (as hereinafter defined) of the Issuer which have been pledged to the payment of the Series 2005 Bonds, and (2) certain funds held by the Trustee under the Indenture. “Pledged Revenues” are defined in the Indenture as the Fees and Gross Operating Revenues received by the Issuer, calculated in accordance with GAAP, any interest earnings thereon and on the funds and accounts held by the Trustee, and funds representing capitalized interest. (See “The Indenture - Pledge of Revenues” under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS” herein.) The Series 2005 Bonds also are payable from (but not secured by) other moneys legally available to be used for such purposes.

Neither the credit nor the taxing power of the State or any political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Series 2005 Bonds, nor shall the Series 2005 Bonds be or be deemed to be obligations of the State or any political subdivision thereof, nor shall the State or any political subdivision thereof be liable for the payment of the principal of, premium, if any, or interest on the Series 2005 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS” herein.

Bondholders’ Risks

There are certain risks involved in the purchase of the Series 2005 Bonds. See “BONDHOLDERS’ RISKS” herein.

Bond Insurance Policy

___________ Insurance Policy (the “Bond Insurer”) has committed to issue, effective on the date of initial delivery of the Series 2005 Bonds, its ____________ Insurance Policy (the “Bond Insurance Policy”) which will insure the scheduled payment, when due, of the principal of and interest on the Series 2005 Bonds at the stated maturity thereof or upon mandatory sinking fund redemption. The Bond Insurance Policy extends for the term of the Series 2005 Bonds and cannot be canceled by the Bond Insurer.

Payment under the Bond Insurance Policy is subject to the conditions described under “BOND INSURANCE” and in the specimen policy included in APPENDIX D. No representation is made by the Issuer, the University or the Underwriter as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or the Bond Insurance Policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof.
In general, so long as the Bond Insurer is not insolvent and is not in default of its payment obligations under the Bond Insurance Policy, the Bond Insurer will be deemed the registered holder of the Series 2005 Bonds for purposes of consents, waivers, and the direction and exercise of remedies under the Indenture.

Independent Auditors

The combined financial statements of the University as of and for the years ended June 30, 2004 and 2003, included in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

Continuing Disclosure

The Issuer will enter into a Continuing Disclosure Agreement dated as of May 1, 2005 (the “Continuing Disclosure Agreement”), in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to which the Issuer will agree to provide disclosure of certain financial and operating information on an ongoing basis. Such information will include (a) audited annual financial statements of the Issuer and certain annual operating information pertaining to the Issuer and (b) notice of the occurrence of certain specified events, if material. The Issuer has complied with all prior disclosure requirements under Rule 15c2-12. The form of the Continuing Disclosure Agreement is set forth in APPENDIX E.

Definitions and Summaries of Documents

Definitions of certain words and terms used in the Official Statement and summaries of the Indenture are included in this Official Statement in APPENDIX C. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the office of WesBanco Bank, Inc., in Wheeling, West Virginia, and will be provided to any prospective purchaser requesting the same upon payment by such prospective purchaser of the cost of complying with such request.

THE ISSUER

The Board of Governors

In 2000, the University, then known as Shepherd College, was a part of the State College System of West Virginia, under the governance of a board designated as the Board of Directors of the State College System of West Virginia (the “Board of Directors”). On March 19, 2000, the West Virginia Legislature enacted Senate Bill No. 653 (“S.B. 653”), which restructured higher education in West Virginia. S.B 653 abolished the Board of Directors, effective June 30, 2000, and replaced it with a transition-year board, the West Virginia Higher Education Interim Governing Board (the “Interim Governing Board”). The Interim Governing Board was granted all powers, duties and authorities of the Board of Directors, and there was transferred to the Interim Governing Board each valid agreement and obligation previously transferred to or vested in the Board of Directors.

S.B. 653 also created the Commission. The Commission is responsible for developing, gaining consensus around and overseeing the implementation of a higher education public policy agenda and other duties, including preparation of the statewide budgets for higher education. For additional information regarding the Commission and University governance, see APPENDIX A hereto.
Effective July 1, 2001, certain powers transferred to the Interim Governing Board were transferred to newly-created governing boards of each of the institutions of higher education in West Virginia (the “Governing Boards”). The Governing Board of the University is The Shepherd University Board of Governors, i.e., the Issuer. As such, the Issuer has the duty to manage the financial, business and education policies and affairs of the University under specific functions and responsibilities to meet its higher education needs, the duty to prepare and submit the University’s budget request, the duty to review at least every five years all academic programs offered at the University, and the power to fix tuition and other fees for the different classes or categories of students enrolled at the University, subject to approval and limited oversight by the Commission.

In 2004, the West Virginia Legislature enacted Senate Bill 448, the purposes of which included removing the Community and Technical College of Shepherd (the “CTC”) from the University. The CTC has received accreditation from the North Central Association and has become a separate institution as of February 8, 2005. As of July 1, 2005, the CTC will become fiscally independent of the University. The facilities and equipment associated with the CTC, as well as its financial resources and liabilities, will be transferred to the CTC by the University as of that date. The University anticipates that the net asset transfer will total approximately $2 million. For the fall 2004 semester, the CTC full-time equivalent enrollment was 680, or 17.6% of the University’s enrollment. Only 20 CTC students resided in the University’s residence halls during the fall 2004 semester. The University anticipates that the occupancy rate for the residence halls will not decline because the demand for housing will increase as enrollment increases.

The Issuer, as the Governing Board of the University, consists of thirteen members, including nine lay members appointed by the Governor of the State, with the advice and consent of the State Senate, the chairperson of the Board of Governors of the CTC (ex officio and non-voting), one member of the University faculty, one institutional classified employee of the University, and one University student. On March 13, 2004, Shepherd College officially became known as Shepherd University. For a listing of the names of the members of the Issuer and a further discussion of the powers and duties of the Issuer, see APPENDIX A hereto.

Student Fees

On March 21, 2004, the West Virginia Legislature enacted House Bill 101 (“HB 101”), which amended portions of the Act with respect to fees to be charged to students at institutions of higher education in the State and consolidated a variety of fees into several discrete categories. These categories, as set forth in Sections 1 and 8 of the Act (W. Va. Code §18B-10-1 and §18B-10-8), include:

1. Tuition and required educational and general fees;
2. Auxiliary and auxiliary capital fees; and
3. Required educational and general capital fees.

Pursuant to the Act, the Issuer, as the Governing Board of the University, is empowered to fix fees to be charged to its students in the categories described above, subject to the approval of the Commission.

A portion of the above-described fees currently charged by the University already has been pledged as security for certain bonds previously issued by the Commission or its predecessors (the “Prior Commission Bonds”). Specifically, a portion of the required educational and general capital fees, which is the third category of the University’s fees described above, has been pledged as security for the Prior Commission Bonds, but only the component part of the required educational and general capital fees charged by the University that constituted tuition and registration fees in effect as of March 21, 2004, has been pledged to support the Prior Commission Bonds. The tuition and registration fees charged by the University, which were in effect on March 21, 2004, are therefore not pledged in the Indenture.
To generate fees for payment of the Debt Service Charges on the Series 2005 Bonds, the Issuer has the power and authority to set fees in the second category described above, namely “Auxiliary and auxiliary capital fees.” “Auxiliary fees” are charges levied on students to support auxiliary enterprises or optional charges levied only on students using the auxiliary service, including sales and service revenue from entities that exist predominately to furnish goods or services to students, faculty or staff such as residence halls, faculty and staff housing, food services, intercollegiate athletics, student unions, bookstores, parking and other auxiliaries. “Auxiliary capital fees” are charges levied on students to support debt service, capital projects and campus maintenance and renewal for the auxiliary facilities of the institution. In addition, the Issuer can establish new institutional fees in the third category described above, namely “Required educational and general capital fees,” in addition to the tuition and registration fees that are pledged to the Prior Commission Bonds. The Issuer established new required educational and general capital fees in January 2003 (effective Fall 2003) and in April 2004 (effective Fall 2004), which have been pledged as security for the Series 2003 Bonds and the Series 2004B Bonds, respectively. However, these new required educational and general capital fees do not constitute tuition and registration fees and, accordingly, are not pledged as security for the Prior Commission Bonds. “Required educational and general capital fees” include charges levied on all students at an institution to support debt service, capital projects and campus maintenance and renewal for an institution’s educational and general educational facilities. The auxiliary and auxiliary capital fees, the new required educational and general capital fees instituted in January 2003 and in April 2004, subject to the respective pledges thereof as security for the Series 2003 Bonds and the Series 2004B Bonds, respectively, and any required institutional educational and general capital fees imposed after March 21, 2004, collectively, are one source of funds that constitute “Pledged Revenues” from which the principal or redemption price of, and interest on, the Series 2005 Bonds are to be paid. (“Pledged Revenues” also include Gross Operating Revenues received by the Issuer, calculated in accordance with GAAP, any interest earnings thereon and on the funds and accounts held by the Trustee, and funds representing capitalized interest.) For a further discussion of “Pledged Revenues,” see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS” herein.

Any proposed increase in student fees by the Issuer requires the approval of the Commission. Under the Act, the Issuer may propose tuition and fee increases of up to 9-1/2% for undergraduate resident students for any Fiscal Year.

PLAN OF FINANCING

Campus Master Plan

The University’s Master Plan was approved in 2001 and updated in 2004. The Campus Master Plan outlines a set of long-term physical growth recommendations in support of the University’s mission and strategic plan. New learning, assembly, residential, dining performance, recreational, athletic, administrative and program support facilities will be achieved through new construction, reuse and renovation projects on campus.

The Master Plan identified the need for certain capital improvements on the West Campus as high priorities, including the expansion and improvement of the creative arts center, a new athletic building, a new parking lot, roadwork, water and sewer expansion, and other infrastructure improvements. These capital improvements were addressed with the University’s issuance of the Series 2003 Bonds Series 2004B Bonds. The planning, design, acquisition, and construction of new residence halls were also identified in the Campus Master Plan as a high priority.
The Series 2005 Project

A portion of the proceeds of the Series 2005 Bonds will be used, together with other moneys available therefore, to finance the costs of planning, design, acquisition, construction and equipping of a 300-bed apartment style residence complex on the West Campus of the University (the “Project”). Additional proceeds from the Series 2005 Bonds will be used to fund capitalized interest on the Series 2005 Bonds to December 1, 2006, refund the Series 2004A Notes, and pay the costs of issuance of the Series 2005 Bonds.

The University does not currently provide apartment style housing that is in demand by junior and senior students. The housing complex will consist of two buildings, almost mirror images of one another connected by a common area. Apartment suites will range in size from two to six beds and include kitchens. Each building will be three stories and utilize concrete construction. The Project is included in the University’s Campus Master Plan.

Sources and Uses of Funds

The following table is a summary of the estimated sources of funds and the uses of such funds in connection with the plan of financing:

<table>
<thead>
<tr>
<th>Sources of Funds:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>$</td>
</tr>
<tr>
<td>Original Issue Premium</td>
<td></td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Original Issue Discount</td>
<td></td>
</tr>
<tr>
<td>Project Fund</td>
<td>$</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td></td>
</tr>
<tr>
<td>Bond Insurance Premium</td>
<td></td>
</tr>
<tr>
<td>Refunding of Series 2004A Notes</td>
<td></td>
</tr>
<tr>
<td>Underwriters’ Discount</td>
<td></td>
</tr>
<tr>
<td>Costs of Issuance(1)</td>
<td></td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$</td>
</tr>
</tbody>
</table>

(1) Includes fees and expenses of Bond Counsel, Underwriter’s Counsel, the Issuer and the Trustee, Trustee’s Counsel, fees for the rating agencies, bond insurance premium, Underwriters’ Discount, other legal fees, if any, accounting fees, printing fees and miscellaneous fees and expenses.

THE SERIES 2005 BONDS

General Description

The aggregate principal amount of the Series 2005 Bonds is $23,595,000*. The Series 2005 Bonds are initially dated the date of delivery and bear interest at the rates and mature in the principal amounts and on the dates listed in the maturity schedule on the inside front cover of this Official Statement. Interest on the Series 2005 Bonds is payable semi-annually on June 1 and December 1 (each an “Interest Payment Date”) of each year, commencing December 1, 2005. The Series 2005 Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the dated date, payable on each Interest Payment Date until the date of maturity or redemption, which ever first occurs.
The Series 2005 Bonds shall be delivered in the form of fully registered Series 2005 Bonds, in denominations of $5,000 or any integral multiple thereof. The principal or redemption price of the Series 2005 Bonds is payable to the Bondholders at the principal corporate trust office of the Trustee. Interest on the Series 2005 Bonds shall be paid to the Person whose name appears on the Bond Register as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date. Interest payable to a Bondholder owning an aggregate principal amount of $1,000,000 or more of the Series 2005 Bonds may, upon written request by such Bondholder received by the Trustee at least one Business Day before the Record Date for such Interest Payment Date, be paid by wire transfer in immediately available funds to a designated account within the United States.

In the event of any default, defaulted interest will be payable to the person in whose name such Series 2005 Bond is registered at the close of business on a Special Record Date established by the Trustee and set forth in a notice mailed by the Trustee on behalf of the Issuer to the registered owners of Series 2005 Bonds, which Special Record Date shall be not more than 15 days nor less than 10 days prior to the date established by the Trustee for payment. Not less than 15 days prior to such Special Record Date, such notice will be mailed to the persons in whose names the Series 2005 Bonds are registered.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2005 Bonds and each maturity of the Series 2005 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U. S. and non-U. S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
Purchases of Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as DTC serves as securities depository for the Series 2005 Bonds, redemption and other notices shall be sent only to Cede & Co. If less than all Series 2005 Bonds of a maturity and series are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such 2004 B Bonds or 2004 C Bonds to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
THE ISSUER AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DIRECT PARTICIPANT PERTAINING TO OWNERSHIP IN THE SERIES 2005 BONDS OR THE PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.


DTC may discontinue providing its services as depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2005 Bonds will be printed and delivered as provided in the Indenture. The Issuer may decide to discontinue use of the system of book-entry transfers for the Series 2005 Bonds through DTC (or a successor securities depository). Under such circumstances, certificates for the Series 2005 Bonds will be printed and delivered as provided in the Indenture.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC. The Issuer, the University and the Underwriter take no responsibility for the accuracy thereof.

Redemption*

Mandatory Redemption. In the manner and upon the terms and conditions provided in the Indenture, the Series 2005 Bonds maturing on June 1, 2025, are subject to redemption prior to their stated Maturity Date, in part, from Mandatory Sinking Account Payments deposited in the Principal Fund on June 1 of each of the years set forth below, in the principal amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$</td>
</tr>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
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<tr>
<td>2020</td>
<td></td>
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<tr>
<td>2021</td>
<td></td>
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<tr>
<td>2022</td>
<td></td>
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<tr>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
</tr>
<tr>
<td>2025**</td>
<td></td>
</tr>
</tbody>
</table>

In the manner and upon the terms and conditions provided in the Indenture, the Series 2005 Bonds maturing on June 1, 2035, are subject to redemption prior to their stated Maturity Date, in part, from Mandatory Sinking Account Payments deposited in the Principal Fund on June 1 of each of the years set forth below, in the principal amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.
Series 2005 Bonds Maturing June 1, 2035

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2026</td>
<td>$</td>
<td>2031</td>
<td>$</td>
</tr>
<tr>
<td>2027</td>
<td></td>
<td>2032</td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td></td>
<td>2033</td>
<td></td>
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<tr>
<td>2029</td>
<td></td>
<td>2034</td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td>2035**</td>
<td></td>
</tr>
</tbody>
</table>

*Preliminary, subject to change.
** Final Maturity

Optional Redemption. The Series 2005 Bonds maturing on and after June 1, 20__, are subject to redemption at the option of the Issuer, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at the applicable Redemption Price (expressed as percentages of the principal amount to be so redeemed) set forth in the table below, plus interest, if any, accrued to the date fixed for redemption.

<table>
<thead>
<tr>
<th>Optional Redemption Period (both dates inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1, 20__ to May 31, 20__</td>
<td>___%</td>
</tr>
<tr>
<td>June 1, 20__ and thereafter</td>
<td>___%</td>
</tr>
</tbody>
</table>

In the event of such optional redemption, the Issuer may direct the maturity or maturities of the Series 2005 Bonds and the amounts thereof to be redeemed, provided that Series 2005 Bonds will be redeemed in whole multiples of $5,000 in principal amount.

Extraordinary Redemption. The Series 2005 Bonds are subject to extraordinary optional redemption on any date at a redemption price of 100% of the principal amount thereof plus interest accrued thereon, in whole or in part, from (1) unexpended Bond proceeds deposited in the Redemption Fund or (2) any condemnation awards or insurance proceeds that are not used to repair, rebuild or rearrange the Project in the event of any damage to or destruction of the Project or any condemnation of title to or the use of the Project. Any Extraordinary Redemption shall be effected by the Trustee.

Notice of Redemption

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 15 nor more than 60 days prior to the date fixed for redemption, to the Bond Insurer, the Rating Agencies then rating the Series 2005 Bonds, and the respective Holders of any Series 2005 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of delivery and Series designation of the Series 2005 Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the Series 2005 Bonds to be redeemed and, in the case of Series 2005 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2005 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2005 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such Series 2005 Bond shall cease to accrue, and shall require that such Series 2005 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.
Failure by the Trustee to mail notice of redemption to the Bond Insurer, the Rating Agencies then rating the Series 2005 Bonds, or to any one or more of the Holders of any Series 2005 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

With respect to notice of any optional redemption of the Series 2005 Bonds, unless moneys sufficient to pay the redemption price of the Series 2005 Bonds to be redeemed shall have been received by the Trustee prior to the giving of that notice, the notice shall state that the redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for the redemption and the satisfaction of other conditions required in the Indenture. If such moneys shall not have been so received, the notice shall be of no force and effect, the Series 2005 Bonds shall not be redeemed pursuant thereto and the Trustee shall give notice, in the manner in which notice of redemption was given, that such moneys were not received.

Selection of Series 2005 Bonds for Redemption. If less than all of the Series 2005 Bonds or any given portion thereof are to be redeemed, the Issuer shall select the maturities of the Series 2005 Bonds of such Series to be redeemed, in denominations of $5,000 and integral multiples thereof, and, within the maturities, the Trustee shall select the particular Series 2005 Bonds to be redeemed by lot, or by such other method as the Trustee determines to be fair and reasonable. The Trustee shall promptly notify the Issuer in writing of any redemption of the Series 2005 Bonds or portions thereof so selected for redemption.
Debt Service Schedule

Payments of principal (including mandatory sinking fund redemptions) and interest on the Series 2005 Bonds for each year ending June 1, are shown below:

<table>
<thead>
<tr>
<th>Year (June 1)</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
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<td>2008</td>
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<td></td>
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<tr>
<td>2009</td>
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<td></td>
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<tr>
<td>2010</td>
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<td></td>
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<tr>
<td>2011</td>
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<td></td>
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<tr>
<td>2012</td>
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<td>2013</td>
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<td>2014</td>
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<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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<tr>
<td>2018</td>
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<td></td>
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<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2020</td>
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<td>2021</td>
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<td>2022</td>
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<td>2024</td>
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<td>2026</td>
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<td>2034</td>
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<td>2035</td>
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<td></td>
<td></td>
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<tr>
<td>TOTAL</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS

Limited Obligations

The Series 2005 Bonds are special limited obligations of the Issuer. The Series 2005 Bonds and the interest payable thereon and other costs incident thereto will not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith and credit of the State of West Virginia or any political subdivision thereof within the purview of any constitutional or statutory limitation and shall never constitute nor give rise to a charge against the general credit or taxing power, if any, of any of them. No owner of the Series 2005 Bonds will have any right to compel any exercise of the taxing power of the State of West Virginia, or any political subdivision of the State of West Virginia, to pay the principal of the Series 2005 Bonds, or the interest or premium, if any, thereon. Payment of the Series 2005 Bonds, including the principal thereof, redemption premium, if any, and the interest thereon, will be made from the funds and obligations duly pledged in the Indenture. The Series 2005 Bonds also are payable from (but not secured by) other moneys legally available to be used for such purposes. There will be no pledge of any of the credit or the taxing power, if any, of the Issuer, the State of West Virginia, or any political subdivision of the State of West Virginia, to the obligations of the Series 2005 Bonds, and no owner of any of the Series 2005 Bonds can ever submit a claim against such credit or taxing power.

The Indenture

Trust Estate. Under the Indenture, in order to secure the payment of the principal of and interest on all of the Series 2005 Bonds and any Additional Bonds hereafter issued, according to their tenor and effect, and to secure the performance and observance by the Issuer of all of the covenants expressed or implied in the Indenture and in the Series 2005 Bonds, the Issuer grants, bargains, sells, conveys, transfers, assigns and pledges unto the Trustee, and its successors in trust and assigns forever, and grants to it and them a security interest in the following described property (the “Trust Estate”):

(a) All rights, title and interest of the Issuer in and to the Pledged Revenues (as defined in the Indenture and in APPENDIX C hereto; see also the next subsection herein), and the present and continuing right to make claim for, collect and receive such Pledged Revenues, subject to the terms and conditions of the Indenture; and

(b) All moneys and securities held by the Trustee in any fund or account under the Indenture and earnings thereon, excepting only the Rebate Fund (as defined in the Indenture and in APPENDIX C hereto).

The Trustee shall hold in trust the Trust Estate, whether now owned or hereafter acquired, unto itself and its respective successors in trust and assigns forever, upon the terms and conditions set forth in the Indenture for the equal and proportionate benefit and security of all present and future owners of the Bonds, except as otherwise provided in the Indenture, without preference of any Bond over any other, and for enforcement of the payment of the Bonds in accordance with their terms, and all other sums payable under the Indenture or on the Bonds and for the performance of and compliance with the obligations, covenants and conditions of the Indenture, as if all the Bonds at any time Outstanding (as defined in the Indenture and in APPENDIX C hereto) had been authenticated, executed and delivered simultaneously with the execution and delivery of the Indenture, all as set forth in the Indenture. See “Summary of the Indenture” in APPENDIX C.

Pledge of Revenues. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Pledged Revenues and any other amounts (including proceeds of the sale of Series 2005 Bonds) held in any fund or account
established pursuant to the Indenture (other than the Rebate Fund) are pledged to secure the payment of the principal of and premium, if any, and interest on the Series 2005 Bonds, in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a security interest in such assets and shall attach and be valid and binding from and after delivery by the Trustee of the Series 2005 Bonds, without any physical delivery thereof or further act.

The Issuer in the Indenture transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Series 2005 Bonds, all of the Pledged Revenues and other assets pledged under the Indenture (as described in the immediately preceding paragraph hereof). Except as specifically provided in the Indenture, the Issuer shall collect and receive all of the Pledged Revenues and may use such Pledged Revenues in its sole discretion. If an Event of Default has occurred and is continuing, the Trustee shall establish and maintain, so long as the Event of Default is continuing, a separate fund to be known as the “Revenue Fund,” into which all Pledged Revenues shall be deposited with the Trustee immediately upon receipt by the Issuer, to be released upon cure of the Event of Default. If an Event of Default has occurred and is continuing, all Pledged Revenues then held or thereafter received by the Trustee pursuant to the Indenture shall be applied by the Trustee as provided in the Indenture. Subject to the provisions of the Indenture with respect to the control of remedial proceedings by the Bond Insurer, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer that have been assigned to the Trustee. All Pledged Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. To the extent that the Indenture confers any rights, remedy or claim under or by reason of the Indenture to the Bond Insurer, such Person is explicitly recognized as a third party beneficiary under the Indenture, so long as such Person is not in default under the Bond Insurance Policy in the case of the Bond Insurer.

The pledge and assignment of the Indenture shall be extended to any Additional Bonds pursuant to the applicable Supplemental Indenture, and the deposits into the Interest Fund, the Principal Fund, the Redemption Fund and the Rebate Fund shall be increased as required to provide for such Additional Bonds.

“Pledged Revenues” are defined in the Indenture as “the Fees and Gross Operating Revenues received by the Issuer, calculated in accordance with GAAP, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest.” “Fees” are defined in the Indenture as “Institutional Capital Fees, Auxiliary Fees and Auxiliary Capital Fees.” “Institutional Capital Fees” are defined in the Indenture as “the required educational and general capital fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of supporting debt service, capital projects and campus maintenance and renewal for the University’s educational and general educational facilities, exclusive of that component part of the required educational and general capital fees of the University that constituted registration and tuition fees in effect as of March 21, 2004, and imposed and collected under the Act for the purpose of supporting debt service of systemwide bond issues.” “Auxiliary Fees” are defined in the Indenture as “the auxiliary fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of operating and financing the Auxiliary Facilities.” “Auxiliary Capital Fees” are defined in the Indenture as “the auxiliary capital fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of supporting debt service, capital projects and campus maintenance and renewal for the Auxiliary Facilities of the University.” “Auxiliary Facilities” means, collectively, all auxiliary facilities of the University, including but not limited to all dormitories, student housing facilities, food service facilities, student union facilities, athletic facilities, transportation facilities, and motor vehicle parking facilities, now or hereafter situated on the Shepherdstown, West Virginia campus of the University.” “Gross Operating Revenues” are defined in the Indenture as “all rents, fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities, exclusive of the Auxiliary Fees, the Auxiliary Capital Fees and as otherwise required by statute.”
The student fees received by the Issuer for payment of the principal of and interest on the Series 2003 Bonds and the Series 2004B Bonds are included in Pledged Revenues. Accordingly, such revenues could be used for payment of the principal of and interest on the Series 2005 Bonds, subject to prior payment of the principal of and interest on the Series 2003 Bonds and the Series 2004B Bonds.

**Rate Covenant.** The Issuer covenants that it will, or will cause the University to, prior to the issuance of the Bonds, fix, maintain and collect the schedule or schedules of Fees and to operate the Auxiliary Facilities so as to produce Gross Operating Revenues, in the aggregate, at all times in an amount adequate to produce Pledged Revenues, when combined with other moneys legally available to be used for such purposes, sufficient to make the prescribed payments into the funds and accounts created under the Indenture, and that it will, or will cause the University, from time to time, to take all action within its power to revise such schedule or schedules of Fees and to operate the Auxiliary Facilities so as to produce Gross Operating Revenues, in the aggregate, that will produce Pledged Revenues, when combined with other moneys legally available to be used for such purposes, each Fiscal Year equal to at least 100% of Maximum Annual Debt Service.

**Additional Bonds.** Additional Bonds may be issued from time to time pursuant to the Indenture for any one or more of the following purposes: (a) financing the costs of the design, acquisition, construction and equipping of new facilities and/or improvements to existing facilities or (b) refunding all or a portion of one or more series of Bonds issued pursuant to the Indenture. In the event Additional Bonds are issued, the Issuer and Bond Trustee shall enter into a Supplemental Indenture, the purpose of which shall be to authorize the Additional Bonds and pledge the Trust Estate as security therefor.

No Additional Bonds shall be authenticated and delivered by the Trustee unless there has been or is simultaneously with the issuance of the Additional Bonds delivered to the Trustee:

(a) The resolutions, documents and opinions required for delivery of the Series 2005 Bonds pursuant to the Indenture, appropriately modified;

(b) An Issuer's Certificate to the effect that the Issuer is not in default under the Indenture; and

(c) (i) A certificate of an Authorized Representative to the effect that the Pledged Revenues for each of the preceding two Fiscal Years have equaled or exceeded 100% of Maximum Annual Debt Service on all Outstanding Bonds and the Additional Bonds to be issued, taking into effect the additional Debt Service Charges to be incurred following issuance thereof; or

(ii) A certificate from an Independent Certified Public Accountant to the effect that the Pledged Revenues (A) have equaled or exceeded 1.00 times Debt Service Charges for each of the preceding two Fiscal Years and (B) are projected to equal or exceed 1.00 times Debt Service Charges for the Fiscal Year immediately following the date of issuance of such Additional Bonds, taking into effect the additional Debt Service Charges to be incurred following issuance thereof, the estimated average increased annual Gross Operating Revenues to be derived from the operation of the new facilities and/or improvements to existing facilities to be financed by such Additional Bonds, and new or increased Fees imposed or to be imposed by the Issuer prior to the issuance of the Additional Bonds.

Additional Bonds issued under the provisions and within the limitations of the Indenture shall be payable from the Trust Estate on a parity with the Series 2005 Bonds, and all the covenants and other
provisions of the Indenture (except as to details of such Additional Bonds inconsistent with the Indenture) shall be for the equal benefit, protection and security of the Owners of the Series 2005 Bonds and the Owners of any Additional Bonds subsequently issued from time to time within the limitations of and in compliance with the Indenture. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to the pledge of the Trust Estate, and their source of and security for payment from said Trust Estate, without preference of any Bond over any other.

**Events of Default.** Under the Indenture, any one or more of the following events shall be Events of Default:

(A) Default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

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

(C) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, that such 30-day period may be extended to 60 days (1) if the default is one that is capable of cure but cannot be cured in 30 days and the Issuer begins corrective action within the 30-day period and works diligently to cure the default or (2) with the prior written consent of the Bond Insurer.

During the continuance of an Event of Default, unless the principal of all the Series 2005 Bonds shall have already become due and payable, the Trustee, upon (i) the written direction of the Bond Insurer or (ii) the written direction of the Holders of not less than 66-2/3% in aggregate principal amount of the Series 2005 Bonds at the time Outstanding with the consent of the Bond Insurer, shall promptly upon such occurrence, by notice in writing to the Issuer and the Bond Insurer declare the principal of all the Series 2005 Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Series 2005 Bonds contained to the contrary notwithstanding. The Bond Insurer is obligated to pay only on the original maturity schedule of the Series 2005 Bonds. The Bond Insurer may in its discretion pay the accelerated principal and interest accrued on such principal to the date of acceleration. In either case, the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date, the Bond Insurer’s obligations under the Bond Insurance Policy with respect to such Series 2005 Bonds shall be fully discharged.

**Estimated Debt Service Coverage**

The University’s estimated debt service coverage for the Series 2005 Bonds for fiscal years ending June 30, 2007 through 2009 are based on an estimate of the University’s auxiliary revenues and other Pledged Revenues generated in such years. (See APPENDIX A, “Pledged Revenue and Debt Service Coverage.”) The numbers in this section are based upon the best information available to the Issuer, and the actual results may vary from this forecast.
BOND INSURANCE

________________ has supplied the following information for inclusion in this Official Statement. No representation is made by the Issuer or the Underwriter as to the accuracy or completeness of this information.

Payments Under the Bond Insurance Policy

Concurrently with the issuance of the Series 2005 Bonds, _____________ (" ____________") will issue its Municipal Bond New Issue Insurance Policy for the Series 2005 Bonds (the "Bond Insurance Policy"). The Bond Insurance Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2005 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer. _____________ will make such payments to _____________, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which _____________ shall have received notice (in accordance with the terms of the Bond Insurance Policy) from an owner of Series 2005 Bonds or the Trustee of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Series 2005 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in _____________. The term "nonpayment" in respect of a Series 2005 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Series 2005 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Bond Insurance Policy is non-cancellable by _____________. The Bond Insurance Policy covers failure to pay principal (or accreted value, if applicable) of the Series 2005 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Series 2005 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Bond Insurance Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Series 2005 Bonds is accelerated, _____________ will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, _____________ will become the owner of the Series 2005 Bond, appurtenant coupon or right to payment of principal or interest on such 2004 Bond and will be fully subrogated to all of the Bondholder’s rights thereunder.

The Bond Insurance Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or payment agent, if any.

As a condition of its commitment to insure the Series 2005 Bonds, _____________ may be granted certain rights under the Series 2005 Bond documentation. The specific rights, if any, granted to _____________ in connection with its insurance of the Series 2005 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.
The Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides insurance for public finance and structured finance obligations. is licensed to engage in insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law (“Article 69”), a comprehensive insurance statute. is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles (“SAP”) and other reports. In addition, Article 69, among other things, limits the business of each insurer, including , to insurance and certain related lines.

For the three months ended March 31, 2005, and the years ended December 31, 2004 and December 31, 2003, had written directly or assumed through reinsurance, guaranties of approximately billion, billion and billion par value of securities, respectively (of which approximately %, % and %, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately million, million and million, respectively. For the three months ended March 31, 2005, had reinsured, through facultative arrangements, approximately % of the risks it had written.

As of March 31, 2005, had net admitted assets of approximately billion, total liabilities of approximately billion, and total capital and policyholders' surplus of approximately billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of as of March 31, 2005, and the audited financial statements of as of December 31, 2004 and December 31, 2003, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of (if any) included in documents filed by with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of ’s most recent GAAP and SAP financial statements are available upon request to: , , , , NY 100_.

Attention: Department. ’s telephone number is (212) __-___.

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___________’s Credit Ratings

The financial strength of _____________ is rated “AAA” by Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., “Aaa” by Moody’s Investors Service, and “AAA” by Fitch Ratings. Each rating of _____________ should be evaluated independently. The ratings reflect the respective ratings agencies’ current assessments of the insurance financial strength of _____________. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Series 2005 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2005 Bonds. _____________ does not guarantee the market price or investment value of the Series 2005 Bonds nor does it guarantee that the ratings on the Series 2005 Bonds will not be revised or withdrawn.

Neither _____________ nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Series 2005 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to _____________ or the Bond Insurance Policy under the heading “BOND INSURANCE.” In addition, _____________ makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds.

BONDHOLDERS’ RISKS

General

The Series 2005 Bonds are limited obligations of the Issuer and are payable from Pledged Revenues and from certain funds held by the Trustee pursuant to the Indenture and from other moneys legally available to be used for such purposes. No representation or assurance can be given to the effect that the University will generate sufficient Pledged Revenues to meet the University’s payment obligations under the Indenture or to operate the University’s auxiliary facilities. Future legislation, regulatory actions, economic conditions, legal matters, changes in the number of students in attendance at the University, changes in the number of students using certain auxiliary facilities, changes in the level of grants and contracts or other factors could adversely affect the University’s ability to generate such revenues. The Underwriter has not made any independent investigation of the extent to which any such factors could have an adverse impact on the revenues of the University.

The University, or any entity, may need to use all or a substantial portion of Pledged Revenues to operate and maintain its auxiliary enterprises to generate the revenues derived therefrom. Therefore, Gross Operating Revenues may not create sufficient net income, together with Fees, to satisfy debt service on the Series 2005 Bonds.

In the event the Issuer is unable to complete the construction of the Project by the beginning of the Fall semester commencing in August 2006 or is unable to rent a sufficient percentage of the rooms to be contained in the Project, no capitalized interest will be available to make the interest payments on the Series 2005 Bonds beyond December 1, 2006. In such event, the Issuer will make the required payments through any combination of securing revenue by temporarily housing students in alternative locations, utilizing other available auxiliary revenues, and/or look to its remedial rights against the contractor building the Project, including the payment and performance bonds posted by such contractor and the liquidated damages to be paid by such contractor in the event of delay in project completion.
Covenant to Maintain Tax-Exempt Status of the Series 2005 Bonds

The tax-exempt status of the Series 2005 Bonds is based on the continued compliance by the Issuer and the University with certain covenants contained in the Indenture and certain other documents executed by the Issuer and the University. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government and private use. Failure to comply with such covenants could cause interest on the Series 2005 Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2005 Bonds.

Enforceability of Remedies

The remedies available to Bondholders upon an Event of Default under the Indenture are in many respects dependent upon judicial action which is subject to discretion or delay. Under existing law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Indenture may not be readily available or may be limited. A court may decide not to order specific performance. As a governmental entity, the Issuer is not subject to the West Virginia Uniform Commercial Code (Chapter 46 of the Code of West Virginia, 1931, as amended), and as such, the Bondholders may not avail themselves of the perfection and other provisions of the West Virginia Uniform Commercial Code.

The various legal opinions to be delivered concurrently with the original delivery of the Series 2005 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws or legal or equitable principles affecting creditors’ rights.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of the University to an extent that cannot be determined at this time.

1. Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
2. Increased costs and decreased availability of public liability insurance.
3. Changes in the demand for higher education in general or for programs offered by the University in particular or in utilization of certain of the University’s auxiliary enterprises or facilities.
4. Cost and availability of energy.
5. A decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education.
6. An increase in the costs of health care benefits, retirement plan, or other benefit packages offered by the University to its employees and retirees.
7. Unknown litigation.
8. Elimination of external funding for research.
9. Difficulties in the State’s economy, in the State’s General Fund budget, changes in the State’s funding priorities, or other related events causing a decrease in State appropriations to the University.
TAX EXEMPTION AND OTHER TAX MATTERS

Federal Tax Exemption

In the opinion of Bowles Rice McDavid Graff & Love LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2005 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is includible in adjusted current earnings when calculating corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

The Code imposes various restrictions, conditions and requirements relating to the excludability from gross income for federal income tax purposes of interest on obligations such as the Series 2005 Bonds. The Issuer and the University have covenanted to comply with certain restrictions designed so that interest on the Series 2005 Bonds will not be includible in federal gross income. Failure to comply with these covenants may result in interest on the Series 2005 Bonds being includible in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2005 Bonds. The opinion of Bond Counsel assumes compliance with these covenants, and Bond Counsel has not been retained to monitor compliance with requirements and covenants such as described above subsequent to the issuance of the Series 2005 Bonds. The opinion of Bond Counsel assumes compliance with these covenants, and Bond Counsel has not been retained to monitor compliance with requirements and covenants such as described above subsequent to the issuance of the Series 2005 Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2005 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2005 Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code or to the regulations promulgated or proposed pursuant to the Code, will not adversely affect the value of, or the tax status of interest on, the Series 2005 Bonds. Prospective purchasers of Series 2005 Bonds are urged to consult their own tax advisors, including with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2005 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2005 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Bowles Rice McDavid Graff & Love LLP; provided, that Bond Counsel has not been retained, and is not obligated, to give such advice or approval.

West Virginia Tax Exemption

In the opinion of Bond Counsel, under the Act, the Series 2005 Bonds, and all interest and income thereon, shall be exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof, except inheritance taxes.

Other Tax Matters

Except as expressly stated above, Bond Counsel will express no opinion regarding any other state or federal income tax consequences of acquiring, carrying, owning or disposing of the Series 2005 Bonds. Although Bond Counsel is of the opinion that interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest
on, the Series 2005 Bonds may otherwise affect an owner’s federal liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Owners of the Series 2005 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2005 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or premium, taxation upon sale, redemption or other disposition and various withholding requirements and which may apply to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2005 Bonds.

**Bond Counsel Opinion**

Bond Counsel's opinions are based on existing law, which is subject to change. No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in regulations promulgated pursuant to the Code or in interpretation of the Code or such regulations, will not cause interest on the Series 2005 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2005 Bonds should consult their own tax advisors regarding any pending or proposed tax legislation or regulation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (the “IRS”), including but not limited to regulation, ruling, or selection of the Series 2005 Bonds for audit examination, or the course or result of any IRS examination of the Series 2005 Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2005 Bonds. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

**LEGAL MATTERS**

Legal matters incident to the authorization, issuance, and sale of the Series 2005 Bonds will be passed upon by Bowles Rice McDavid Graff & Love LLP, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its General Counsel, K. Alan Perdue, and for the Underwriter by its Counsel, Goodwin & Goodwin, LLP, Charleston, West Virginia.

**BOND RATINGS**

Moody’s Investors Service (“Moody’s”) has assigned the Series 2005 Bonds the rating of “___”, subject to the issuance of the Bond Insurance Policy by the Bond Insurer. Additionally, Moody’s has assigned its municipal bond underlying rating of “___” to the Series 2005 Bonds based upon the University’s creditworthiness. Such ratings reflect only the views of the rating agency, and any explanation as to the significance of the ratings should be obtained from the rating agency. The above ratings are not a recommendation to buy, sell, or hold the Series 2005 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any such ratings may have an adverse effect on the market price or the marketability of the Series 2005 Bonds.
There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by Moody’s if, in its judgment, circumstances so warrant. The Issuer undertakes no responsibility either to notify the Owners of the Series 2005 Bonds of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal, although the Issuer will covenant in the Continuing Disclosure Agreement to provide notice of any rating changes to the Repositories.

**LITIGATION**

In the opinion of the Issuer, no litigation individually or in the aggregate, currently pending, or to the knowledge of the Issuer threatened against it or the University, will result in a material adverse effect on the financial condition or results of operations of the Issuer or the University. For additional information, see APPENDIX A, “Litigation.”

**UNDERWRITING**

The Series 2005 Bonds are being purchased for re-offering by Ferris, Baker Watts, Incorporated. The Underwriter has agreed to purchase the Series 2005 Bonds for a purchase price of $____________ (representing the principal amount of $____________ less an underwriting discount of $____________). The initial public offering prices set forth on the inside front cover of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Series 2005 Bonds to the public. The Series 2005 Bonds may be offered and sold to other dealers (including Series 2005 Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices other than the public offering prices stated on the cover page of this Official Statement.

**CONTINUING DISCLOSURE**

The Issuer has undertaken all responsibilities for any continuing disclosure to 2005 Bondholders as described below.

Within 150 days after the end of the Issuer’s fiscal year (currently June 30), commencing with the fiscal year ending June 30, 2005, the Issuer has agreed to deliver to each nationally recognized municipal securities information repository (the "NRMSIRS") recognized as such by the Securities and Exchange Commission under Rule 15c2-12 pursuant to the Securities Exchange Act of 1934, as amended, and any state information depository operated or designated by the State of West Virginia that is entitled to receive information from all issuers within the State of West Virginia (a “SID” and collectively with all NRMSIRS, the "Repositories") a copy of its annual audited financial statements and certain other financial, statistical and operating data for such fiscal year. Pursuant to a Continuing Disclosure Certificate, the Issuer will deliver, in a timely manner, to the Repositories, the Municipal Securities Rulemaking Board, notice of the events described in paragraph b(f)(i)(C) and (D) of such Rule 15c2-12. Currently, there is no SID for the State of West Virginia. The notices of material events will be filed with the Repositories. These covenants will be made in order to assist the purchasers in complying with the Rule. For a form of the Continuing Disclosure Agreement, see APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." The Issuer has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Any failure to comply with the continuing disclosure requirements described above shall not, however, constitute an Event of Default under the Indenture. Under the Continuing Disclosure Agreement a Bondowner's sole remedy for such failure is to seek an order for specific performance.
MISCELLANEOUS

All of the summaries of the provisions of the Act, the Indenture, and the Series 2005 Bonds set forth herein, including the appendices hereto, are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do no purport to be complete statements of any or all such provisions of such document.

Information concerning the University and the Series 2005 Project has been provided by the University. All estimates, projections, and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates, projections, or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The University has authorized the execution and distribution of this Official Statement.

The execution and distribution of this Official Statement have been duly authorized by the Issuer. Approved:

SHEPHERD UNIVERSITY

By:__________________________
President

May __, 2005

THE SHEPHERD UNIVERSITY
BOARD OF GOVERNORS

By:__________________________
President
APPENDIX B

Financial Statements of Shepherd University as of and for
the Years ended
June 30, 2004 and 2003
APPENDIX C

Definitions of Terms and Summaries of Certain Documents
APPENDIX D

Specimen _____________ Policy
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS (the “Issuer”), and WESBANCO BANK, INC. (the “Dissemination Agent”), in connection with the issuance of $___________ of the Issuer’s Revenue Bonds (Shepherd University Residence Facilities Projects), Series 2005 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Issuer (the “Resolution”).

In connection with the foregoing, and in consideration thereof, the Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (defined below).

Any filing under the Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “Central Post Office” or “MAC”) as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) and as the term may be modified by an interpretation of the Rule by the Securities and Exchange Commission (the “SEC”).

“Central Post Office” shall mean the Texas Municipal Advisory Council, which shall receive Annual Reports and Listed Events and then electronically transmit them to the NRMSIRs and the State Repository.

“Disclosure Representative” shall mean the Chairman of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Paying Agent, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Dissemination Agent a written acceptance of such designation.

“Holders” shall mean (i) the registered owner of any Bond or (ii) the Beneficial Owner of any Bond.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.
Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Paying Agent” shall mean WesBanco Bank, Inc., its successors and assigns.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

“Underwriter” shall mean any of the underwriters hired in connection with the sale of the Bonds required to comply with the Rule in connection with the sale of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the Issuer’s fiscal year (presently June 30), commencing with the report for the 2004-2005 Fiscal Year, provide to the Central Post Office for delivery to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of Shepherd University (the “University”) may be submitted, when and if available, separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give written notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent has not received a copy of the Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Central Post Office for delivery to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) confirm each year prior to the date for providing the Annual Report the address of the Central Post Office for delivery to each Repository; and
(ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Report. The Issuer’s Annual Report shall consist of the audited financial statements of Shepherd for the prior (two most recently completed) fiscal year(s), prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If Shepherd’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice to the Dissemination Agent of the occurrence of any of the following events with respect to the 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. adverse tax opinions or events affecting the tax-exempt status of the security;
6. modifications to rights of security holders;
7. bond calls;
8. defeasances;
9. release, substitution, or sale of property security repayment of the securities; and
10. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the
occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and to the Central Post Office for delivery to each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Agreement shall terminate (i) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) when the Issuer is not an obligated person with respect to the Bonds, as provided in the Rule. If the Issuer’s obligations under the this Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Issuer and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Paying Agent is hereby appointed as the Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Paying Agent shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution or the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the Paying Agent or the Paying Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer, to the extent permitted by law, agrees to reimburse the Dissemination Agent, its officers, directors, employees and agents, for and against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expense (including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: The Shepherd University Board of Governors
Post Office Box 3210
Shepherdstown, West Virginia 25443

To the Paying Agent/ Dissemination Agent WesBanco Bank, Inc.
1 Bank Plaza
Wheeling, WV 26003-3565

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Paying Agent, the Dissemination Agent, the Underwriter, the Holders and Beneficial
Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney’s fees and other disbursements in the administration and performance of the Dissemination Agent’s duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days’ written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under this Disclosure Agreement and to rely upon an opinion of counsel.

Dated: May __, 2005.

THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS

By: ____________________
   Chair

WESBANCO BANK, INC.

By: ____________________
   Authorized Officer
EXHIBIT A

NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: The Shepherd University Board of Governors

Name of Bond Issue: $23,595,000 Revenue Bonds (Shepherd University Residence Facilities Projects), Series 2005

Date of Bond Issue: May __, 2005

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(b) of this Disclosure Agreement dated May __, 2005 to be provided. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ________________, 20__.  

WesBanco Bank, Inc.
on behalf of the Issuer

cc: [Issuer]
APPENDIX F
Form of Opinion of Bond Counsel

[Letterhead of Bowles Rice McDavid Graff & Love LLP]

May __, 2005

The Shepherd University Board of Governors
Shepherd University
Ikenberry 213
Shepherdstown, WV 25443

Re: $____________ The Shepherd University Board of Governors
Revenue Bonds (Shepherd University Residence Facilities Projects), Series 2005

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Shepherd University Board of Governors (the “Issuer”) of $____________ Revenue Bonds (Shepherd University Residence Facilities Projects), Series 2005, dated May __, 2005 (the “Bonds”). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Chapter 18B, Article 10 and Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended (collectively, the “Act”), and pursuant to a resolution of the Issuer adopted January 13, 2005 (the “Resolution”), and a Bond Trust Indenture and Security Agreement, dated as of May 1, 2005 (the “Indenture”), by and between the Issuer and WesBanco Bank, Inc., Wheeling, West Virginia, as trustee (the “Trustee”). Capitalized terms used and not otherwise defined herein have the respective meanings given them in the Indenture.

Proceeds of the Bonds will be used to (i) finance the costs of planning, design, acquisition, construction and equipping of a 300-bed apartment style residence complex on the West Campus of the University, (ii) fund capitalized interest on the Series 2005 Bonds to December 1, 2006, (iii) refund the $1,865,000 University Facilities Revenue Notes, Series 2004A, which were issued to finance a portion of the costs of planning, design, acquisition, construction and equipping of certain renovations and improvements to Shaw Hall and Thacher Hall and other capital renovations and improvements to the University’s residence facilities, and (iv) pay the costs of issuance of the Series 2005 Bonds (collectively, the “Project”).

In connection with the issuance of the Bonds, the Issuer has executed a No Arbitrage Certificate and Tax Regulatory Agreement dated as of the date hereof (the “Tax Certificate”), which, among other things, sets forth restrictions on the Bonds and the application of Bond proceeds and earnings thereon,
to ensure that the requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the “Code”), necessary to establish and maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds are and will continue to be met.

We have not been engaged, or undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the herein-described documents and certifications furnished to us by or on behalf of the Issuer (including certifications as to matters which are material to paragraph 5, below), without undertaking to verify the same by independent investigation.

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

1. The Issuer is a public body established pursuant to Chapter 18B, Article 2A of the Code of West Virginia of 1931, as amended, and, pursuant to the Act, is authorized to issue revenue bonds for the purpose of financing the costs of the Project. Pursuant to the Act, the Issuer has the right and power to adopt the Resolution authorizing the execution and delivery of the Indenture and the issuance, sale and delivery of the Bonds. The Indenture, having been duly and lawfully authorized, executed and delivered by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Indenture is required.

2. The Issuer is duly authorized to issue the Bonds, which Bonds have been duly and validly authorized and issued in accordance with law (including the Act) and in accordance with the Indenture and constitute valid, binding special revenue obligations of the Issuer as provided in the Indenture, payable and enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Indenture and of the Act.

3. The Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates the valid pledge which it purports to create of the Pledged Revenues (as defined therein) and of all funds and accounts established by the Indenture, subject to the purposes and on the conditions permitted by the Indenture.

4. The Bonds are special obligations of the Issuer, payable solely out of the Trust Estate pledged under the Indenture. The Bonds may not be deemed to be obligations or debts of the State, and the credit or taxing power of the State or the Issuer, if any, may not be pledged therefor.

5. Under the laws, regulations, published rulings and judicial decisions of the United States of America existing on the date hereof, interest on the Bonds (including any original issue discount properly allocable to an owner of a Bond) is excludable from the gross income of the owners thereof for
federal income tax purposes, and such interest will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. Under the Code, however, such interest is taken into account in determining adjusted current earnings of a corporation for the purpose of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Issuer complies, on a continuing basis, with all representations, covenants and certifications set forth in the Resolution, Indenture, Tax Certificate and other documents relating thereto. Failure to comply with certain of such representations, covenants and certifications could cause the interest on the Bonds to be includable in an owner’s gross income retroactive to the date of issuance of the Bonds.

Except as described herein, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Under the Act, the Bonds, together with the interest thereon, are exempt from all taxation by the State of West Virginia or by any county, school district, municipality or political subdivision thereof.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution, the Indenture, the Tax Certificate and the liens and pledges set forth therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that the enforcement thereof may also be subject to general principles of equity and to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. R-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,
Shepherd University (“Shepherd” or the “University”) is a state-supported institution of higher education, operating under the oversight of the West Virginia Higher Education Policy Commission. From its beginnings over a century ago, the University has evolved into a comprehensive center of higher learning, serving a number of related, yet distinctive roles:

- The University offers Bachelor of Arts, Bachelor of Fine Arts, and Bachelor of Science degrees in a wide range of fields, encompassing the liberal arts, business administration, teacher education, the social and natural sciences, and other career-oriented areas.

- The University provides credit courses for individuals with no degree aspirations, but who seek to broaden and update their knowledge in either familiar or new fields of intellectual endeavor.

- For the northern Shenandoah Valley region as a whole, the University is a center for noncredit continuing education, public service, and convenient citizen access to extensive programs in art, music, athletics, and other areas of public interest.

Shepherd University has a responsibility to extend its resources beyond the campus, bringing higher education closer to those who seek it. The University has an administrative center in Petersburg, West Virginia, to serve the South Branch Valley counties of the state. The Community and Technical College of Shepherd conducts classes at its facility at Martinsburg and also at the Shepherdstown campus. Courses are offered regularly at locations away from Shepherdstown, providing college-level study to people throughout eastern West Virginia and the surrounding areas.

Shepherd University is situated in the Shenandoah Valley, on the banks of the Potomac River, in Shepherdstown, West Virginia. The oldest town in the state, Shepherdstown is a quaint college community, with the town and campus combining to offer a unique learning-living environment. Located in the Eastern Panhandle of West Virginia, Shepherdstown is within 20 miles of Maryland, Pennsylvania, and Virginia. Within a short drive of the campus are such well-known historic landmarks as Harpers Ferry and the Antietam Battlefield. The United States Capitol and numerous other federal and state facilities are easily accessible. Richmond and Williamsburg, Virginia, as well as New York and Philadelphia are all within a few hours of Shepherdstown.

Shepherd University began when the county seat of Jefferson County, West Virginia, was moved from Shepherdstown to Charles Town in July 1871. The people of Shepherdstown and vicinity decided to use the vacated courthouse for educational purposes. An article of incorporation for a school to be known as Shepherd College, designed to instruct students “in languages, arts and sciences,” was drawn up and signed by C.W. Andrews, A.R. Boteler, C.T. Butler, G.M. Beltzhoover, David Billmyer, Samuel Knott, and Henry Shepherd. This body of incorporators gave itself power to elect instructors, pay salaries, and prescribe courses of study. Professor Joseph McMurrnan was appointed first principal of the institution,
which opened with 42 students in September 1871, under the authority of the Board of Trustees. On
February 27, 1872, the Legislature of West Virginia passed the following act: “That a branch of the State
Normal School be and the same is hereby established at the building known as Shepherd College, in
Shepherdstown, in the county of Jefferson.” Shepherd College became a four-year college for the
training of teachers on July 1, 1930, at which time the institution began granting the Bachelor of Arts
degree. Shepherd was authorized to implement liberal arts programs in 1943, and in 1950 the Bachelor of
Science degree was added. Also in 1950 Shepherd was accredited by the North Central Association of
Colleges and Schools and in 1951 it became a member of Association of American Colleges. In the past
two decades, Shepherd has experienced a 200 percent enrollment growth and added 11 new buildings,
including the $9 million Robert C. Byrd Science and Technology Center and the $13.2 million
Scarborough Library addition. On March 13, 2004, Shepherd College officially became known as
Shepherd University.

Mission Statement

Shepherd University, a fully accredited public institution of higher education founded in 1871 and
located in the Eastern Panhandle of West Virginia, offers a wide variety of distinguished degree programs
and other learning opportunities to both traditional and non-traditional students. The University attracts
students from the region, the nation, and beyond. Understanding the importance of diversity, we continue
to work toward recruiting and retaining a multicultural student body, faculty, and staff. The heart of our
baccalaureate curriculum is a formal general studies program that prepares a student to take his or her
place as an educated citizen in a changing world. Shepherd’s Community and Technical College provides
a curriculum that is both complementary to, and integrated with, the four-year College, offering associate
degrees and continuing education. The University is committed, as well, to developing and implementing
a selected number of graduate programs. Shepherd University is dedicated to expanding our intellectual
and cultural resources with the assistance of technological advances and our advantageous location just 70
miles from the Baltimore/Washington metropolitan area. At the same time, the small, residential setting
of Shepherd creates an environment in which students are able to work closely with faculty, staff, and
administrators who encourage their intellectual growth, personal fulfillment, and academic and
professional excellence. Student learning is central to the culture of our institution and finding ways to
improve student learning is a continuing process. Shepherd University, through its alliances with
business organizations, industry, and government agencies, promotes economic development in the
region. The University enhances the cultural atmosphere of the community with performing arts
activities, public lectures, and athletic events. Outreach experiences, such as student internships and
cooperative agreements, also link the University to the life of the community. The faculty, staff, and
administration of the University are dedicated to remaining in the forefront of advances in contemporary
education and professional programs as we serve our students, community, and region in the twenty-first
century.

Accreditation

The University is accredited by the Higher Education Learning Commission and is a member of
the North Central Association. Individual programs are accredited by the Council on Social Work
Education, the National Association of Schools of Music, the West Virginia Board of Examiners for
Registered Nurses, the National League for Nursing Accrediting Commission, the International Assembly
for Collegiate Business Education, and the National Council for the Accreditation of Teacher Education.
GOVERNANCE

Higher Education Policy Commission

The West Virginia Higher Education Policy Commission (HEPC) is responsible for developing, establishing, and overseeing the implementation of a public policy agenda for higher education in the State. It is charged with oversight of the State’s higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by State statute. The HEPC also coordinates the legislative rule-making process with the Legislative Oversight Commission on Educational Accountability (LOCEA).

The Commission consists of ten members, seven of whom are appointed by the Governor of West Virginia, and three ex-officio members: the Secretary of Education and the Arts, the State Superintendent of Schools, and the Chairman of the Community and Technical College Council.

Shepherd University Board of Governors

On July 1, 2001, the Shepherd University Board of Governors assumed office, implementing the new institutional governance process enacted during the 2000 Legislative session.

The powers and duties of the Shepherd University Board of Governors include:

- The control, supervision, and management of the financial, business, and education policies and affairs of Shepherd;
- The development and regular updating of an institutional master plan and compact with the Higher Education Policy Commission;
- The preparation of an annual budget for Shepherd which relates directly to the mission, goals, and projections as found in the institutional master plan and the institutional compact;
- The review, at least every five years, of all academic programs offered at Shepherd;
- The approval of the teacher education programs offered at Shepherd;
- The management of all personnel matters, including, but not limited to, classification, compensation, and discipline for the employees of Shepherd;
- To solicit and utilize or expend voluntary support, including financial contributions and support services, for Shepherd;
- The appointment of the president, subject to the approval of the Policy Commission; and
- To enter into contracts or consortium agreements with the public schools, private schools, or private industry to provide technical, vocational, college preparatory, remedial, and customized training courses.

Members of the Shepherd University Board of Governors

Andrew D. Michael, Chair
Mr. Michael, of Hedgesville, is the general manager of resort operations, partner and vice president of The Woods Resort. Michael is also a licensed real estate broker. He earned a B.S. degree in social welfare education from Shepherd University in 1975 and is a candidate for an M.B.A. from Frostburg State University.

John M. Sherwood, Vice Chair
Mr. Sherwood, of Charles Town, is the administrator/CEO of Jefferson Memorial Hospital in Ranson. He earned a B.S. degree in accounting from Loyola College in Baltimore, Maryland, in 1966, and an M.P.A.
degree from Cornell University in 1972. He also attended the health care executive program at the Yale School of Organization and Management.

Robert A McMillan, Secretary
Mr. McMillan, of Martinsburg, is president and CEO of Jefferson Distributing Company, Inc. He earned an A.B. degree in economics in 1965 from the University of North Carolina, Chapel Hill, and an M.B.A in marketing and finance from Emory University in 1971.

Manny P. Arvon II, Member
Mr. Arvon is the superintendent of Berkeley County Schools. Arvon began his career as a teacher in the county school system in 1974 at Rosemont Elementary, rising to assistant principal in 1979. He earned a B.S. degree in education in 1973 from Shepherd University and an M.A. degree in education administration in 1973 at West Virginia University.

Barbara H. Pichot, Member
Ms. Pichot, of Kearneysville, is a certified public accountant and a partner in the firm of Cox Nichols Hollida, CPA’s and Consultants, LLP. She holds two degrees from Shepherd University – a B.S. degree in biology (1971) and a B.S. degree in business administration (1981).

Doris M. Griffin, Member
Ms. Griffin is a resident of Martinsburg and from 1980 to 2000, worked in administration at the Martinsburg Veterans Affairs Medical Center. She earned a B.S. degree in consumer economics and public policy in 1973 and a M.B.A in health and hospital administration from the Johnson School of Management in 1975, both from Cornell University.

Lauri Bridgeforth, Member
Ms. Bridgeforth is a resident of Winchester, Virginia where she is the owner and operator of a photography studio and a retail camera store. She has an earned A.A. and a B.F.A from Shepherd University.

Mr. David Blythe, Member ex officio
Mr. Blythe is retired and is the former Director of the Berkeley County Convention and Visitors Bureau.

Brent Robinson, Member
Mr. Robinson, of Morgantown, is regional president, West Virginia Northern Region, of BB&T. Robinson received a B.S. degree from West Liberty State College in 1973 and an M.B.A. from Wheeling Jesuit University in 1983.

Anders H. Henriksson, Shepherd University Faculty Member
Anders H. Henriksson, of Harpers Ferry, is professor of history and chair of the Department of History. A faculty member since 1985, Henriksson is a member of Shepherd’s Honors Board and co-coordinator of the women’s studies program. Henriksson earned a B.A. degree in history and Russian from the University of Rochester in 1971 and an M.A. degree in history in 1972 and Ph.D. in history in 1978, both from the University of Toronto.

Daniel C. Starliper, Shepherd University Classified Staff Member
Daniel C. Starliper, of Martinsburg, is director of human resources, a post he has held since 1987. He received a B.S. degree in political science from Shepherd University in 1969, and an M.A. in political science in 1973, an M.P.A. in 1974 and a Ph.D. in 1976 in public administration/political science, all from West Virginia University.
Matt Gay, Shepherd University Student
Matt Gay is vice president of the Shepherd Student Government Association.

Administration

David L. Dunlop, President
Dr. Dunlop is the 14th president of Shepherd University, a post he has held since 1996. He earned a B.S. in secondary education in biology and physical science and a M.Ed., both from the Pennsylvania State University, and a Ph.D. in science education from the University of Pittsburgh.

Dr. Mark Stern, Vice President for Academic Affairs
Dr. Stern, who joined the University’s administration in 1994, is vice president for academic affairs. He earned a B.A. in political science from Brooklyn College, C.U.N.Y., and a Ph.D. in political science from the University of Rochester.

Edward Magee, Vice President for Administration and Finance
Mr. Magee, a 20-year member of the University’s administration, is vice president for administration and finance. A certified public accountant, Magee holds a B.S. in accounting from Wheeling Jesuit University and an M.B.A. from West Virginia University.

Alan Perdue, General Counsel
K. Alan Perdue is the University’s counsel, a post he has held since 1991. He earned his B.A. in political science from Marshall University and his J.D. from Washington and Lee University.

Dr. Marie Carter, Vice President for Enrollment Management
Dr. Carter is vice president for enrollment management. Carter, who joined the University’s administration in 1998, holds a B.A. in political science from West Virginia University, a M.Ed. in student personnel services from the University of South Carolina, an M.S. in human resource management from the University of Charleston, and an Ed.D. in higher education administration.

Dr. Sharon Kipetz, Vice President for Student Affairs
Dr. Kipetz is vice president for student affairs, a post she has held since 1999. She earned a B.A. in psychology from Western New England College and a M.Ed. and an Ed.D. in research, policy, and administration from the University of Massachusetts, Amherst.

Valerie Owens, Executive Director for External Affairs
Ms. Owens, a 19-year member of the University’s administration, is executive director for external affairs. A Shepherd University alumna, she holds a B.A. in English and a B.F.A. in graphic design.

Robin Zanotti, Vice President for Advancement
Robin Zanotti is vice president for Advancement. Zanotti, who joined the administration in September, 2004 holds a bachelors degree from Central Michigan University and an MBA from University of Detroit.
Dr. Daniel C. Starliper, Director of Human Resources and Affirmative Action
Dr. Starliper, a 22-year member of the University’s administration, is director of human resources and affirmative action. A Shepherd University alumnus, he holds a B.S. in political science. He earned an M.A. in political science, an M.P.A., and a Ph.D. in political science from West Virginia University.

Kim Scranage, Director of Office of Admissions
Ms. Scranage is director of admissions. She holds an associates degree from University of Charleston, a bachelors from West Virginia State College, and a Masters degree from Mountain State University.

James M. Davis, President of Shepherd University Foundation
Mr. Davis is president of the Shepherd University Foundation. He is a retired business owner. A Shepherd alumnus, he holds a B.S. in business administration.

Campus Building Space

The University’s campus consists of 45 buildings, 125 acres on East and West Campus, and 152 acres at the Tabler Farm.

<table>
<thead>
<tr>
<th>Building Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Instruction-Academic</td>
</tr>
<tr>
<td>Living Quarters</td>
</tr>
<tr>
<td>Support</td>
</tr>
<tr>
<td>Maintenance</td>
</tr>
<tr>
<td>All Buildings</td>
</tr>
</tbody>
</table>

Academic Programs

Degrees Offered

The University offers Bachelor of Arts degrees in 8 fields; Bachelor of Fine Arts degree in 1 field; Bachelor of Science degrees in 13 fields; a Bachelor of Social Work degree; a Bachelor of Science in Nursing degree; Associate of Arts in 2 fields; Associates of Science in 6 fields; and an Associate of Applied Science in 11 fields.

Campus Master Plan

The University’s Master Plan was approved in 2001 and updated in 2004. The Master Plan outlines a set of long-term physical growth recommendations in support of the University’s mission and strategic plan. New learning, assembly, residential, dining performance, recreational, athletic, administrative and program support facilities will be achieved through new construction, reuse and renovation projects on campus.

Recent and Current Capital Projects

The Master Plan identified the need for certain capital improvements on the West Campus as high priorities, including the expansion and improvement of the creative arts center, a new athletic building, a new parking lot, roadwork, water and sewer expansion, and other infrastructure improvements. These capital improvements were addressed with the University’s issuance of the Student Fee Revenue Bonds, Series 2003 (in the original principal amount of $5,990,000) and the Infrastructure Revenue Bonds, Series 2004B (in the original principal amount of $3,405,000).
The planning, design, acquisition, and construction of new residence halls were also identified in the Master Plan as a high priority. Proceeds of the University’s Series 2005 Bonds are planned to be used to finance the costs of planning, design, acquisition, construction and equipping of a 300-bed apartment style residence complex on the West Campus.

The University has also obtained funding for a new classroom building on the East Campus and the initial phase of a contemporary arts building on the West Campus. The funding for the projects includes approximately $10 million from a federal grant for the new classroom building and approximately $10 million from the West Virginia Higher Education Policy Commission for the contemporary arts building.

**Future Capital Projects**

The University has also obtained funding for a new classroom building on the East Campus and the initial phase of a contemporary arts building on the West Campus. The funding for the projects includes approximately $10 million from a federal grant for the new classroom building and approximately $10 million from the West Virginia Higher Education Policy Commission for the contemporary arts building.

The University is currently conducting a feasibility study for a wellness center addition located on the West Campus. Approximately $2.5 million of funding has been secured from the West Virginia Higher Education Policy Commission to finance a portion of the capital project. The University plans to secure additional funds for the project in the Summer of 2006 through the sale of bonds.

The University plans to construct a new student center that will house the retail and residential food service facilities, bookstore, and conference facilities upon completion of the wellness center addition in the Summer of 2007. The University plans to secure funds for the project in the Summer of 2007 through the sale of bonds.

Other planned capital projects include the construction of a new maintenance facility and the construction of a parking facility on the West Campus.
STUDENTS

Enrollment History (FTE)

<table>
<thead>
<tr>
<th>School Year</th>
<th>FTE Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>2,809</td>
</tr>
<tr>
<td>1995</td>
<td>2,856</td>
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<tr>
<td>1996</td>
<td>2,956</td>
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<tr>
<td>1997</td>
<td>3,149</td>
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<td>1998</td>
<td>3,089</td>
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<td>1999</td>
<td>3,377</td>
</tr>
<tr>
<td>2000</td>
<td>3,372</td>
</tr>
<tr>
<td>2001</td>
<td>3,417</td>
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<tr>
<td>2002</td>
<td>3,586</td>
</tr>
<tr>
<td>2003</td>
<td>3,722</td>
</tr>
<tr>
<td>2004</td>
<td>3,863</td>
</tr>
</tbody>
</table>

Fall 2004 Enrollment (Headcount)

Total Enrollment: 5,206

Enrollment by Status
Full-time: 3,268
Part-time: 1,938

Enrollment by Class
Seniors: 893
Juniors: 853
Sophomores: 875
Freshman: 1,289
Graduate: 65
Unclassified: 1,231

Enrollment by Major (4 Year)
Secondary Education: 397
Elementary Education: 301
Business Administration: 368
Recreation/Leisure: 270
Computer/Information Sciences: 198
Art: 193
Nursing: 224
Regents Bachelor of Arts: 190
Psychology: 157
Communications: 104
Biology: 107
Environmental Studies: 103
Sociology: 102
Accounting: 76
Political Science: 71
Social Work: 59
English: 69
History: 75
Chemistry: 38
Music: 43
Family/Consumer Sciences: 22
Mathematics: 18
Economics: 8
C&I (grad.): 40
Grad Teaching (with Marshall): 25
Undeclared: 299
Undecided: 125
TOTAL 3,682
### Fall 2004 Enrollment (Headcount) – continued from previous page

#### Enrollment by Major (2 Year)

<table>
<thead>
<tr>
<th>Major</th>
<th># of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Studies</td>
<td>111</td>
</tr>
<tr>
<td>Business Administration</td>
<td>58</td>
</tr>
<tr>
<td>Office Technology</td>
<td>33</td>
</tr>
<tr>
<td>Paralegal Studies</td>
<td>27</td>
</tr>
<tr>
<td>Electrical/Mechanical Technology</td>
<td>24</td>
</tr>
<tr>
<td>Visual Communications</td>
<td>17</td>
</tr>
<tr>
<td>Safety Technology</td>
<td>5</td>
</tr>
<tr>
<td>Culinary Arts</td>
<td>20</td>
</tr>
<tr>
<td>Automotive Technology</td>
<td>11</td>
</tr>
<tr>
<td>Fire Technology</td>
<td>10</td>
</tr>
<tr>
<td>No degree declared</td>
<td>924</td>
</tr>
<tr>
<td>Nursing</td>
<td>129</td>
</tr>
<tr>
<td>Engineering</td>
<td>27</td>
</tr>
<tr>
<td>Emergency Medical Service</td>
<td>29</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>32</td>
</tr>
<tr>
<td>Occupational Development</td>
<td>4</td>
</tr>
<tr>
<td>Information Technology</td>
<td>29</td>
</tr>
<tr>
<td>Electrical Technology</td>
<td>1</td>
</tr>
<tr>
<td>Fashion Merchandising</td>
<td>4</td>
</tr>
<tr>
<td>HVAC</td>
<td>13</td>
</tr>
<tr>
<td>Technical Studies</td>
<td>7</td>
</tr>
<tr>
<td>BOG AAS</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,524</td>
</tr>
</tbody>
</table>

#### Enrollment by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th># of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>2,988</td>
</tr>
<tr>
<td>Male</td>
<td>2,218</td>
</tr>
</tbody>
</table>

#### Enrollment by Ethnicity

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th># of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>White, Non-Hispanic</td>
<td>4,730</td>
</tr>
<tr>
<td>African-American</td>
<td>258</td>
</tr>
<tr>
<td>Hispanic</td>
<td>96</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
<td>59</td>
</tr>
<tr>
<td>American Indian/Alaskan</td>
<td>25</td>
</tr>
</tbody>
</table>

#### Enrollment by Age

<table>
<thead>
<tr>
<th>Age</th>
<th># of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-16</td>
<td>17</td>
</tr>
<tr>
<td>17-24</td>
<td>3,168</td>
</tr>
<tr>
<td>25-29</td>
<td>505</td>
</tr>
<tr>
<td>30-39</td>
<td>629</td>
</tr>
<tr>
<td>40-49</td>
<td>532</td>
</tr>
<tr>
<td>50+</td>
<td>355</td>
</tr>
</tbody>
</table>

#### Enrollment by Residency

<table>
<thead>
<tr>
<th>Residency Type</th>
<th># of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-State</td>
<td>3,620</td>
</tr>
<tr>
<td>Out-of-state</td>
<td>1,328</td>
</tr>
<tr>
<td>SREB Common Market</td>
<td>210</td>
</tr>
<tr>
<td>Reciprocity</td>
<td>48</td>
</tr>
</tbody>
</table>

#### In-State Enrollment (Top 8 Counties)

<table>
<thead>
<tr>
<th>County</th>
<th># of Students</th>
<th>% of In-State Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley</td>
<td>1869</td>
<td>51.6%</td>
</tr>
<tr>
<td>Jefferson</td>
<td>951</td>
<td>26.3%</td>
</tr>
<tr>
<td>Morgan</td>
<td>173</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hardy</td>
<td>86</td>
<td>2.4%</td>
</tr>
<tr>
<td>Grant</td>
<td>73</td>
<td>2.0%</td>
</tr>
<tr>
<td>Hampshire</td>
<td>92</td>
<td>2.5%</td>
</tr>
<tr>
<td>Pendleton</td>
<td>49</td>
<td>1.4%</td>
</tr>
<tr>
<td>Pocahontas</td>
<td>37</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

#### Out-of-State Enrollment (Top 6 States)

<table>
<thead>
<tr>
<th>State</th>
<th># of Students</th>
<th>% of In-State Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>701</td>
<td>44.2%</td>
</tr>
<tr>
<td>Virginia</td>
<td>487</td>
<td>30.7%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>98</td>
<td>6.2%</td>
</tr>
<tr>
<td>Florida</td>
<td>17</td>
<td>1.1%</td>
</tr>
<tr>
<td>California</td>
<td>16</td>
<td>1.0%</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>14</td>
<td>0.9%</td>
</tr>
</tbody>
</table>
Degrees Awarded

<table>
<thead>
<tr>
<th>Year</th>
<th>Bachelor’s Degree</th>
<th>Associate’s Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>383</td>
<td>72</td>
</tr>
<tr>
<td>1995-96</td>
<td>432</td>
<td>84</td>
</tr>
<tr>
<td>1996-97</td>
<td>481</td>
<td>56</td>
</tr>
<tr>
<td>1997-98</td>
<td>509</td>
<td>62</td>
</tr>
<tr>
<td>1998-99</td>
<td>428</td>
<td>65</td>
</tr>
<tr>
<td>1999-00</td>
<td>525</td>
<td>72</td>
</tr>
<tr>
<td>2000-01</td>
<td>508</td>
<td>64</td>
</tr>
<tr>
<td>2001-02</td>
<td>523</td>
<td>81</td>
</tr>
<tr>
<td>2002-03</td>
<td>521</td>
<td>88</td>
</tr>
<tr>
<td>2003-04</td>
<td>562</td>
<td>94</td>
</tr>
</tbody>
</table>

Bachelor’s Degrees Conferred by Major 2003-04
- RBA: 77
- Recreation & Leisure: 43
- Business Administration: 57
- Elementary Education: 47
- Art: 50

Associates Degrees Conferred by Area of Study 2003-04
- Nursing: 25
- Paralegal Studies: 9
- Business: 6
- Criminal Justice: 8
- General Studies: 7

Academic Quality

Student Enrollment and Admissions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Enrollment (FTE)</td>
<td>3,863</td>
<td>3,722</td>
<td>3,417</td>
<td>3,372</td>
<td>3,377</td>
</tr>
<tr>
<td>Applications Received</td>
<td>2,961</td>
<td>2,586</td>
<td>2,458</td>
<td>2,442</td>
<td>2,538</td>
</tr>
<tr>
<td>Applications Accepted</td>
<td>2,775</td>
<td>2,082</td>
<td>2,118</td>
<td>2,067</td>
<td>2,157</td>
</tr>
<tr>
<td>Students Enrolled</td>
<td>1,408</td>
<td>1,213</td>
<td>1,237</td>
<td>1,220</td>
<td>1,199</td>
</tr>
<tr>
<td>Acceptance Rate</td>
<td>93.72%</td>
<td>80.51%</td>
<td>86.17%</td>
<td>84.56%</td>
<td>84.99%</td>
</tr>
<tr>
<td>Matriculation Rate</td>
<td>50.74%</td>
<td>58.26%</td>
<td>58.40%</td>
<td>59.08%</td>
<td>55.59%</td>
</tr>
</tbody>
</table>

Academic Credentials

<table>
<thead>
<tr>
<th></th>
<th>Fall 2000</th>
<th>Fall 2001</th>
<th>Fall 2002</th>
<th>Fall 2003</th>
<th>Fall 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School GPA</td>
<td>3.01</td>
<td>2.96</td>
<td>2.98</td>
<td>2.97</td>
<td>2.99</td>
</tr>
<tr>
<td>ACT Composite Score</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>21</td>
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<tr>
<td>SAT Verbal Score</td>
<td>494</td>
<td>497</td>
<td>512</td>
<td>512</td>
<td>518</td>
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<tr>
<td>SAT Math Score</td>
<td>498</td>
<td>497</td>
<td>498</td>
<td>499</td>
<td>501</td>
</tr>
<tr>
<td>SAT Combined Score</td>
<td>992</td>
<td>995</td>
<td>1010</td>
<td>1011</td>
<td>1019</td>
</tr>
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</table>
## Competition- Tuition and Fees*

<table>
<thead>
<tr>
<th>SHEPHERD (FY ’05)</th>
<th>Tuition In-state</th>
<th>Tuition Out-of-state</th>
<th>Room &amp; Board</th>
<th>Tuition R&amp;B In-state</th>
<th>Tuition R&amp;B Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3654.00</td>
<td>$9234</td>
<td>$5574</td>
<td>$9228</td>
<td>$14808</td>
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</table>

### WV SCHOOLS

<table>
<thead>
<tr>
<th>University</th>
<th>Tuition In-state</th>
<th>Tuition Out-of-state</th>
<th>Room &amp; Board</th>
<th>Tuition R&amp;B In-state</th>
<th>Tuition R&amp;B Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concord University</td>
<td>$3,548</td>
<td>$8,008</td>
<td>$5,600</td>
<td>$9148</td>
<td>$13,608</td>
</tr>
<tr>
<td>Fairmont State University</td>
<td>$3,074</td>
<td>$7,104</td>
<td>$5,904</td>
<td>$8,978</td>
<td>$13,008</td>
</tr>
<tr>
<td>Glenville State College</td>
<td>$2952</td>
<td>$7,306</td>
<td>$4860</td>
<td>$7812</td>
<td>$12,166</td>
</tr>
<tr>
<td>Marshall University</td>
<td>$3,818</td>
<td>$10,128</td>
<td>$6,060</td>
<td>$9,878</td>
<td>$16,188</td>
</tr>
<tr>
<td>WV University-Potomac State</td>
<td>$2,238</td>
<td>$7,572</td>
<td>$4750</td>
<td>$6988</td>
<td>$12,322</td>
</tr>
<tr>
<td>West Liberty State College</td>
<td>$3,340</td>
<td>$8,314</td>
<td>$5,006</td>
<td>$8,346</td>
<td>$13,320</td>
</tr>
<tr>
<td>West Virginia State College</td>
<td>$3,222</td>
<td>$7,400</td>
<td>$4,820</td>
<td>$8,042</td>
<td>$12,220</td>
</tr>
<tr>
<td>WV University Inst. Tech</td>
<td>$3,786</td>
<td>$9,486</td>
<td>$4,730</td>
<td>$8,516</td>
<td>$14,216</td>
</tr>
<tr>
<td>WV University</td>
<td>$3,938</td>
<td>$12,060</td>
<td>$5,894</td>
<td>$9,832</td>
<td>$17,954</td>
</tr>
<tr>
<td>WV University-Parkersburg</td>
<td>$1,668</td>
<td>$5,772</td>
<td>n/a</td>
<td>$8,16</td>
<td>$13,889</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>$3,159</td>
<td>$8315.00</td>
<td>$5,292</td>
<td>$8,816</td>
<td>$13,889</td>
</tr>
</tbody>
</table>

### MD SCHOOLS

<table>
<thead>
<tr>
<th>University</th>
<th>Tuition In-state</th>
<th>Tuition Out-of-state</th>
<th>Room &amp; Board</th>
<th>Tuition R&amp;B In-state</th>
<th>Tuition R&amp;B Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frostburg State U.</td>
<td>$5830</td>
<td>$13,374</td>
<td>$6220</td>
<td>$12,050</td>
<td>$19,594</td>
</tr>
<tr>
<td>Salisbury State U.</td>
<td>$5,976</td>
<td>$13,554</td>
<td>$7,250</td>
<td>$13,226</td>
<td>$20,804</td>
</tr>
<tr>
<td>Towson U.</td>
<td>$6,672</td>
<td>$15,352</td>
<td>$6,218</td>
<td>$12,890</td>
<td>$19,569</td>
</tr>
<tr>
<td>U. Maryland Baltimore Co.</td>
<td>$8,020</td>
<td>$15,620</td>
<td>$7,845</td>
<td>$15,865</td>
<td>$23,465</td>
</tr>
<tr>
<td>U. Maryland College Park</td>
<td>$7,410</td>
<td>$18,670</td>
<td>$7,792</td>
<td>$15,202</td>
<td>$26,462</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>$6,782</td>
<td>$15,314</td>
<td>$7065</td>
<td>$13864</td>
<td>$21,979</td>
</tr>
</tbody>
</table>

### VIRGINIA SCHOOLS

<table>
<thead>
<tr>
<th>University</th>
<th>Tuition In-state</th>
<th>Tuition Out-of-state</th>
<th>Room &amp; Board</th>
<th>Tuition R&amp;B In-state</th>
<th>Tuition R&amp;B Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Madison U.</td>
<td>$5,476</td>
<td>$14,420</td>
<td>$5880</td>
<td>$19,896</td>
<td>$20,300</td>
</tr>
<tr>
<td>Shenandoah U.</td>
<td>$19,090</td>
<td>$19,090</td>
<td>$7,090</td>
<td>$26,180</td>
<td>$26,180</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>$12,285</td>
<td>16,755</td>
<td>$6,485</td>
<td>$23,038</td>
<td>$23,240</td>
</tr>
</tbody>
</table>

### PA SCHOOLS

<table>
<thead>
<tr>
<th>University</th>
<th>Tuition In-state</th>
<th>Tuition Out-of-state</th>
<th>Room &amp; Board</th>
<th>Tuition R&amp;B In-state</th>
<th>Tuition R&amp;B Out-of-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shippensburg U.</td>
<td>$5986</td>
<td>$13,352</td>
<td>$5,274</td>
<td>$11260</td>
<td>$18,626</td>
</tr>
</tbody>
</table>

* Tuition Rates for Other Schools Based Upon Most Recent Data Available

Source: Shepherd University Academic Affairs
Tuition and Registration Fees

<table>
<thead>
<tr>
<th>School Year</th>
<th>Tuition and Fees (per semester)</th>
<th>Tuition and Fees (per semester)</th>
<th>Room &amp; Board</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In-State</td>
<td>Out-of State</td>
<td></td>
</tr>
<tr>
<td>1995-1996</td>
<td>$1,032</td>
<td>$2,347</td>
<td>$1,660</td>
</tr>
<tr>
<td>1996-1997</td>
<td>$1,080</td>
<td>$2,549</td>
<td>$1,660</td>
</tr>
<tr>
<td>1997-1998</td>
<td>$1,114</td>
<td>$2,674</td>
<td>$1,992</td>
</tr>
<tr>
<td>1998-1999</td>
<td>$1,149</td>
<td>$2,759</td>
<td>$1,992</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$1,215</td>
<td>$2,877</td>
<td>$2,056</td>
</tr>
<tr>
<td>2000-2001</td>
<td>$1,254</td>
<td>$2,969</td>
<td>$2,122</td>
</tr>
<tr>
<td>2001-2002</td>
<td>$1,304</td>
<td>$3,147</td>
<td>$2,227</td>
</tr>
<tr>
<td>2002-2003</td>
<td>$1,433</td>
<td>$3,491</td>
<td>$2,369</td>
</tr>
<tr>
<td>2003-2004</td>
<td>$1,635</td>
<td>$4,015</td>
<td>$2,581</td>
</tr>
<tr>
<td>2004-2005</td>
<td>$1,827</td>
<td>$4,617</td>
<td>$2,787</td>
</tr>
</tbody>
</table>

Student Budgets 2004-2005

Living in Residence Hall

<table>
<thead>
<tr>
<th></th>
<th>Resident (4 Yr)</th>
<th>Non-Resident (4 Yr)</th>
<th>Resident (2 Yr)</th>
<th>Non-Resident (2 Yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; Fees</td>
<td>$3,654</td>
<td>$9,234</td>
<td>$2,968</td>
<td>$8,542</td>
</tr>
<tr>
<td>Room and Board</td>
<td>5,574</td>
<td>5,574</td>
<td>5,574</td>
<td>5,574</td>
</tr>
<tr>
<td>Books &amp; Supplies</td>
<td>850</td>
<td>850</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,100</td>
<td>1,100</td>
<td>1,100</td>
<td>1,100</td>
</tr>
<tr>
<td>Personal Expenses</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$13,178</td>
<td>$18,758</td>
<td>$12,492</td>
<td>$18,066</td>
</tr>
</tbody>
</table>

Living with Parents

<table>
<thead>
<tr>
<th></th>
<th>Resident (4 Yr)</th>
<th>Non-Resident (4 Yr)</th>
<th>Resident (2 Yr)</th>
<th>Non-Resident (2 Yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; Fees</td>
<td>$3,654</td>
<td>$9,234</td>
<td>$2,968</td>
<td>$8,542</td>
</tr>
<tr>
<td>Living Allowance</td>
<td>2,550</td>
<td>2,550</td>
<td>2,550</td>
<td>2,550</td>
</tr>
<tr>
<td>Books &amp; Supplies</td>
<td>850</td>
<td>850</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Personal Expenses</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$10,854</td>
<td>$16,434</td>
<td>$10,168</td>
<td>$15,742</td>
</tr>
</tbody>
</table>

Living Off Campus

<table>
<thead>
<tr>
<th></th>
<th>Resident (4 Yr)</th>
<th>Non-Resident (4 Yr)</th>
<th>Resident (2 Yr)</th>
<th>Non-Resident (2 Yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; Fees</td>
<td>$3,654</td>
<td>$9,234</td>
<td>$2,968</td>
<td>$8,542</td>
</tr>
<tr>
<td>Living Allowance</td>
<td>6,200</td>
<td>6,200</td>
<td>6,200</td>
<td>6,200</td>
</tr>
<tr>
<td>Books</td>
<td>850</td>
<td>850</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Personal</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$14,504</td>
<td>$20,084</td>
<td>$13,818</td>
<td>$19,392</td>
</tr>
</tbody>
</table>
Student Financial Aid

During the 2003-2004 academic year, loans to students totaled $10,484,048, of which $5,055,930 was subsidized. Federal Work-Study payments totaled $248,278. Sixty-five percent (65%) of the University’s students receive some form of financial assistance (grants, scholarships, loan, and student work opportunities).

Student Financial Aid for 2004-2005 (as of December 1, 2004)

<table>
<thead>
<tr>
<th></th>
<th>Need Based</th>
<th>Non-Need Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships and Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$2,800,303</td>
<td>$0</td>
</tr>
<tr>
<td>State</td>
<td>$699,511</td>
<td>$1,123,956</td>
</tr>
<tr>
<td>Institutional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awarded by University</td>
<td>$229,165</td>
<td>$1,371,231</td>
</tr>
<tr>
<td>Not Awarded by University</td>
<td>$0</td>
<td>$247,815</td>
</tr>
<tr>
<td>Total Scholarships and Grants</td>
<td>$3,728,979</td>
<td>$2,743,002</td>
</tr>
<tr>
<td>Self-Help</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Loans (excluding parent loans)</td>
<td>$5,088,930</td>
<td>$4,167,633</td>
</tr>
<tr>
<td>Federal Work-Study</td>
<td>$166,885</td>
<td>$0</td>
</tr>
<tr>
<td>State and other work-study/employment</td>
<td>$0</td>
<td>$850,000</td>
</tr>
<tr>
<td>Total Self-Help</td>
<td>$5,255,815</td>
<td>$5,017,633</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent Loans</td>
<td>$0</td>
<td>$1,983,841</td>
</tr>
<tr>
<td>Tuition Waivers</td>
<td>$0</td>
<td>$468,239</td>
</tr>
<tr>
<td>Athletic Awards</td>
<td>$0</td>
<td>$468,839</td>
</tr>
</tbody>
</table>

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The financial statements of Shepherd University as of June 30, 2004 for the year then ended are included in Appendix B. These statements include the Management Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements present all funds under the authority of Shepherd University. The combined financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 and amendments thereof, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989 to its combined financial statements.

For more information, see Appendix B, “Financial Information of Shepherd University for fiscal years ended June 30, 2004 and 2003, including Management’s Discussion and Analysis and Audited Financial Statements”.

### Net Assets (thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2002-03</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$10,782</td>
<td>$ 8,733</td>
<td>$ 8,579</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>56,412</td>
<td>50,643</td>
<td>48,960</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$67,194</td>
<td>$58,511</td>
<td>$57,539</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$ 5,137</td>
<td>$ 5,303</td>
<td>$ 4,723</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>11,230</td>
<td>11,932</td>
<td>7,012</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$16,367</td>
<td>$17,235</td>
<td>$11,735</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$45,807</td>
<td>$44,530</td>
<td>$40,872</td>
</tr>
<tr>
<td>Restricted</td>
<td>1,359</td>
<td>3,364</td>
<td>3,864</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,660</td>
<td>2,115</td>
<td>1,068</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$50,826</td>
<td>$50,009</td>
<td>$45,804</td>
</tr>
</tbody>
</table>
Revenues, Expenses and Changes in Net Assets (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2002-03</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$27,779</td>
<td>$24,785</td>
<td>$22,324</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>38,942</td>
<td>36,583</td>
<td>34,478</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>(11,163)</td>
<td>(11,798)</td>
<td>(12,154)</td>
</tr>
<tr>
<td>Net Nonoperating Revenues</td>
<td>10,582</td>
<td>11,933</td>
<td>12,566</td>
</tr>
<tr>
<td>Income (Loss) before Other Revenues, Expenses, Gains or Losses</td>
<td>(581)</td>
<td>135</td>
<td>412</td>
</tr>
<tr>
<td>Capital grants and gifts</td>
<td>1,489</td>
<td>3,593</td>
<td>5,287</td>
</tr>
<tr>
<td>Increase (Decrease) in Net Assets Before Transfers</td>
<td>908</td>
<td>3,728</td>
<td>5,699</td>
</tr>
<tr>
<td>Transfer of funds (Liability) from the Commission</td>
<td>(90)</td>
<td>478</td>
<td>(4,784)</td>
</tr>
<tr>
<td>Increase in Net Assets</td>
<td>818</td>
<td>4,206</td>
<td>915</td>
</tr>
<tr>
<td>Net Assets at Beginning of Year</td>
<td>50,009</td>
<td>45,803</td>
<td>44,888</td>
</tr>
<tr>
<td>Net Assets at End of Year</td>
<td>$50,827</td>
<td>$50,009</td>
<td>$45,803</td>
</tr>
</tbody>
</table>

Revenue and Funding

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$15,372,142</td>
<td>$12,759,525</td>
<td>$11,283,642</td>
<td>$10,111,158</td>
<td>$10,275,283</td>
</tr>
<tr>
<td>State appropriations</td>
<td>11,008,731</td>
<td>12,206,156</td>
<td>13,096,703</td>
<td>11,690,909</td>
<td>10,565,611</td>
</tr>
<tr>
<td>Government contracts and grants</td>
<td>6,631,735</td>
<td>8,219,614</td>
<td>9,406,694</td>
<td>11,983,474</td>
<td>11,044,272</td>
</tr>
<tr>
<td>Private gifts, grants and contracts</td>
<td>624,315</td>
<td>870,748</td>
<td>662,715</td>
<td>673,128</td>
<td>554,711</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>8,993,630</td>
<td>8,583,166</td>
<td>7,866,761</td>
<td>7,643,499</td>
<td>7,069,392</td>
</tr>
<tr>
<td>Sales and services of educational activities</td>
<td>35,610</td>
<td>29,143</td>
<td>38,004</td>
<td>89,140</td>
<td>112,740</td>
</tr>
<tr>
<td>Other sources</td>
<td>1,107,170</td>
<td>1,221,506</td>
<td>1,265,508</td>
<td>1,053,408</td>
<td>870,775</td>
</tr>
<tr>
<td></td>
<td>$43,773,333</td>
<td>$43,812,296</td>
<td>$43,620,027</td>
<td>$43,244,716</td>
<td>$40,492,784</td>
</tr>
</tbody>
</table>

1Includes scholarship allowance
2 Sum of Federal and State contracts and grants and Capital grants and gifts
3 Miscellaneous incl. interest on students' loans receivables and investment income

The Foundation

Incorporated in 1961, the Shepherd University Foundation is a 501(c)(3) nonprofit organization whose mission is to ensure educational opportunities for deserving students and to enhance the academic excellence of Shepherd University. To that end, the Foundation has strengthened the work and service of the University, provided funds for scholarships, and supported programs important to Shepherd. Foundation donors have helped assure the success of the Foundation, among them the 250 who have started scholarships that have provided aid to thousands of eligible students over the years. The 34-member Foundation Board of Directors is made up of alumni, community members, faculty, and staff. A salaried executive vice president runs the day-to-day operations of the Foundation, along with a paid staff of two full-time employees and one part-time employee.

The Foundation's assets are $19,278,887 according to its audited financial statement of June 30, 2004. In 2005-06, private scholarship and program awards provided through gifts to the Foundation will total more than $930,000, with $640,000 in direct student support. Over the Foundation's history, charitable gifts to support scholarships have endowed more than $16 million to support scholarship awards for Shepherd students.
EMPLOYEES

Profile of Full-Time Teaching Faculty (Fall 2004)

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Male</th>
<th>Female</th>
<th>Tenured</th>
<th>Doctorate</th>
<th>Terminal Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professors</td>
<td>31</td>
<td>24</td>
<td>7</td>
<td>31</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Associates</td>
<td>30</td>
<td>18</td>
<td>12</td>
<td>29</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Assistants</td>
<td>38</td>
<td>21</td>
<td>17</td>
<td>8</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>Instructors</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lecturers</td>
<td>18</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>125</td>
<td>74</td>
<td>51</td>
<td>74</td>
<td>80</td>
<td>88</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>100%</td>
<td>60%</td>
<td>40%</td>
<td>59%</td>
<td>64%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Faculty Census – Head Count (Fall 2004)

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Part-time</td>
<td>191</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>309</td>
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</tbody>
</table>

Student Faculty Ratio

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.63:1</td>
<td>20.23:1</td>
<td>19.93:1</td>
<td>20.30:1</td>
<td>21.01:1</td>
<td>21.36:1</td>
</tr>
</tbody>
</table>

Labor Relations

Shepherd University’s employees consist of both classified employees and non-classified employees. The Shepherd University Classified Employees Council serves as a representative body for the classified employees of Shepherd University and provides a forum for discussion of classified staff concerns. The Council encourages the improvement of working conditions for classified staff and increase of operating efficiency of Shepherd. The Council allows staff input into decisions, which affect classified employees by making recommendations to the President and appropriate administrators and conveying concerns to the Shepherd University Board of Governors and to the state Advisory Council of Classified Employees. Shepherd University does not have an established union for its employees.

Insurance

The State’s Board of Risk and Insurance Management (BRIM) provides general, property and casualty and medical malpractice liability coverage to Shepherd and its employees. Such coverage may be provided to Shepherd by BRIM through self-insurance programs maintained by BRIM or policies by BRIM that may involve experience related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to Shepherd or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums Shepherd is currently charged by BRIM and the ultimate cost of that insurance based on Shepherd’s actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to Shepherd and Shepherd’s ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.
Pension Program

Substantially all eligible employees of Shepherd participate in either the West Virginia State Teachers Retirement System (STRS) or the Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable election between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers’ Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers’ Defined Contribution Plan by Shepherd employees have not been significant to date.

The STRS is a cost-sharing, defined benefit public employee retirement system. The state Legislature establishes employer and employee contribution rates annually. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. Lump sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years of salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2004, 2003, 2002 were $169,608, $166,867, and $159,989, respectively, which consisted of $119,699, $117,762, and $112,890 from Shepherd in 2004, 2003 and 2002, respectively, and $49,909, $49,105, and $47,099 from the covered employees in 2004, 2003, and 2002 respectively.

The contribution rate is set by the state Legislature on an overall basis, and the STRS does not perform a calculation of the contribution requirement for individual employers such as Shepherd. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of this report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

The TIAA-CREF is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6 percent of total annual compensation. Shepherd matches the employees’ 6 percent contributions. Contributions are immediately and fully vested.

Total contributions to the TIAA-CREF for the years ended June 30, 2004, 2003, and 2002, was $1,650,541, $1,596,929, $1,510,701 respectively, which consisted of equal contributions from Shepherd and covered employees in 2004, 2003, and 2002 of $825,271, $798,465, and $755,351, respectively.
In the Fall 2004, Shepherd University housed 1,044 students in twelve residence halls that included 28 students living temporarily in study lounges converted to rooms. All buildings are coed and include local telephone services, cable television, and high-speed internet service. Each room contains a bed, mattress, desk, desk chair, dresser, and closet/wardrobe for each person. Each room has window blinds. With the exception of the West Woods Complex, laundry facilities and mailboxes (one per room) are located in each building. Washer and dryers are free to residents of the building.

**Gardiner Hall** – Gardiner Hall is a traditional residence hall with double-loaded corridors and hall bathrooms on each wing. The building houses 126 residents. 102 are in doubles and 24 are in triples. Six rooms house undergraduate Resident Assistants (RAs). There are furnished lounges on each floor and a furnished lobby on the first floor. There is a security desk and RA office on the first floor as well. Lobby is air-conditioned and a shared kitchen is also on the first-floor. The lower level of the building houses Financial Aid, the Health Center, Counseling Center, the Dean of Students, and the Career Center.

**Kenamond Hall** – Kenamond Hall is a traditional residence hall with double-loaded corridors and hall bathrooms on each wing. It houses only first-year students. The building houses 156 residents in doubles. Six rooms house undergraduate RAs. There are furnished lounges on each floor and a furnished lobby on the first floor. There is a security desk and RA office on the first floor as well. A Resident Manager apartment and office are located on the first floor of the building. Lobby is air-conditioned. A shared kitchen is on the first floor.

**Miller Hall** – Miller Hall contains space for 28 students in four- and five-person suites (2 bedrooms, 1 bathroom, and common area). Two RAs live in this building. The common area space is furnished with seating for four. This building houses the University’s Honors program (2 offices and program space). The lower level contains the offices of Residence Life and the laundry facilities. This building is full air-conditioned.

**Shaw Hall** – Shaw Hall houses our living-learning program where 145 students reside. 7 RAs live in the building. One Resident Manager apartment and office are located in this building. Hall bathrooms are located on each of the eight wings. There is an RA duty office and security desk. There are lounges on each floor with kitchenettes and average-sized lobby. This building is air-conditioned.

**Thacher Hall** - Thacher Hall houses 145 residents. 7 RAs live in the building. One Resident Manager apartment is located in this building. Hall bathrooms are located on each of the eight wings. There is an RA duty office and security desk. There are lounges on each floor with kitchenettes. This building is air-conditioned.

**Turner Hall** – Turner Hall is a traditional residence hall with double-loaded corridors and hall bathrooms on each wing. The building houses 150 residents in doubles. Six rooms house undergraduate RAs. There are furnished lounges on each floor and a furnished lobby on the first floor. There is a security desk and RA office on the first floor as well. A Resident Manager apartment and office are located on the first floor of the building. Lobby is air-conditioned. A shared kitchen is on the first floor.

**West Woods Complex** – This complex contains six buildings: Boteler, Burkhart, Lurry, Martin, Moler and Yost. Burkhart, Lurry, Martin, and Yost each house 47 residents with one RA. Moler houses 39 residents with 1 RA. There is also an Assistant Director apartment on the first floor. Boteler house 31 residents including 1 RA. There is a Resident Manager office, and Associate Director apartment and the
service center for the complex on the first floor. The service center houses the laundry facilities, mailboxes, RA office, and small common area space with a kitchenette. This area may be access by all West Wood residents 24 hours a day, 7 days a week. The resident rooms are suites which contain 2 double rooms, 1 bathroom, and 1 common area space. The common area space provides seating for four people.

**Residence Policy**

Residential life at Shepherd University is considered an integral part of the educational program and serves to provide both direct and indirect opportunities for intellectual growth and personal development. Thus, all single, unmarried students who do not have dependents, who are not commuting 60 minutes or less from a parent or legal guardian’s home, and who have attended Shepherd University for no more than eight semesters or who have earned no more than 96 credit hours, regardless of age, are required to live in a College residence hall and must participate in the College’s board plans.

**Mission Statement**

Residence Life fosters a safe and comfortable living-learning community that furthers the mission of Shepherd University. We advocate for and adapt to the changing needs of students through the continuous enhancement of facilities, programs, and services. We empower students to develop as citizens through the exploration of individual freedoms, autonomy, and accountability to themselves and the community.

**Guiding Principles**

- University students are the reason for our work.
- We offer students opportunities to explore their uniqueness as individuals and as members of a diverse community. We are committed to helping students develop beyond mere understanding and tolerance toward greater appreciation and acceptance.
- We provide innovative programs and sound policies and procedures that promote citizenship, life skills, and continuing education. Our programs and services enhance learning outside of the classroom and allow us to connect to the University’s academic mission.
- We create a dynamic environment through continuous improvement. Assessed issues are systematically reviewed and meaningfully implemented.

**Occupancy Rates (All Residence Halls)**

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Capacity</th>
<th>Fall Occupancy</th>
<th>Fall %</th>
<th>Spring Occupancy</th>
<th>Spring %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002</td>
<td>1008</td>
<td>1047</td>
<td>104%</td>
<td>947</td>
<td>94%</td>
</tr>
<tr>
<td>2002-2003</td>
<td>1008</td>
<td>1022</td>
<td>101%</td>
<td>916</td>
<td>91%</td>
</tr>
<tr>
<td>2003-2004</td>
<td>1016</td>
<td>1044</td>
<td>103%</td>
<td>953</td>
<td>94%</td>
</tr>
<tr>
<td>2004-2005</td>
<td>1016</td>
<td>1044</td>
<td>103%</td>
<td>989</td>
<td>97%</td>
</tr>
<tr>
<td>4-Year Average</td>
<td>1016</td>
<td>1044</td>
<td>103%</td>
<td></td>
<td>95%</td>
</tr>
</tbody>
</table>

* Some students housed temporarily in lounges.
**Occupancy Rates (By Residence Hall for Fall 2004)**

<table>
<thead>
<tr>
<th>Residence Hall</th>
<th>Capacity</th>
<th>Housing</th>
<th>% Occupancy</th>
<th># Females</th>
<th># Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boteler</td>
<td>33</td>
<td>33</td>
<td>100%</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Burkhart</td>
<td>47</td>
<td>47</td>
<td>100%</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Gardiner</td>
<td>128</td>
<td>122</td>
<td>95%</td>
<td>49</td>
<td>73</td>
</tr>
<tr>
<td>Kenamond</td>
<td>157</td>
<td>155</td>
<td>99%</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Lurry</td>
<td>47</td>
<td>47</td>
<td>100%</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>Miller</td>
<td>28</td>
<td>28</td>
<td>100%</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td>Martin</td>
<td>47</td>
<td>47</td>
<td>100%</td>
<td>4</td>
<td>43</td>
</tr>
<tr>
<td>Moler</td>
<td>42</td>
<td>41</td>
<td>98%</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Shaw</td>
<td>145</td>
<td>140</td>
<td>97%</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Thatcher</td>
<td>146</td>
<td>143</td>
<td>98%</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>Turner</td>
<td>149</td>
<td>149</td>
<td>100%</td>
<td>99</td>
<td>50</td>
</tr>
<tr>
<td>Yost</td>
<td>47</td>
<td>47</td>
<td>100%</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1016</strong></td>
<td><strong>999</strong></td>
<td><strong>99%</strong></td>
<td><strong>505</strong></td>
<td><strong>494</strong></td>
</tr>
</tbody>
</table>

**Occupancy Rates (By Residence Hall for Spring 2005)**

<table>
<thead>
<tr>
<th>Residence Hall</th>
<th>Capacity</th>
<th>Housing</th>
<th>% Occupancy</th>
<th># Females</th>
<th># Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boteler</td>
<td>33</td>
<td>32</td>
<td>97%</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Burkhart</td>
<td>47</td>
<td>44</td>
<td>94%</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>Gardiner</td>
<td>128</td>
<td>123</td>
<td>96%</td>
<td>49</td>
<td>74</td>
</tr>
<tr>
<td>Kenamond</td>
<td>157</td>
<td>154</td>
<td>98%</td>
<td>80</td>
<td>74</td>
</tr>
<tr>
<td>Lurry</td>
<td>47</td>
<td>47</td>
<td>100%</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>Miller</td>
<td>28</td>
<td>28</td>
<td>100%</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td>Martin</td>
<td>47</td>
<td>46</td>
<td>98%</td>
<td>4</td>
<td>42</td>
</tr>
<tr>
<td>Moler</td>
<td>42</td>
<td>40</td>
<td>95%</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Shaw</td>
<td>145</td>
<td>137</td>
<td>95%</td>
<td>70</td>
<td>67</td>
</tr>
<tr>
<td>Thatcher</td>
<td>146</td>
<td>145</td>
<td>99%</td>
<td>69</td>
<td>76</td>
</tr>
<tr>
<td>Turner</td>
<td>149</td>
<td>148</td>
<td>99%</td>
<td>98</td>
<td>50</td>
</tr>
<tr>
<td>Yost</td>
<td>47</td>
<td>45</td>
<td>96%</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1016</strong></td>
<td><strong>989</strong></td>
<td><strong>97%</strong></td>
<td><strong>503</strong></td>
<td><strong>486</strong></td>
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**Room And Board Costs (Academic Year)**

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</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>$1081</td>
<td>$1178</td>
<td>$1307</td>
<td>$1424</td>
<td>$1552</td>
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<tr>
<td>Suites</td>
<td>$1254</td>
<td>$1367</td>
<td>$1516</td>
<td>$1652</td>
<td>$1800</td>
</tr>
<tr>
<td>19 meal</td>
<td>$1146</td>
<td>$1191</td>
<td>$1274</td>
<td>$1363</td>
<td>$1458</td>
</tr>
<tr>
<td>Rate Increase</td>
<td>5.0%</td>
<td>6.4%</td>
<td>9.0%</td>
<td>8.0%</td>
<td>9.0%</td>
</tr>
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</table>

* Proposed increases for 2005-2006
Residence Hall Room Rate Comparison (Fiscal Year 2004)

<table>
<thead>
<tr>
<th>Other Selective Schools</th>
<th>Double Traditional</th>
<th>Double Suite</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Maryland</td>
<td>$2,312</td>
<td>$2,432</td>
</tr>
<tr>
<td>Towson University (MD)</td>
<td>$1,984</td>
<td>$2,355</td>
</tr>
<tr>
<td>Salisbury State University (MD)</td>
<td>$1,725</td>
<td>---</td>
</tr>
<tr>
<td>Marshall University (WV)</td>
<td>$1,689</td>
<td>---</td>
</tr>
<tr>
<td>West Virginia University</td>
<td>$1,606</td>
<td>---</td>
</tr>
<tr>
<td>Shippensburg University (PA)</td>
<td>$1,595</td>
<td>---</td>
</tr>
<tr>
<td>James Madison University (VA)</td>
<td>$1,583</td>
<td>$2,083</td>
</tr>
<tr>
<td>Frostburg State University (MD)</td>
<td>$1,572</td>
<td>---</td>
</tr>
<tr>
<td>Fairmont State University (WV)</td>
<td>$1,550</td>
<td>---</td>
</tr>
<tr>
<td>West Liberty State College (WV)</td>
<td>$1,445</td>
<td>$1,652</td>
</tr>
<tr>
<td><strong>Shepherd University (WV)</strong></td>
<td><strong>$1,424</strong></td>
<td><strong>$1,652</strong></td>
</tr>
<tr>
<td>Concord University (WV)</td>
<td>$1,424</td>
<td>---</td>
</tr>
<tr>
<td>Glenville State College (WV)</td>
<td>$1,250</td>
<td>$1,750</td>
</tr>
<tr>
<td>Potomac State College (WV)</td>
<td>$1,250</td>
<td>$1,780</td>
</tr>
<tr>
<td>West Virginia State University</td>
<td>$1,100</td>
<td>$1,466</td>
</tr>
<tr>
<td>Virginia Tech</td>
<td>$1,032</td>
<td>$1,246</td>
</tr>
</tbody>
</table>

Other Auxiliary Facilities

**Student Center**

The Student Center was constructed in 1952 and was expanded in 1972. The center is located on the East Campus and is approximately 50,000 square feet. The center houses the retail food operations, the University bookstore, campus meeting and conference facilities, and Student Affairs offices. Revenues for Fiscal Year 2004 were $887,931, including $355,772 from student fees, $528,753 from operations (i.e., bookstore rental, snack bar, games area) and $3,407 from interest income.

**Bookstore**

The bookstore is located in the lower level of the Student Center and was recently renovated in Fiscal Year 2003. Revenues for Fiscal Year 2004 were $2,310,189, including $2,310,189 from operations (e.g., books, clothing, supplies) and $3,407 from interest income.

**Athletics**

The University constructed a new football stadium addition in 2001 increasing capacity to 5,000 seats. A field house, which houses locker rooms and training facilities, was constructed from a portion of the proceeds of the sale of the University’s Series 2003 Bonds and from private donations. Indoor athletic events are held in the Butcher Center arena, which was constructed in 1989 and contains 84,000 square feet. The arena also includes space for coaching staff and the Health, Physical Education and Safety Department of the University. There are separate baseball and softball facilities (fields), as well as several practice fields. Athletics revenues for Fiscal Year 2004 were $833,569, including $706,502 from student fees, $126,006 from operations (i.e., event tickets, concessions, advertising) and $1,061 from interest income.
### Operating Revenues and Expenses (Unaudited) — Auxiliary Facilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residence Halls – Room Rental</td>
<td>3,379,397</td>
<td>3,100,365</td>
<td>2,962,012</td>
<td>2,451,776</td>
<td>2,368,772</td>
<td>2,206,401</td>
<td>2,131,240</td>
<td>2,039,033</td>
</tr>
<tr>
<td>Residence Halls – Dining (Net)</td>
<td>688,808</td>
<td>688,808</td>
<td>688,808</td>
<td>483,039</td>
<td>355,537</td>
<td>754,017</td>
<td>532,718</td>
<td>525,904</td>
</tr>
<tr>
<td>Other Residence Halls</td>
<td>28,997</td>
<td>28,997</td>
<td>31,182</td>
<td>31,139</td>
<td>57,752</td>
<td>43,738</td>
<td>34,151</td>
<td>23,627</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>48,663</td>
<td>29,587</td>
<td>108,379</td>
<td>22,514</td>
<td>107,341</td>
<td>34,151</td>
<td>23,627</td>
<td>23,627</td>
</tr>
<tr>
<td>Student Fees – Student Center</td>
<td>403,256</td>
<td>387,013</td>
<td>355,772</td>
<td>34,151</td>
<td>107,341</td>
<td>34,151</td>
<td>23,627</td>
<td>23,627</td>
</tr>
<tr>
<td>Bookstore Operations</td>
<td>2,565,422</td>
<td>2,420,209</td>
<td>2,930,050</td>
<td>2,310,189</td>
<td>2,048,961</td>
<td>1,924,118</td>
<td>1,860,563</td>
<td>1,625,160</td>
</tr>
<tr>
<td>Student Center Operations</td>
<td>549,329</td>
<td>549,329</td>
<td>568,257</td>
<td>43,738</td>
<td>523,143</td>
<td>43,738</td>
<td>523,143</td>
<td>323,871</td>
</tr>
<tr>
<td>Athletics Operations</td>
<td>139,498</td>
<td>132,855</td>
<td>132,855</td>
<td>132,855</td>
<td>132,855</td>
<td>132,855</td>
<td>132,855</td>
<td>132,855</td>
</tr>
<tr>
<td>Total</td>
<td>8,703,415</td>
<td>8,210,592</td>
<td>8,640,416</td>
<td>7,015,689</td>
<td>6,615,974</td>
<td>6,493,861</td>
<td>6,122,259</td>
<td>5,601,968</td>
</tr>
</tbody>
</table>

| **EXPENSES**         |                            |                          |                |                |                |                |                |                |
| Personal Services    | 1,929,459                  | 1,749,233                | 1,837,647      | 1,692,058      | 1,711,930      | 1,620,998      | 1,275,808      | 1,114,123      |
| Fringe Benefits      | 362,587                    | 316,490                  | 386,350        | 329,548        | 305,638        | 215,675        | 235,675        | 188,355        |
| Residence Halls Operations | 174,562                  | 156,151                  | 169,478        | 151,219        | 97,500         | 53,071         | 66,319         | 11,388         |
| Student Center Operations | 303,648                  | 294,804                  | 289,872        | 262,673        | 268,070        | 198,730        | 228,597        | 149,582        |
| Athletics Operations | 437,008                    | 428,283                  | 424,280        | 397,481        | 393,658        | 413,526        | 442,523        | 352,487        |
| Bookstore Operations | 1,795,969                  | 1,743,659                | 2,203,972      | 1,672,464      | 1,744,475      | 1,495,133      | 1,413,121      | 1,335,231      |
| Total                | 7,399,977                  | 6,811,410                | 7,685,443      | 7,299,055      | 6,734,782      | 6,440,285      | 6,059,910      | 5,236,200      |

**Excess of Revenues Over Expenses**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residence Halls</strong></td>
<td>1,303,438</td>
<td>1,399,182</td>
<td>954,773</td>
<td>-283,366</td>
<td>-118,808</td>
<td>53,576</td>
<td>62,348</td>
<td>365,768</td>
</tr>
</tbody>
</table>

* *Shaw and Thacher Residence Halls were closed for the Spring semester of the 2003-2004 school year for asbestos abatement and renovations. The residence halls housed 254 students at that time. The abatement and renovations were completed in the summer of 2004 and the residence halls were re-opened for the Fall semester of the 2004-2005 school year. The costs and renovations were financed from proceeds of the University's Series 2004A Notes, which Notes are being refunded by the Series 2005 Bonds.*
PLEDGED REVENUES AND DEBT SERVICE COVERAGE

The numbers in the table below are based upon the best information available to the Issuer, and the actual results may vary from this forecast.

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residence Facilities (1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double Rooms Rental - Residence Halls</td>
<td>3,359,000</td>
<td>3,526,950</td>
<td>3,703,298</td>
</tr>
<tr>
<td>Triple Rooms Rental - Residence Halls</td>
<td>110,000</td>
<td>115,500</td>
<td>121,275</td>
</tr>
<tr>
<td>Other Revenues - Residence Halls</td>
<td>201,000</td>
<td>211,050</td>
<td>221,603</td>
</tr>
<tr>
<td>Room Rental - Apartments</td>
<td>1,728,000</td>
<td>1,779,840</td>
<td>1,833,235</td>
</tr>
<tr>
<td>Other Revenues - Apartments</td>
<td>66,000</td>
<td>67,320</td>
<td>68,666</td>
</tr>
<tr>
<td>Net Dining Revenues - Residence Halls</td>
<td>475,000</td>
<td>484,500</td>
<td>494,190</td>
</tr>
<tr>
<td>Less: Vacancy - Residence Facilities</td>
<td>(229,400)</td>
<td>(240,870)</td>
<td>(252,914)</td>
</tr>
<tr>
<td><strong>Total Revenues - Residence Facilities</strong></td>
<td>5,709,600</td>
<td>5,944,290</td>
<td>6,189,353</td>
</tr>
<tr>
<td><strong>Other Auxiliary Facilities (2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Fees - Student Center and Athletics</td>
<td>1,329,367</td>
<td>1,355,955</td>
<td>1,383,074</td>
</tr>
<tr>
<td>Bookstore Operations</td>
<td>2,565,423</td>
<td>2,642,385</td>
<td>2,721,657</td>
</tr>
<tr>
<td>Student Center Operations</td>
<td>565,809</td>
<td>582,783</td>
<td>600,266</td>
</tr>
<tr>
<td>Athletics Operations</td>
<td>142,288</td>
<td>145,133</td>
<td>148,036</td>
</tr>
<tr>
<td>Interest Earnings (includes Residence Facilities)</td>
<td>48,664</td>
<td>49,638</td>
<td>50,630</td>
</tr>
<tr>
<td><strong>Total Revenue - Other Auxiliary Facilities</strong></td>
<td>4,651,550</td>
<td>4,775,894</td>
<td>4,903,663</td>
</tr>
<tr>
<td><strong>Total Auxiliary Revenues</strong></td>
<td>10,361,150</td>
<td>10,720,184</td>
<td>11,093,016</td>
</tr>
<tr>
<td><strong>Institutional Capital Fees (3)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Student Fee Revenues from Series 2004B</td>
<td>71,641</td>
<td>82,263</td>
<td>88,604</td>
</tr>
<tr>
<td>Net Student Fee Revenues from Series 2003</td>
<td>172,991</td>
<td>185,360</td>
<td>202,033</td>
</tr>
<tr>
<td><strong>Total Revenues - Institutional Capital Fees</strong></td>
<td>244,633</td>
<td>267,624</td>
<td>290,638</td>
</tr>
<tr>
<td><strong>Total Revenues - Auxiliary &amp; Institutional Capital Fees</strong></td>
<td>10,605,783</td>
<td>10,987,806</td>
<td>11,383,654</td>
</tr>
</tbody>
</table>

EXPENSES (4)

| **Residence Facilities** | | | |
| Variable Operating Costs | (3,578,000) | (3,685,340) | (3,795,900) |
| Fixed Operating Costs | (191,000) | (196,730) | (202,632) |
| General Education (College Subsidy) | (100,000) | (103,000) | (106,090) |
| **Total Expenses - Residence Facilities** | (3,869,000) | (3,985,070) | (4,104,622) |
| **Other Auxiliary Facilities** | | | |
| Total Operating Expenses - Student Center | (869,524) | (895,610) | (922,478) |
| Total Operating Expenses - Bookstore | (1,241,163) | (1,278,398) | (1,316,750) |
| Total Operating Expenses - Athletics | (2,306,852) | (2,376,058) | (2,447,340) |
| **Total Expenses - Other Auxiliary Facilities** | (4,417,540) | (4,550,066) | (4,686,568) |
| **Total Expenses - Auxiliary Facilities** | (8,286,540) | (8,535,136) | (8,791,190) |

DEBT SERVICE COVERAGE

<table>
<thead>
<tr>
<th></th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income Available for Debt Service</strong></td>
<td>2,319,243</td>
<td>2,452,670</td>
<td>2,592,464</td>
</tr>
<tr>
<td><strong>Series 2005 Bonds Net Debt Service - estimated (5)</strong></td>
<td>545,141</td>
<td>1,545,283</td>
<td>1,544,358</td>
</tr>
<tr>
<td><strong>Net Debt Service Coverage</strong></td>
<td>425%</td>
<td>159%</td>
<td>168%</td>
</tr>
<tr>
<td><strong>Gross Debt Service Coverage</strong></td>
<td>1946%</td>
<td>711%</td>
<td>737%</td>
</tr>
</tbody>
</table>
**Brailsford & Dunlavey Market Study**

In November 2002, Shepherd University engaged Brailsford & Dunlavey (B&D) to complete a Student Housing Feasibility Study. This study was published July 2003. The University requested an update to the Off-Campus Market Analysis and Financial Analysis of the original study in July 2004. B&D has completed the updated study and determined that the Project (300-bed apartment style complex) is feasible given the assumptions delineated in the Market Study.

**Notes to the Pledged Revenues and Debt Service Coverage Table**

(1) FY 2007 from B&D Market Study; FY 2008 and FY 2009 assumes 5% annual increases in Residence Halls revenue, 3% annual increases in Apartments revenues, 2% annual increases of Other Revenues and Net Dining Revenues, and 5% annual increases in Vacancy Revenues.

(2) FY 2007, FY 2008 and FY 2009 assumes 2% annual increases in Student Fees revenue, Athletics Operations revenue, and interest earnings revenue, and 3% annual increases in Bookstore revenues and Student Center revenues.

(3) The student fees received by the Issuer for payment of debt service on the Series 2003 Bonds and the Series 2004B Bonds are included in Pledged Revenues. Accordingly, such revenues could be used for payment of debt service on the Series 2005 Bonds, subject to prior payment of the principal of and interest on the Series 2003 Bonds and the Series 2004B Bonds. Net Student Fee revenues after annual debt service payment on the Series 2004A Bonds are estimated based on a 5% increase in baccalaureate enrolment from FY 2005 to FY 2007 and 2.5% annual increases for FY 2008 and FY 2009. Net Student Fee revenues after annual debt service payment on the Series 2003 Bonds are estimated based on a 5% increase in full-time equivalent enrolment from FY 2005 to FY 2007 and 2.5% annual increases for FY 2008 and FY 2009.

(4) FY 2007 from B&D Market Study; FY 2008 and FY 2009 assumes 3% annual increases in all expenses.

THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS

and

WESBANCO BANK, INC.

as Bond Trustee

__________________________________________________

BOND TRUST INDENTURE

__________________________________________________

Dated as of May 1, 2005

__________________________________________________

$[23,595,000]

THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS

REVENUE BONDS (SHEPHERD UNIVERSITY RESIDENCE FACILITIES

PROJECTS), SERIES 2005
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>[TO BE PROVIDED]</td>
</tr>
</tbody>
</table>

Page
This BOND TRUST INDENTURE, dated as of May 1, 2005 (this “Bond Indenture”), between THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS, a public body and agency of the State of West Virginia (the “Issuer”), and WesBanco Bank, Inc., a banking corporation duly organized and validly existing under the laws of the State of West Virginia and duly authorized to exercise corporate trust powers under the laws of the State of West Virginia and qualified to accept and administer the trusts hereby created, with its principal place of trust business located in Wheeling, West Virginia, as Bond Trustee (together with any successor under Article VIII hereof, hereinafter referred to as the “Bond Trustee”);

**WITNESSETH:**

WHEREAS, to improve the quality of student life and academic culture, enhance student services and respond to students needs, and to comply with its Master Plan, Shepherd University (the “University”) proposes to undertake certain capital projects, including without limitation the acquisition and construction of a student residence facility on the University’s West Campus in Shepherdstown, West Virginia, which is herein called the “Project”; and

WHEREAS, the Issuer has previously issued the following:

1. Student Fee Revenue Bonds, Series 2003, issued on January 22, 2003, in the original aggregate principal amount of $5,990,000 (the “Series 2003 Bonds”);

2. University Facilities Revenue Notes, Series 2004A, issued on September 9, 2004, in the original aggregate principal amount of $1,865,000 (the “Series 2004A Notes”); and

3. Infrastructure Revenue Bonds, Series 2004B, issued on September 9, 2004, in the original aggregate principal amount of $3,405,000 (the “Series 2004B Bonds”)

WHEREAS, pursuant to the authority contained in Chapter 18B, Article 10 and Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended (collectively, the “Act”), the Issuer is authorized to issue revenue bonds to finance the costs of the Project, including capitalized interest and reimbursement for capital expenditures made prior to the issuance of the Issuer’s Revenue Bonds (Shepherd University Residence Facilities Projects), Series 2005, hereinafter authorized to be issued in the aggregate principal amount of $[23,595,000] (the “2005 Bonds”), and related expenses, including the bond insurance premium for and other costs of issuance of the 2005 Bonds, and to refund the Series 2004A Notes (the “Refunding”); and

WHEREAS, the Issuer has determined that it is necessary and desirable to issue the 2005 Bonds pursuant to the Act for the purposes set forth above; and
WHEREAS, the Issuer has received the approval of the Higher Education Policy Commission (the “HEPC”) of West Virginia for the specified Project and the financing of such Project through the issuance of the 2005 Bonds in the form of a resolution duly adopted by the HEPC on February 4, 2005 (the “HEPC Resolution”); and

WHEREAS, the Issuer has received the express written consent and direction of the Governor to issue the 2005 Bonds as required by Senate Bill No. 1002 enacted by the West Virginia Legislature on January 29, 2005; and

WHEREAS, the execution and delivery of this Bond Indenture and the issuance of the 2005 Bonds have been in all respects duly and validly authorized by a resolution duly adopted by the Issuer on January 13, 2005, as supplemented, amended and ratified by the Issuer on _____________, 2005 (the “Issuer Resolution”); and

WHEREAS, the 2005 Bonds shall be payable from Pledged Revenues, as hereinafter defined, and other moneys legally available to be used for such purposes; and

WHEREAS, the 2005 Bonds shall be secured by the Pledged Revenues, as hereinafter defined, and the funds and accounts held by the Bond Trustee as described herein, subject to the terms, conditions, limitations and restrictions herein contained, and the Issuer, for the benefit of the Bondholders, represents and warrants that, subject to the security interest therein granted to the holders of the Series 2003 Bonds and the Series 2004B Bonds (collectively, the “Prior Bonds”) in certain portions thereof, there will be no other security interest in the Pledged Revenues; and

WHEREAS, the Issuer may issue additional revenue bonds pursuant to the terms hereof for the purpose, among other things, of financing the costs of design, acquisition, construction and equipping of new facilities and/or improvements to existing facilities or refunding all or a portion of one or more series of Bonds (as hereinafter defined) issued pursuant to this Indenture; and

WHEREAS, all things necessary to make the 2005 Bonds, when authenticated by the Bond Trustee and issued as in this Bond Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Bond Indenture a valid assignment and pledge of the Pledged Revenues for the payment of the principal of and interest on the 2005 Bonds, and a valid grant of a security interest in the funds and accounts described herein and in the proceeds thereof; and the creation, execution and delivery of this Bond Indenture and the creation, execution and issuance of the 2005 Bonds, subject to the terms hereof, have in all respects been duly authorized; and

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

The Issuer, in consideration of the premises and the acceptance by the Bond Trustee of the trusts hereby created and of the purchase and acceptance of the 2005 Bonds by the owners thereof, and
for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of and interest on the 2005 Bonds and any Additional Bonds hereafter issued, according to their tenor and effect, and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby irrevocably grant, bargain, sell, convey, transfer, assign and pledge unto the Bond Trustee, and its successors in trust and assigns forever, and does hereby grant to it and them a security interest in:

I.

All rights, title and interest of the Issuer in and to the Pledged Revenues, as defined herein, and the present and continuing right to make claim for, collect and receive such Pledged Revenues, subject to the terms and conditions of this Bond Indenture and subject to the rights of the holders of the Prior Bonds.

II.

All moneys and securities held by the Bond Trustee in any fund or account under this Bond Indenture and earnings thereon, excepting only the Rebate Fund.

**TO HAVE AND TO HOLD** all and singular the foregoing (the "Trust Estate"), whether now owned or hereafter acquired, unto the Bond Trustee and its respective successors in trust and assigns forever, in trust nevertheless, upon the terms and trusts herein set forth for the equal and proportionate benefit and security of all present and future owners of the Bonds, except as otherwise provided herein, without preference of any Bond over any other, and for enforcement of the payment of the Bonds in accordance with their terms, and all other sums payable hereunder or on the Bonds and for the performance of and compliance with the obligations, covenants and conditions of this Bond Indenture, as if all the Bonds at any time Outstanding (as hereinafter defined) had been authenticated, executed and delivered simultaneously with the execution and delivery of this Bond Indenture, all as herein set forth;

**PROVIDED, HOWEVER**, that if the Issuer shall well and truly pay, or cause to be paid, the principal of and interest on the Bonds, together with any redemption premium due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made as required herein, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Bond Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Bond Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then this Bond Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Bond Indenture to be and remain in full force and effect.

**AND IT IS HEREBY COVENANTED, DECLARED AND AGREED** by and between the parties hereto that all Bonds are to be issued, authenticated and delivered, and that all the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and its successors, does hereby covenant and
agree to and with the Bond Trustee and its respective successors in said trust, for the benefit of those who shall hold the Bonds, or any of them, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. To the extent not defined herein, the terms used in this Bond Indenture shall have the same meanings set forth below. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined in this Bond Indenture, all terms used herein shall have the meanings assigned to such terms in the Act.

"Act" means collectively, Chapter 18B, Article 10 and Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, as heretofore and hereafter amended or supplemented.

"Additional Bonds" means all Bonds issued on a parity as to lien and source of payment with the 2005 Bonds pursuant to the provisions of Section 2.14 hereof.

"Authorized Denomination" means $5,000 and integral multiples thereof.

"Authorized Representative" means, with respect to the Issuer, the Chairman and Vice-Chairman of its Board, the President of the University, or any other person designated as an Authorized Representative of the Issuer by a Certificate of the Issuer signed by the Chairman of its Board and filed with the Bond Trustee.

"Auxiliary Fees" means the auxiliary fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of operating and financing the Auxiliary Facilities.

"Auxiliary Capital Fees" means the auxiliary capital fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of supporting debt service, capital projects and campus maintenance and renewal for the Auxiliary Facilities of the University.

"Auxiliary Facilities" means, collectively, all auxiliary facilities of the University, including but not limited to all dormitories, student housing facilities, food service facilities, student union facilities, athletic facilities, transportation facilities, and motor vehicle parking facilities, now or hereafter situated on the Shepherdstown, West Virginia campus of the University.

"Bond Counsel" means Bowles Rice McDavid Graff & Love LLP or such other legal counsel of recognized national standing in the field of obligations the interest on which is
excludable from gross income for federal income tax purposes, selected by the Issuer, and not objected to by the Bond Trustee.

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

“Bond Insurance Policy” means the municipal bond new issue insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the 2005 Bonds when due.

“Bond Insurer” means ________________________, a ______________, or any successor thereto or assignee thereof.

“Bond Register” means the bond registration books maintained by the Bond Trustee or Bond Trustee’s Agent pursuant to Section 2.12 hereof.

“Bond Trustee” means WesBanco Bank, Inc., a banking corporation duly organized and existing under the laws of the State of West Virginia and duly authorized to exercise corporate trust powers, having a principal corporate trust office in Wheeling, West Virginia, or its successor, as Bond Trustee hereunder as provided in Section 8.01 hereof.

“Bond Trustee’s Agent” means any agent designated by the Bond Trustee pursuant to Section 8.12 of this Bond Indenture and at the time serving in that capacity.

“Bonds” means the 2005 Bonds and any Additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Bond Indenture.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of West Virginia, the State of New York or in any state in which the office of the Bond Trustee or the Bond Trustee’s Agent, if any, is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Issuer mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.
“Closing Date” means May __, 2005.

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

“Completion Date” means the date specified in the Requisitions delivered pursuant to Section 3.04(C) hereof.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of May 1, 2005, between the Issuer and the Bond Trustee, with respect to the 2005 Bonds, as amended or supplemented.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, issuance, sale and delivery of the 2005 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Bond Trustee and its counsel, the Bond Trustee’s Agent (if any), and their respective counsel, Bond Counsel fees and charges, Underwriter’s counsel fees and charges, other legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the 2005 Bonds, market studies, fees and expenses of the Rating Agencies, and any other cost, charge or fee in connection with the original issuance of the 2005 Bonds.

“Costs of Issuance Fund” means the trust fund by that name established pursuant to Section 3.03 hereof.

“Credit Facility” means a letter of credit, including, if applicable, a confirming letter of credit, insurance policy or similar Credit Facility (other than one issued by the Issuer or any affiliate of the Issuer) issued by a commercial bank, savings institution, bond insurer or other financial institution, the senior unsecured debt securities or securities secured by guarantees of the Provider of which are rated at least “AA” (or the equivalent) by one or more of the Rating Agencies.

“Credit Facility Provider” means the Bond Insurer and any other commercial bank, savings institution, bond insurer or other financial institution issuing a Credit Facility.

“Debt Service Charges” means the Principal Installment or Redemption Price and interest on each series of Bonds for any period or payable at any time, whether due on an Interest Payment Date, at maturity or upon acceleration or redemption.

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

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

“Escrow Agent” means WesBanco Bank, Inc.
“Escrow Deposit Agreement” means the Escrow Agreement, dated as of May 1, 2005, between the Issuer and the Escrow Agent, relating to the payment of interest on and the redemption price of the Series 2004A Notes.

“Escrow Fund” means the escrow deposit trust fund created under the Escrow Deposit Agreement.

“Event of Default” means any of the events specified in Section 7.01 hereof.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under this Bond Indenture and will not, in and of itself, result in the includability of interest on the 2005 Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the 2005 Bonds).

“Fees” means the Institutional Capital Fees, Auxiliary Fees and Auxiliary Capital Fees.

“Fiscal Year” means the period commencing July 1 and ending on June 30 of each year.

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

“Governing Body” means the board of governors or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

“Government Obligations” means (i) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by each Rating Agency, and such obligations are held in a custody account by a custodian satisfactory to the Bond Trustee and (ii) senior debt obligations of government sponsored agencies approved in writing by the Bond Insurer.

“Gross Operating Revenues” means all rents, fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities, exclusive of the Auxiliary Fees, Auxiliary Capital Fees and as otherwise required by statute.
“Holder,” “Bondholder” or “Owner,” when used with respect to a 2005 Bond, means the Person in whose name such 2005 Bond is registered.

“Immediate Notice” means notice by Electronic Means to such number or address as the addressee shall have directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee shall have directed in writing; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the Electronic Means mail address of an addressee then Immediate Notice shall mean notice by overnight courier service or by first class mail postage prepaid.

“Institutional Capital Fees” means the required educational and general capital fees imposed and collected by the Issuer on the University’s students pursuant to the Act for the purpose of supporting debt service, capital projects and campus maintenance and renewal for the University’s educational and general educational facilities, exclusive of that component part of the required educational and general capital fees of the University that constituted registration and tuition fees in effect as of March 21, 2004, and imposed and collected under the Act for the purpose of supporting debt service of systemwide bond issues.

“Interest Fund” means the trust fund by that name established pursuant to Section 5.02 hereof.

“Interest Payment Date” means, December 1, 2005, and each June 1 and December 1 thereafter and any other date on which Debt Service Charges are otherwise due on the Bonds.

“Interested Parties” means the Issuer, the Bond Trustee, the Bond Trustee’s Agent (if any), the Bond Insurer and the Holders.

“Investment Securities” means investments in any of the following:

1. (A) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in Clause (B) below, or);
   (B) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

2. Governmental Obligations;

3. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
   - Export-Import Bank
   - Farm Credit System Financial Assistance Corporation
   - Rural Economic Community Development Administration
(formerly the Farmers Home Administration)  
- General Services Administration  
- U.S. Maritime Administration  
- Small Business Administration  
- Government National Mortgage Association (GNMA)  
- U.S. Department of Housing & Urban Development (PHAs)  
- Federal Housing Administration  
- Federal Financing Bank;  

(4) Direct obligations of any of the following federal agencies:  
- Senior debt obligations rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).  
- Obligations of the Resolution Funding Corporation (REFCORP).  
- Senior debt obligations of the Federal Home Loan Bank System.  
- Senior debt obligations of other Government Sponsored Agencies rated “AAA” by S&P and “Aaa” by Moody’s or approved by the Bond Insurer;  

(5) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit at the time of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);  

(6) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P, and which matures not more than 270 calendar days after the date of purchase;  

(7) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;  

(8) Pre-refunded Municipal Obligations, defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and  

(A) Which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P; or  

(B) (i) Which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or
dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) General obligations of States with a rating of “A1/A+” or higher by both Moody’s and S&P;

(10) (A) Investment agreements with institutions rated at least in the second highest rating category of Moody’s or S&P (or guaranteed by a letter of credit or guaranty from a financial institution or insured by an insurer, rated at least in the second highest rating category of Moody’s or S&P), or (B) investment agreements and repurchase agreements rated “A1/A+” or higher by both Moody’s and S&P and collateralized with obligations described in provisions (1) through (4) of this definition and such collateral (measured at least weekly) having a fair market value of at least 100% of the value of such agreements; and

(11) Other forms of investments (including but not limited to repurchase agreements and investment agreements not meeting the strict requirements of provision (10) above) approved in writing by the Bond Insurer.

“Issuer” or “Board of Governors” means The Shepherd University Board of Governors and any successor thereto.

“Issuer Resolution” means the resolution adopted by the Issuer on January 13, 2005, as supplemented, amended and ratified by the Issuer on __________, authorizing the financing, design, acquisition, construction and equipping of the Project and the Refunding and the financing thereof through the issuance of the 2005 Bonds.

“Mandatory Redemption Requirements” means the respective amounts designated as such with respect to the 2005 Bonds pursuant to Subsection 4.01(C) hereof.

“Mandatory Sinking Account Payment” means the amount required by Subsection 4.01(C) hereof to be paid by the Bond Trustee on any single date for the retirement of 2005 Bonds.

“Maturity Date” means the Maturity Date set forth in Section 2.05 hereof.

“Maximum Annual Debt Service” means the maximum amount of principal and interest that will come due, whether by Mandatory Sinking Account Payments or maturity, on the 2005 Bonds in the then current or any succeeding fiscal year.
“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Issuer by notice to the Credit Facility Provider, if any, and the Bond Trustee.

“Officer’s Certificate” means a certificate signed by an Authorized Representative.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Issuer) selected by the Issuer and not objected to by the Bond Trustee and the Credit Facility Provider. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

“Optional Redemption Account” means the account by that name within the Redemption Fund established pursuant to Section 5.04 hereof.

“Original Purchasers” means those investment banking firms or other entities so designated as such in a resolution of the Issuer with respect to a series of Bonds.

“Outstanding,” when used as of any particular time with reference to 2005 Bonds, means (subject to the provisions of Section 12.09 hereof) all 2005 Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except: (1) 2005 Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee or Bond Trustee’s Agent for cancellation; (2) 2005 Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with Section 10.02 hereof, including 2005 Bonds (or portions of 2005 Bonds) referred to in Section 12.10 hereof; and (3) 2005 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2005 Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

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

“Pledged Revenues” means the Fees and Gross Operating Revenues received by the Issuer, calculated in accordance with GAAP, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest.

“Principal Corporate Trust Office” means, for notice purposes: the office of the Bond Trustee at 1 Bank Plaza, Wheeling, West Virginia 26003, Attn: Corporate Trust Department; and for purposes of presentation of 2005 Bonds for payment or transfer: the office of the Bond Trustee at 1 Bank Plaza, Wheeling, West Virginia 26003, Attn: Corporate Trust Department.

“Principal Fund” means the trust fund by that name established pursuant to Section 5.03 hereof.
“Principal Installment” means, as of any date of calculation, so long as any Bonds are Outstanding, (i) the principal amount of Bonds due on a certain future date for which no Mandatory Redemption Requirements have been established or (ii) the unsatisfied balance of any such Mandatory Redemption Requirements due on a certain future date for Bonds, in a principal amount equal to said unsatisfied balance of such Mandatory Redemption Requirements.

“Principal Payment Date” means, with respect to a 2005 Bond, the date on which principal of such 2005 Bond becomes due and payable, whether by maturity, redemption, acceleration or otherwise.


“Proceeds” means the first offering price of the 2005 Bonds.

“Project Fund” means the trust fund by that name established pursuant to Section 3.04 hereof from which the cost of the New Money Portion is to be paid.


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

“Rebate Fund” means the fund by that name established pursuant to Section 5.05 hereof.

“Record Date” means the 15th day (whether or not a Business Day) of the month preceding the month in which the Interest Payment Date falls.

“Redemption Price” means, with respect to any 2005 Bond (or portion thereof), the price to be paid upon redemption as set forth in Article IV of this Bond Indenture.

“Refunding Portion” has the meaning set forth in the preambles of this Bond Indenture and as also described in Section 3.02 hereof.

“Related Document,” when used in reference to the Bond Insurance Policy, means this Bond Indenture and the 2005 Bonds.

“Requisition” means a document signed by an Authorized Representative directing the Bond Trustee to make the payments described therein from the Cost of Issuance Fund or the Project Fund, as the case may be.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Issuer by notice to the Credit Facility Provider, if any, and the Bond Trustee.
“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.07 hereof, which agrees to follow the procedures required to be followed by such securities depository in connection with the 2005 Bonds.

“Series,” when used with respect to the 2005 Bonds, means all the 2005 Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any 2005 Bonds thereafter authenticated and delivered upon a transfer or exchange or in lieu of or in substitution for such 2005 Bonds as herein provided.

“Series 2003 Bonds” means the Issuer’s Student Fee Revenue Bonds, Series 2003, issued on January 22, 2003, in the original aggregate principal amount of $5,990,000.

“Series 2004A Notes” means the Issuer’s University Facilities Revenue Notes, Series 2004A, issued on September 9, 2004, in the original aggregate principal amount of $1,865,000.


“Special Record Date” means the date established by the Bond Trustee pursuant to Subsection 2.03(B) hereof as a record date for the payment of defaulted interest on the 2005 Bonds.

“State” means the State of West Virginia.

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

“Tax Compliance Certificate” means the Tax Regulatory Agreement and Non-Arbitrage Certificate of the Issuer, dated the Closing Date and delivered in connection with this Bond Indenture.

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


“2005 Bonds” means The Shepherd University Board of Governors Revenue Bonds, Series 2005, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

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

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

SECTION 1.03. Interpretation.

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

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE 2005 BONDS

SECTION 2.01. Authorization of 2005 Bonds. There shall be issued and secured by this Bond Indenture one series of 2005 Bonds to be known and designated as “The Shepherd University Board of Governors Revenue Bonds (Shepherd University Residence Facilities...
Projects), Series 2005.” The aggregate principal amount of the 2005 Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed $23,595,000.

This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the 2005 Bonds and the Credit Facility Providers as their respective interests may appear to secure the full payment of the principal of and premium (if any) and interest on all the 2005 Bonds, and the payment of all other amounts due under this Bond Indenture, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Denominations; Date; Maturity; Numbering. The 2005 Bonds shall be delivered in the form of fully registered 2005 Bonds in Authorized Denominations. The 2005 Bonds shall be registered initially in the name of “Cede & Co.,” as nominee of the Securities Depository and shall be evidenced by one Bond for each Maturity of 2005 Bonds in the total aggregate principal amount of the 2005 Bonds. Registered ownership of the 2005 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Sections 2.07 and 2.10 hereof. The 2005 Bonds shall be dated as of May ___, 2005, and shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the dated date, payable on each Interest Payment Date until the date of maturity or redemption, which ever first occurs. The 2005 Bonds shall mature (subject to prior redemption) on their respective Maturity Dates. The 2005 Bonds shall be numbered in such manner as shall be determined by the Bond Trustee. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Holder in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given by mail, first-class postage prepaid, by the Bond Trustee to the Bondholders not less 10 days prior to such Special Record Date, to each Holder of a 2005 Bond at the address of each Holder as it appears on the Bond Register.

SECTION 2.03. Payment of Principal of and Interest on the 2005 Bonds.

(A) The principal or Redemption Price of the 2005 Bonds shall be payable by check in lawful money of the United States of America at the Principal Corporate Trust Office. Interest on the 2005 Bonds shall be paid to the Person whose name appears on the Bond Register as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date. Payment of the interest on the 2005 Bonds shall be made by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of 2005 Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Holder, provided, however, as long as Cede & Co. is the Holder of the 2005 Bonds, said principal or Redemption Price and interest payments shall be made to Cede & Co. by wire transfer in immediately available funds. CUSIP number identification shall accompany all payments of principal or Redemption Price and interest, whether by check or by wire transfer.
(B) Defaulted Interest with respect to any 2005 Bond shall cease to be payable to the Holder of such 2005 Bond on the relevant Record Date and shall be payable to the Holder in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner: The Issuer shall notify the Bond Trustee and the Bond Insurer in writing of the amount of Defaulted Interest proposed to be paid on each 2005 Bond and the date of the proposed payment (which date shall be such as will enable the Bond Trustee to comply with the second sentence hereafter), and shall deposit with the Bond Trustee at the time of such notice 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. Money deposited with the Bond Trustee shall be held in trust for the benefit of the Holders of the 2005 Bonds entitled to such Defaulted Interest as provided in this Section. Following receipt of such funds 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 of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, not less than 10 days prior to such Special Record Date, to each Holder of a 2005 Bond at the address of such Holder as it appears on the Bond Register.

SECTION 2.04. [RESERVED]

SECTION 2.05. Maturity Date; Interest Rates on 2005 Bonds.

The 2005 Bonds shall mature in the amounts on the dates and bear interest as follows:

<table>
<thead>
<tr>
<th>Maturity (_______)</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Price</th>
</tr>
</thead>
</table>

SECTION 2.06. Form of 2005 Bonds. The 2005 Bonds shall be initially in substantially the form set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions as permitted or required hereby.

SECTION 2.07. Use of Securities Depository. Notwithstanding any provision of this Bond Indenture to the contrary:

(A) The 2005 Bonds shall be initially issued as provided in Section 2.02. Registered ownership of the 2005 Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to Clause (2) of this Subsection (A) (“substitute depository”); provided, that any successor of the Securities Depository or substitute
depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Issuer upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Issuer that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Issuer that it is in the best interests of the Issuer to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to Clause (1) or Clause (2) of Subsection (A), upon receipt of the Outstanding 2005 Bonds by the Bond Trustee or the Bond Trustee’s Agent, together with a Certificate of the Issuer to the Bond Trustee, a single new 2005 Bond shall be executed and delivered for each Series of 2005 Bonds in the aggregate principal amount of the 2005 Bonds of such Series or Subseries, as applicable, then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Issuer. In the case of any transfer pursuant to Clause (3) of Subsection (A), upon receipt of the Outstanding 2005 Bonds by the Bond Trustee or the Bond Trustee’s Agent (if any), as applicable, together with a Certificate of the Issuer to the Bond Trustee, new 2005 Bonds shall be executed and delivered and registered in the names of such Persons as are requested in such a Certificate of the Issuer, subject to the limitations of Section 2.02, provided the Bond Trustee or the Bond Trustee’s Agent (if any) shall not be required to deliver such new 2005 Bonds within a period less than 60 days from the date of receipt of such a Certificate of the Issuer. Any reasonable costs incurred pursuant hereto shall be at the Issuer’s expense.

(C) In the case of partial redemption or an advance refunding of the 2005 Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the 2005 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The Issuer and the Bond Trustee shall be entitled to treat the Person in whose name any 2005 Bond is registered as the Bondholder thereof for all purposes of this Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Bond Trustee or the Issuer; and the Issuer and the Bond Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any beneficial owners of the 2005 Bonds. Neither the Issuer nor the Bond Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including the

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Securities Depository or its successor (or substitute depository or its successor), except for the 
Holder of any 2005 Bond.

(E) So long as the Outstanding 2005 Bonds are registered in the name of Cede & Co. 
or its registered assign, the Issuer and the Bond Trustee shall cooperate with Cede & Co., as sole 
registered Bondholder, and its registered assigns in effecting payment of the principal of and 
premium, if any, and interest on the 2005 Bonds by arranging for payment in such manner that 
funds for such payments are properly identified and are made immediately available on the date 
they are due, all as provided in the blanket Letter of Representations between the Bond Trustee and 
the Securities Depository.

(F) Notwithstanding anything to the contrary contained in this Bond Indenture, for so 
long as Cede & Co., as nominee of the Securities Depository, is the sole registered owner of the 
2005 Bonds, (i) all tenders and deliveries of 2005 Bonds under the provisions of this Bond 
Indenture shall be made pursuant to the Securities Depository’s procedures as in effect from time 
to time and neither the Issuer nor the Bond Trustee shall have any responsibility for or liability 
with respect to the implementation of such procedures and (ii) any requirement for notice 
contained herein may be satisfied by Electronic Means.

SECTION 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become 
mutilated, the Issuer, at the expense of the Holder of said Bond, shall execute, and the Bond 
Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and number in exchange 
and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the 
Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled 
by it and delivered to, or upon the order of, the Issuer. If any Bond shall be lost, destroyed or 
stolen, evidence of such loss, destruction or theft may be submitted to the Issuer and the Bond 
Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be 
given, the Issuer, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon 
authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, 
destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of 
issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof). The 
Issuer may require payment by the Holder of a sum not exceeding the actual cost and expenses of 
preparing each new Bond issued under this Section and of the expenses that may be incurred by the 
Issuer and the Bond Trustee in the premises. Any Bond issued under the provisions of this Section 
in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional 
contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, 
destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of 
this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.09. Execution of 2005 Bonds; Limited Obligations; No Liability of State. 
The 2005 Bonds shall be executed by the Governor on behalf of the State and the Chairman of the 
Issuer with their manual or facsimile signatures, and attested by the manual or facsimile signature 
of the Secretary of State, and shall have impressed or imprinted thereon the Great Seal of the State. 
The 2005 Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any
of the officers who shall have signed or attested any of the 2005 Bonds shall cease to be such officer or officers before the 2005 Bonds so signed or attested shall have been authenticated or delivered by the Bond Trustee or issued by the Issuer, such 2005 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers, and also any 2005 Bonds may be signed and attested by such persons as at the actual date of execution of such 2005 Bonds shall be the proper officer or officers, although at the nominal date of such 2005 Bonds any such persons shall not have been such officer or officers.

Only such of the 2005 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, as the case may be, with the manual or facsimile signature of the Bond Trustee as authenticating agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the 2005 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

The 2005 Bonds are special limited obligations of the Issuer. The 2005 Bonds and the interest payable thereon and other costs incident thereto will not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith and credit of the State of West Virginia or any political subdivision thereof within the purview of any constitutional or statutory limitation and shall never constitute nor give rise to a charge against the general credit or taxing power, if any, of any of them. No owner of the 2005 Bonds will have any right to compel any exercise of the taxing power of the State of West Virginia, or any political subdivision of the State of West Virginia, to pay the principal of the 2005 Bonds, or the interest or premium, if any, thereon. Payment of the 2005 Bonds, including the principal thereof, redemption premium, if any, and the interest thereon, will be made solely from the funds and obligations duly pledged herein. There will be no pledge of any of the credit or the taxing power, if any, of the Issuer, the State of West Virginia, or any political subdivision of the State of West Virginia, to the obligations of the 2005 Bonds, and no owner of any of the 2005 Bonds can ever submit a claim against such credit or taxing power.

SECTION 2.10. Transfer of 2005 Bonds. Subject to the provisions of Section 2.07, any 2005 Bond may, in accordance with its terms, be transferred, upon the bond registration books required to be kept pursuant to the provisions of Section 2.12 by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any 2005 Bond or 2005 Bonds shall be surrendered for transfer, the Issuer shall execute and the Bond Trustee or the Bond Trustee’s Agent (if any), as applicable, shall authenticate and deliver a new 2005 Bond or 2005 Bonds for a like aggregate principal amount of the same Series or Subseries, as applicable. The Bond Trustee or the Bond Trustee’s Agent (if any), as applicable, shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.
SECTION 2.11. Exchange of 2005 Bonds. 2005 Bonds may be exchanged at the Principal Corporate Trust Office for a like aggregate principal amount of 2005 Bonds of the same Series, or Subseries, as applicable of other Authorized Denominations. The Bond Trustee or the Bond Trustee’s Agent (if any), as applicable, shall require the Bondholder requesting such exchange to pay any cost, tax or other governmental charge required to be paid with respect to such exchange.

The Bond Trustee shall not be required to exchange any 2005 Bond during the 15 days immediately preceding (1) the date on which notice of redemption is given or (2) the date on which 2005 Bonds will be selected for redemption.

SECTION 2.12. Bond Register. The Bond Trustee, or the Bond Trustee’s Agent (if any), as applicable, will keep or cause to be kept sufficient books for the registration and transfer of the 2005 Bonds, which shall at all times be open to inspection during regular business hours by the Issuer; and, upon presentation for such purpose, the Bond Trustee or the Bond Trustee’s Agent (if any), as applicable, shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2005 Bonds as hereinbefore provided.

SECTION 2.13. Temporary Bonds. The 2005 Bonds may be issued in temporary form exchangeable for definitive 2005 Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Issuer, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. Every temporary Bond shall be executed by the Issuer and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive 2005 Bonds. If the Issuer issues temporary 2005 Bonds, it will issue definitive 2005 Bonds as promptly thereafter as practicable, and thereupon the temporary 2005 Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office, and the Bond Trustee shall authenticate and deliver in exchange for such temporary 2005 Bonds an equal aggregate principal amount of definitive 2005 Bonds of Authorized Denominations of the same Series. Until so exchanged, the temporary 2005 Bonds shall be entitled to the same benefits under this Bond Indenture as definitive 2005 Bonds authenticated and delivered hereunder.

SECTION 2.14. Additional Bonds and Maximum Annual Debt Service. Additional Bonds may be issued pursuant to this Bond Indenture under the conditions and in the manner provided in this Section 2.14.

Additional Bonds may be issued from time to time for any one or more of the following purposes: (a) financing the costs of the design, acquisition, construction and equipping of new facilities and/or improvements to existing facilities or (b) refunding all or a portion of one or more series of Bonds issued pursuant hereto. In the event Additional Bonds are issued, the Issuer and Bond Trustee shall enter into a Supplemental Indenture, the purpose of which shall be to authorize the Additional Bonds and pledge the Trust Estate as security therefor.

No Additional Bonds shall be authenticated and delivered by the Bond Trustee unless there has been or is simultaneously with the issuance of the Additional Bonds delivered to the Bond Trustee:
(a) The resolutions, documents and opinions required for delivery of the 2005 Bonds pursuant to Section 3.01 hereof, appropriately modified;

(b) An Issuer's Certificate to the effect that the Issuer is not in default hereunder; and

(c) (i) A certificate of an Authorized Representative to the effect that the Pledged Revenues for each of the preceding two Fiscal Years have equaled or exceeded 100% of Maximum Annual Debt Service on all Outstanding Bonds and the Additional Bonds to be issued, taking into effect the additional Debt Service Charges to be incurred following issuance thereof; or

(ii) A certificate from an Independent Certified Public Accountant to the effect that the Pledged Revenues (A) have equaled or exceeded 1.00 times Debt Service Charges for each of the preceding two Fiscal Years and (B) are projected to equal or exceed 1.00 times Debt Service Charges for the Fiscal Year immediately following the date of issuance of such Additional Bonds, taking into effect the additional Debt Service Charges to be incurred following issuance thereof, the estimated average increased annual Gross Operating Revenues to be derived from the operation of the new facilities and/or improvements to existing facilities to be financed by such Additional Bonds, and new or increased Fees imposed or to be imposed by the Issuer prior to the issuance of the Additional Bonds.

Additional Bonds issued under the provisions and within the limitations of this Section shall be payable from the Trust Estate on a parity with the 2005 Bonds, and all the covenants and other provisions of this Bond Indenture (except as to details of such Additional Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Owners of the 2005 Bonds and the Owners of any Additional Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to the pledge of the Trust Estate, and their source of and security for payment from said Trust Estate, without preference of any Bond over any other.

No Additional Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Indenture on account of the Bonds then Outstanding, and any other payments provided for in this Bond Indenture, shall have been made in full as required to the date of delivery of the Additional Bonds.

For all purposes, including calculating the Maximum Annual Debt Service and the Additional Bonds test, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if no debt is outstanding for the twelve prior months under the authorizing document, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the debt to be issued and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently
published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

ARTICLE III

ISSUANCE OF 2005 BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Delivery of the 2005 Bonds. At any time after the execution of this Bond Indenture, the Issuer shall execute, by physical or facsimile signature, and the Bond Trustee shall authenticate and, upon Request of the Issuer, deliver the 2005 Bonds for each Series in the aggregate principal amount of such Series set forth in Section 2.01 hereof.

Prior to the delivery of any of the 2005 Bonds, there shall be filed with the Bond Trustee:

1. A Certified copy of the Issuer Resolution;
2. Copies of the authorizing resolution or resolutions of the HEPC;
3. Copy of the consent and direction of the Governor to issue the 2005 Bonds;
4. An original executed counterpart of this Bond Indenture;
5. The Bond Insurance Policy;
6. A request and authorization to the Bond Trustee signed by an Authorized Representative to authenticate the 2005 Bonds, to be originally issued, and to deliver them to the Original Purchasers therein identified upon payment of the sums specified in such request for deposit in the funds and accounts as set forth in Section 3.02 hereof; and
7. An opinion of Bond Counsel substantially to the effect that the 2005 Bonds constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, and that the interest on the 2005 Bonds is excludable from the gross income of the Owners for purposes of federal income taxation, as applicable.

SECTION 3.02. Application of Proceeds of the 2005 Bonds. The moneys from time to time on deposit in the Funds and Accounts specified below (except for the Rebate Fund) are subject to a pledge in favor of the Holders of the 2005 Bonds until expended for the purposes for which such Funds and Accounts are created.

The proceeds (net of discount, if any) received from the sale of the 2005 Bonds shall be deposited in trust with the Bond Trustee (the “Closing Deposit”).
The Bond Trustee shall allocate and deposit the amount of the Closing Deposit as follows:

(A) Deposit any amounts representing interest accrued on the 2005 Bonds to the credit of the Interest Fund.

(B) Use the sum of $\text{_______} \text{from the proceeds of the 2005 Bonds to purchase Government Obligations, to be credited to the Escrow Fund and to be applied as required by the Escrow Deposit Agreement to pay the principal of and interest coming due on the Series 2004A Notes on ________, 2005.}

(C) Transfer the sum of $\text{_______} \text{by wire transfer to the Bond Insurer in payment for the premium for the issuance of the Bond Insurance Policy.}

(D) Deposit in the Costs of Issuance Fund established under Section 3.03 to be used as set forth in Section 3.03 hereof.

(E) Deposit $\text{_______} \text{in the Capitalized Interest Account in the Interest Fund.}

(F) Deposit $\text{_______} \text{in the Project Fund.}

SECTION 3.03. Establishment and Application of Costs of Issuance Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Bond Trustee to pay the Costs of Issuance for the 2005 Bonds upon Requisition of the Issuer stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account. On ____________, 2005, or upon the earlier Request of the Issuer, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and the Costs of Issuance Fund shall thereafter be closed.

SECTION 3.04. Establishment and Application of Project Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The Project Fund shall consist of the amounts required or permitted to be deposited therein pursuant to any provision hereof, and the proceeds of the 2005 Bonds shall be deposited therein in the amount set out above. The moneys in the Project Fund shall be used and withdrawn by the Bond Trustee to pay the costs of the design, acquisition, construction and equipping of the Project upon receipt of requisitions of the Issuer therefor. A portion of the moneys deposited in the Project Fund will be expended immediately to reimburse the Issuer for the cost of capital expenditures previously made.

(B) Before any payment from the Project Fund shall be made, the Issuer shall file or cause to be filed with the Bond Trustee a Requisition stating (i) the item number of each such payment; (ii) the name of the Person to whom each such payment is due, which may be the Issuer in the case of reimbursement for Project costs theretofore paid by the Issuer; (iii) the respective amounts to be
paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Issuer and are presently due and payable and that each item thereof is a proper charge against the designated account in the Project Fund and has not been previously paid from the Project Fund; and (vi) that there has not been filed with or served upon the Issuer any notice of claim, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Within three (3) Business Days of receipt of a Requisition, the Bond Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Bond Trustee shall rely fully on any such Requisition delivered pursuant to this Section 3.04 and shall not be required to make any investigation in connection therewith. The Bond Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment.

(C) When the Project has been completed, there shall be delivered to the Bond Trustee a Certificate of the Issuer stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate, the Bond Trustee shall, as directed by said Certificate, transfer any remaining balance in such Project Fund, less the amount of any such retention, to the Optional Redemption Account, to be applied to the optional redemption of 2005 Bonds. Upon such transfer, the Project Fund shall be closed.

(D) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which, with notice or lapse of time or both, would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed but shall instead be applied to the payment of debt service or Redemption Price of the 2005 Bonds.

SECTION 3.05. Refunding Portion of Project. Contemporaneously with the issuance of the 2005 Bonds, the Series 2004A Notes shall be defeased, and the Bond Insurer shall be provided with an opinion of Bond Counsel, a certificate of the Prior Bond Trustee or other evidence in form and substance satisfactory to the Bond Insurer of such defeasance. Any funds remaining on deposit in the Escrow Fund after redemption of the Outstanding Series 2004A Notes and payment of all other amounts due under the Escrow Deposit Agreement or the trust indenture relating to the Series 2004A Notes shall be transferred to the Bond Trustee and deposited in the Project Fund.

SECTION 3.06. Validity of 2005 Bonds. The recital contained in the 2005 Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State of West Virginia shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.
ARTICLE IV

REDEMPTION OF 2005 BONDS

SECTION 4.01. Terms of Redemption. (A) [Optional Redemption of 2005 Bonds. The 2005 Bonds maturing on and after _____________ are subject to optional redemption on and after _____________, in whole on any date or in part on any Interest Payment Date (and if in part, the Issuer shall select the maturities of the 2005 Bonds of such Series to be redeemed and within a maturity by lot or by such other method as the Bond Trustee determines to be fair and reasonable and in Authorized Denominations) at the Redemption Price of par, together with accrued interest, if any, to the redemption date. ]

(B) Mandatory Redemption Requirements.

The 2005 Bonds maturing on _____________, are also subject to redemption prior to their stated Maturity Date, in part, from Mandatory Sinking Account Payments deposited in the Principal Fund pursuant to Section 5.03 on _____________ 1 of each of the years set forth below, in the principal amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mandatory Sinking Account Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(____1)</td>
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(C) The 2005 Bonds shall be subject to extraordinary optional redemption prior to maturity by the Issuer, as a whole or in part and in order of maturity selected by the Issuer, on any Business Day, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, (a) in the event of condemnation, damage to or destruction of the Project or any portion thereof, if the Issuer requests such redemption within six months following the event and otherwise as set forth in this Indenture, or (b) from any proceeds of the 2005 Bonds remaining after payment of all costs of the Project and all Costs of Issuance.

(D) In lieu of redeeming 2005 Bonds of any Series pursuant to this Section 4.01, the Bond Trustee may, at the request of the Issuer, use such funds otherwise available hereunder for redemption of 2005 Bonds to purchase 2005 Bonds in the open market at a price not exceeding the redemption price then applicable hereunder, such 2005 Bonds to be delivered to the Bond Trustee for the purpose of cancellation. It is understood that in the case of any such redemption or purchase of 2005 Bonds, the Issuer shall receive credit against its required Mandatory Sinking Account Payment for such 2005 Bonds in the same manner as would be applicable if such 2005
Bonds were optionally redeemed.

SECTION 4.02. Selection of 2005 Bonds for Redemption. Subject to the provisions of Section 2.07 hereof, whenever provision is made in this Bond Indenture for the redemption of less than all of the 2005 Bonds or any given portion thereof, subject to Section 4.01 hereof, the Issuer shall select the maturities of the 2005 Bonds to be redeemed, in the Authorized Denominations specified in Section 2.02, and, within the maturities, the Bond Trustee shall select the particular 2005 Bonds to be redeemed by lot or by such other method as the Bond Trustee determines to be fair and reasonable. The Bond Trustee shall promptly notify the Issuer in writing of any redemption of the 2005 Bonds or portions thereof so selected for redemption. The selection of 2005 Bonds shall be at such time as determined by the Bond Trustee. The foregoing notwithstanding, the Issuer, in its sole discretion, may select the 2005 Bonds to be redeemed.

SECTION 4.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than 15 nor more than 60 days prior to the date fixed for redemption, to the Credit Facility Provider, the Rating Agencies then rating the 2005 Bonds and the respective Holders of any 2005 Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. Each notice of redemption shall state the date of such notice, the date of delivery, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the CUSIP number (if any) of the 2005 Bonds to be redeemed and, in the case of 2005 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2005 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2005 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such 2005 Bond shall cease to accrue, and shall require that such 2005 Bonds be then surrendered at the address or addresses of the Bond Trustee specified in the redemption notice.

Notice of redemption of 2005 Bonds shall be given by the Bond Trustee, at the expense of the Issuer.

Failure by the Bond Trustee to mail notice of redemption pursuant to this Section 4.03 to the Credit Facility Provider, the Rating Agencies then rating the 2005 Bonds or to any one or more of the Holders of any 2005 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

With respect to notice of any optional redemption of the 2005 Bonds, unless moneys sufficient to pay the redemption price of the 2005 Bonds to be redeemed shall have been received by the Bond Trustee prior to the giving of that notice, the notice shall explicitly state that the redemption shall be conditional upon the receipt of such moneys by the Bond Trustee on or prior to the date fixed for the redemption and the satisfaction of other conditions required in this Bond Indenture. If such moneys shall not have been so received, the notice shall be of no force and effect, the 2005 Bonds shall not be redeemed pursuant thereto and the Bond Trustee shall give
notice, in the manner in which notice of redemption was given, that such moneys were not received.

Any notice given pursuant to this Section 4.03 may be rescinded by written notice given to the Bond Trustee by the Issuer no later than five (5) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this Section 4.03.

SECTION 4.04. Partial Redemption of 2005 Bonds. Subject to the provisions of Section 2.07 hereof, upon surrender of any 2005 Bond to be redeemed in part only, the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Issuer, a new 2005 Bond or 2005 Bonds of Authorized Denominations of the same Series, equal in aggregate principal amount to the redeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2005 Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the date fixed for redemption designated in such notice, the 2005 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice to the date fixed for redemption, interest on the 2005 Bonds so called for redemption shall cease to accrue, said 2005 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said 2005 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price.
ARTICLE V

PLEDGED REVENUES; FUNDS AND ACCOUNTS;
PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Pledge and Assignment.

(A) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Pledged Revenues and any other amounts (including proceeds of the sale of the 2005 Bonds) held in any fund or account established pursuant to this Bond Indenture (other than the Rebate Fund) are hereby pledged to secure the payment of the principal of and premium, if any, and interest on the 2005 Bonds, in accordance with their terms and the provisions of this Bond Indenture. Said pledge shall constitute a security interest in such assets and shall attach and be valid and binding from and after delivery by the Bond Trustee of the 2005 Bonds, without any physical delivery thereof or further act. The pledge of the Pledged Revenues shall be subject to the prior pledge of certain portions of the Pledged Revenues in favor of the Prior Bonds.

(B) The Issuer hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the 2005 Bonds, all of the Pledged Revenues and other assets pledged in subsection (A) of this Section. Except as specifically provided herein, the Issuer shall collect and receive all of the Pledged Revenues and may use such Pledged Revenues in its sole discretion. If an Event of Default has occurred and is continuing, the Bond Trustee shall establish and maintain, so long as the Event of Default is continuing, a separate fund to be known as the “Revenue Fund,” into which all Pledged Revenues remaining after payment of the amounts required to be paid therefrom with respect to the Prior Bonds shall be deposited with the Bond Trustee immediately upon receipt by the Issuer, to be released upon cure of the Event of Default. If an Event of Default has occurred and is continuing, all Pledged Revenues then held or thereafter received by the Bond Trustee pursuant to this Section shall be applied by the Bond Trustee pursuant to Section 7.04. Subject to the provisions of Section 7.06 with respect to the control of remedial proceedings by the Bond Insurer, the Bond Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer that have been assigned to the Bond Trustee. All Pledged Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture. To the extent that this Bond Indenture confers any rights, remedy or claim under or by reason of this Bond Indenture to the Bond Insurer, such Person is hereby explicitly recognized as a third party beneficiary hereunder, so long as such Person is not in default under the Bond Insurance Policy.

(C) The pledge and assignment of this Section 5.01 shall be extended to any Additional Bonds pursuant to the applicable Supplemental Indenture, and the deposits into the Interest Fund, the Principal Fund, the Redemption Fund and the Rebate Fund shall be increased as required to provide for such Additional Bonds.
SECTION 5.02. Interest Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Interest Fund.” Moneys in the Interest Fund shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(B) The Bond Trustee shall deposit the following into the Interest Fund:

(i) Upon receipt, all accrued interest received upon the initial sale of the 2005 Bonds;

(ii) Upon receipt, all capitalized interest from the proceeds of the 2005 Bonds, which shall be credited to the Capitalized Interest Account in the Interest Fund;

(iii) All interest, profits and other income received from the investment of moneys in the Interest Fund; and

(iv) The amounts required by Subsections 5.07(A) and (B).

(C) All amounts in the Interest Fund shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the interest on the 2005 Bonds as the same becomes due and payable (including accrued interest on any 2005 Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture). Except as provided below, the amounts in the Capitalized Interest Account shall be used, together with accrued interest deposited in the Interest Fund for the first Interest Payment Date, to pay interest on the 2005 Bonds to and including [December 1, 2006], which is hereby determined to be a reasonable time after the anticipated completion of acquisition, construction and equipping of the Projects. Earnings on the amounts in the Capitalized Interest Account shall be transferred to the Project Fund and applied to the costs of the Projects.

SECTION 5.03. Principal Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Principal Fund.” The Bond Trustee shall establish, maintain and hold in trust within the Principal Fund a separate Mandatory Sinking Account. Moneys in the Principal Fund shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(B) The Bond Trustee shall deposit the following into the Principal Fund:

(i) All interest, profits and other income received from the investment of moneys in the Principal Fund; and

(ii) The amounts required by Subsection 5.07(C) hereof.

(C) All amounts in the Principal Fund shall be used and withdrawn by the Bond Trustee solely to redeem the 2005 Bonds, or pay the 2005 Bonds at maturity, as provided herein.
(D) On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of 2005 Bonds, in the amounts and upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall, upon direction of the Issuer, apply such moneys to the purchase of 2005 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Issuer may direct, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such 2005 Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased 2005 Bonds with moneys in the Principal Fund, or, during said period and prior to giving said notice of redemption, the Issuer has deposited 2005 Bonds with the Bond Trustee, or 2005 Bonds were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such 2005 Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All 2005 Bonds purchased or deposited pursuant to this subsection shall be cancelled and destroyed by the Bond Trustee to or upon the order of the Issuer. All 2005 Bonds purchased from the Principal Fund or deposited by the Issuer with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as selected by the Issuer.

SECTION 5.04. Redemption Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Redemption Fund.” The Bond Trustee shall establish, maintain and hold in trust within the Redemption Fund an Optional Redemption Account.

(B) The Bond Trustee shall deposit the following moneys into the Optional Redemption Account when and as received:

(i) Except as provided in Subsection (C) of this Section, all moneys received for the purpose of redeeming 2005 Bonds under Sections 4.01(A) and (C) hereof; and

(ii) All interest, profits and other income received from the investment of moneys in the Optional Redemption Account.

(C) All amounts deposited in the Optional Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming 2005 Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account; provided, that in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Fund in order of their due date as set forth in a Request of the Issuer. All 2005 Bonds redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments in inverse order of their payment dates.
SECTION 5.05. Rebate Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be specified in writing by the Issuer in order to comply with the Tax Compliance Certificate. Subject to the transfer provisions provided in Subsection (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Compliance Certificate), for payment to the United States Treasury. The Issuer and the Holder of any 2005 Bonds shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Compliance Certificate (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Issuer including the Issuer’s supplying all necessary information in the manner provided in the Tax Compliance Certificate, and shall have no liability or responsibility to enforce compliance by the Issuer with the terms of the Tax Compliance Certificate.

(B) Upon the Issuer’s written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Issuer, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of the Issuer in accordance with the Tax Compliance Certificate.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or provided to it by the Issuer.

(D) At the written direction of the Issuer, the Bond Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Compliance Certificate. The Bond Trustee shall not be liable for any consequences arising from such investment, except for its own negligence or willful misconduct. Money shall not be transferred from the Rebate Fund except as provided in Subsection (E) below.

(E) Upon receipt of the Issuer’s written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Issuer so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Issuer’s written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the 2005 Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, and payment of any amount then owed to the Bond Trustee, shall be withdrawn and remitted to the Issuer.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Amounts to the United States of America and to comply with all other requirements of this Section, Section 6.06 and the Tax Compliance Certificate shall survive the defeasance or payment in full of the 2005 Bonds.
SECTION 5.06. Investment of Moneys. All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested by the Bond Trustee, upon the written direction of the Issuer given at least two (2) days prior to the investment date, solely in Investment Securities. Investment Securities shall be purchased at such prices as the Issuer may direct. All directions of the Issuer to invest in Investment Securities shall be made subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Issuer. No Request of the Issuer shall impose any duty on the Bond Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Issuer, the Bond Trustee shall invest in Investment Securities specified in subsection (7) of the definition thereof in Section 1.01.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income, including the amount of accrued interest paid as part of the Purchase Price when received, received from the investment of moneys in any fund or account established pursuant to this Bond Indenture shall be deposited when received in such fund or account.

Moneys held in the Redemption Fund for the redemption of 2005 Bonds shall be invested solely in Government Obligations maturing in such amounts and at such times as are required for such redemption.

Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this Section 5.06. Any Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee.
The Bond Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. Although the Issuer recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer hereby agrees that confirmations of permitted investments are not required to be issued by the Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

SECTION 5.07. Application of Pledged Revenues. If no Event of Default has occurred and is continuing, the Issuer shall make the following payments from the Pledged Revenues remaining after payment of the amounts required to be paid therefrom with respect to the Prior Bonds and other moneys legally available to be used for such purposes in the order of priority set forth below:

(A) On May 15 and November 15 of each year, beginning November 15, 2005 the Issuer shall deposit in the Interest Fund an amount equal to the Debt Service Charges for interest coming due on the 2005 Bonds on the next succeeding Interest Payment Date (less any amount then on deposit in the Interest Fund, including any amount on deposit in the Capitalized Interest Account in the Interest Fund, as applicable, and available for such payment. There has been deposited in the Capitalized Interest Account an amount sufficient to provide the amounts required to be deposited in the Interest Fund through and including November 15, 2006);

(B) On May 15 and November 15 of each year, beginning November 15, 2007, the Issuer shall deposit in the Principal Fund an amount equal to one-half of the Debt Service Charges for principal coming due on the next succeeding Principal Payment Date;

(C) When May 15 or November 15 is not a Business Day, then such payments shall be made on the next succeeding Business Day, and all such payments shall be remitted to the Bond Trustee with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Indenture.

(D) After the payment of the amounts set forth in 5.07 (A) and (B) above and so long as no Event of Default has occurred and is continuing, any remaining Pledged Revenues may be used for any legally permitted purpose or purposes therefor.
ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The Issuer shall punctually cause to be paid the
principal of, Redemption Price, if any, and interest on the 2005 Bonds, in strict conformity with
the terms of the 2005 Bonds and of this Bond Indenture, according to the true intent and meaning
thereof, but only out of Pledged Revenues, other assets pledged for such payment, and other
moneys legally available to be used for such purposes, as provided in this Bond Indenture.

SECTION 6.02. Extension of Payment of 2005 Bonds. Without the prior written consent
of the Bond Insurer, the Issuer shall not directly or indirectly extend or assent to the extension of
the maturity of any of the 2005 Bonds or the time of payment of any claims for interest by the
purchase or funding of such 2005 Bonds or claims for interest or by any other arrangement and in
case the maturity of any of the 2005 Bonds or the time of payment of any such claims for interest
shall be extended, such 2005 Bonds or claims for interest shall not be entitled, in case of any
default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full
of the principal of all of the 2005 Bonds then Outstanding and of all claims for interest thereon that
shall not have been so extended.

SECTION 6.03. Covenant Against Encumbrances. The Issuer shall not create, or permit
the creation of, any pledge, lien, charge or other encumbrance upon the Pledged Revenues and
other assets pledged or assigned under this Bond Indenture while any of the 2005 Bonds are
Outstanding, except the pledge and assignment created by this Bond Indenture. Subject to this
limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any
of its purposes, including other programs under the Act, and reserves the right to issue other
obligations for such purposes.

SECTION 6.04. Power to Issue 2005 Bonds and Make Pledge and Assignment. The
Issuer is duly authorized pursuant to law to issue the 2005 Bonds and to enter into this Bond
Indenture and to pledge and assign the Pledged Revenues and other assets purported to be pledged
and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in
this Bond Indenture. The 2005 Bonds and the provisions of this Bond Indenture are and will be the
legal, valid and binding special and limited obligations of the Issuer in accordance with their
terms, and the Issuer and Bond Trustee shall at all times, to the extent permitted by law, defend,
preserve and protect said pledge and assignment of Pledged Revenues and other assets and all the
rights of the Bondholders under this Bond Indenture against all claims and demands of all persons
whomsoever.

SECTION 6.05. Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of
record and account, prepared in accordance with the Bond Trustee’s accounting practices for
books of record and account relating to similar trust accounts, in which complete and accurate
entries shall be made of all transactions relating to the proceeds of 2005 Bonds, the Pledged
Revenues and all funds and accounts established pursuant to this Bond Indenture. Such books of
record and account shall be available for inspection by the Issuer, the Bond Insurer and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(B) The Bond Trustee shall file and furnish on or before the 15th day of each month to the Issuer, the Bond Insurer and each Bondholder who shall have filed his or her name and address with the Bond Trustee for such purpose a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Pledged Revenues and any other moneys (including proceeds of 2005 Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for the preceding month; provided, that the Bond Trustee shall not be required to deliver an accounting for any fund or account that (1) has a balance of $0.00 and (2) has not had any activity since the last reporting date.

SECTION 6.06. Tax Covenants. The Issuer agrees that it shall at all times do and perform all acts and things required by law and this Bond Indenture that are necessary or desirable in order to assure that interest paid on the 2005 Bonds will be excludable from gross income for federal income tax purposes and shall neither take action nor, to the fullest extent within its power, permit any other person to take any action that would result in such interest not being excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Issuer agrees to comply with the provisions of the Tax Compliance Certificate.

SECTION 6.07. Rate Covenant, Rents, Charges and Fees. The Issuer covenants that it will, or will cause the University to, prior to the issuance of the Bonds, fix, maintain and collect the schedule or schedules of Fees and to operate the Auxiliary Facilities so as to produce Gross Operating Revenues, in the aggregate, at all times in an amount adequate to produce Pledged Revenues, when combined with other moneys legally available to be used for such purposes, sufficient to make the prescribed payments into the funds and accounts created under this Bond Indenture, and that it will, or will cause the University to, from time to time, take all action within its power to revise such schedule or schedules of Fees and to operate the Auxiliary Facilities so as to produce Gross Operating Revenues, in the aggregate, that will produce Pledged Revenues remaining after payment of the amounts required to be paid therefrom with respect to the Prior Bonds, when combined with other moneys legally available to be used for such purposes, each Fiscal Year equal to at least 100% of Maximum Annual Debt Service.

SECTION 6.08. Waiver of Laws. The Issuer shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any bankruptcy stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Bond Indenture or in the 2005 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Issuer to the extent permitted by law.

SECTION 6.09. Further Assurances. The Issuer and the Bond Trustee will make, execute and deliver any and all such further indentures, instruments and assurances and take such actions (including, as applicable, filing of UCC financing statements and continuations thereof) as may be reasonably necessary or proper from time to time to preserve the priority of the pledge of the Trust Estate under applicable law, to carry out the intention or to facilitate the performance of this Bond
Indenture and for the better assuring and confirming unto the Holders of the 2005 Bonds of the rights and benefits provided in this Bond Indenture.

SECTION 6.10. Continuing Disclosure. The Issuer has covenanted to comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the 2005 Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the “Rule”), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). Notwithstanding any other provision of this Bond Indenture, failure of the Issuer to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default.

SECTION 6.11. Payment Procedures Pursuant to Bond Insurance Policy.

(A) As long as the Bond Insurance Policy shall be in full force and effect and the Bond Insurer shall not have failed to make any payment in accordance with the Bond Insurance Policy, the Issuer and the Bond Trustee agree to comply with the following provisions:

(i) At least four Business Days prior to all scheduled Interest Payment Dates and Principal Payment Dates (each, a “Payment Date”), the Bond Trustee will determine whether, after making all transfers and deposits required under this Bond Indenture, there are sufficient moneys in the Funds and Accounts to pay the principal of and interest on the 2005 Bonds due on such Payment Date.

(ii) If, on the third day preceding any interest payment date for the 2005 Bonds there is not on deposit with the Bond Trustee sufficient moneys available to pay all principal of and interest on the 2005 Bonds due on such date, the Bond Trustee shall immediately notify the Bond Insurer and U.S. Bank Trust National Association, New York, New York or its successor as its fiscal agent (the “Bond Insurer’s Fiscal Agent”) of the amount of such deficiency. If, by said interest payment date, the Issuer has not provided the amount of such deficiency, the Bond Trustee shall simultaneously make available to the Bond Insurer and to the Bond Insurer’s Fiscal Agent the registration books for the 2005 Bonds maintained by the Bond Trustee. In addition:

(a) The Bond Trustee shall provide the Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and the Bond Insurer’s Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the 2005 Bonds surrendered to the Bond Insurer’s Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Bond Insurer; and

(b) The Bond Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (a) above, notify Bondholders entitled to receive the payment of principal of or interest on the 2005 Bonds from the Bond
Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (iii) below, in the event that any Bondholder is entitled to receive full payment of principal from the Bond Insurer, such Bondholder must tender his 2005 Bond with the instrument of transfer in the form provided on the 2005 Bond executed in the name of the Bond Insurer, and (3) that, except as provided in paragraph (iii) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Bond Insurer, such Bondholder must tender his 2005 Bond for payment first to the Bond Trustee, which shall note on such 2005 Bond the portion of principal paid by the Bond Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Bond Insurer’s Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(iii) In the event that the Bond Trustee has notice that any payment of principal of or interest on a 2005 Bond has been recovered from a Bondholder 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 shall, at the time it provides notice to the Bond Insurer, notify all Bondholders that in the event that any Bondholder’s payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Bond Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 2005 Bonds which have been made by the Bond Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iv) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the 2005 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (a) in the case of subrogation as to claims for past due interest, the Bond Trustee shall note the Bond Insurer’s rights as subrogee on the registration books maintained by the Bond Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 2005 Bonds and (b) in the case of subrogation as to claims for past due principal, the Bond Trustee shall note the Bond Insurer’s rights as subrogee on the registration books for the 2005 Bonds maintained by the Bond Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 2005 Bonds. Notwithstanding anything in this Bond Indenture or the 2005 Bonds to the contrary, the Bond Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

SECTION 6.12. Payment by Bond Insurer of Amounts Recovered under the Bankruptcy Code. In the event that the Bond Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder thereof 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 shall, at the time it provides notice to the Bond Insurer, notify all Holders of Bonds that in the event that any Holder's payment has been or is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Bond Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds that have been made by the Bond Trustee and subsequently recovered from Holders, and the dates on which payments were made.

SECTION 6.13. Notices to be Provided to the Bond Insurer. For so long as the Bond Insurance Policy is in effect, the Bond Trustee and, as applicable, the Issuer agree to furnish to the Bond Insurer a copy of any notice to be given to Bondholders of any Series of 2005 Bonds, a copy of any certificate rendered to the Bond Trustee or the Issuer pursuant to this Bond Indenture relating to the 2005 Bonds, and the following:

(A) Immediate notice of any Event of Default described in Subsections 7.01(A) or (B), and notice of any Event of Default described in Subsection 7.01(C), known to the Bond Trustee or the Issuer, within 30 Business Days after knowledge thereof;

(B) Notice of the redemption, other than mandatory sinking fund redemption, of any of the 2005 Bonds, including the principal amount, maturities and CUSIP numbers for the 2005 Bonds being redeemed;

(C) Prior notice of the advance refunding or redemption of any of the 2005 Bonds, including the principal amount, maturities and CUSIP numbers of the 2005 Bonds being refunded or redeemed;

(D) Notice of the downgrading by any Rating Agency then rating the 2005 Bonds, of the Issuer’s underlying public rating, or the underlying rating on the 2005 Bonds or any parity obligations, to “non-investment grade”;

(E) Notice of any decline in enrollment at the University by more than 5% in any year;

(F) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended;

(G) Notice of any violation of the rate covenant set forth in Section 6.07;

(H) Notice of the resignation or removal of the Bond Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(I) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”).
(J) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2005 Bonds;

(K) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents;

(L) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents; and

(M) Such additional information as the Bond Insurer may reasonably request.

SECTION 6.14. Bond Insurer’s Expenses. The Issuer shall pay or reimburse the Bond Insurer, only from Pledged Revenues and to the extent allowable by law, for any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (b) the pursuit of any remedies under this Bond Indenture or any other Related Document or otherwise afforded by law or equity; (c) any amendment, waiver or other action with respect to, or related to, this Bond Indenture or any other Related Document, whether or not executed or completed; (d) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it; or (e) any litigation or other dispute in connection with this Bond Indenture or any other Related Document or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Issuer acknowledges that the Bond Insurer has reserved the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Bond Indenture or any other Related Document. The obligations of the Issuer to the Bond Insurer under this Section shall survive discharge and termination of this Bond Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. Any one or more of the following events shall be Events of Default:

(A) Default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

(B) Default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;
(C) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Bond Trustee, or to the Issuer and the Bond Trustee by the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, that such 30-day period may be extended to 60 days (1) if the default is one that is capable of cure but cannot be cured in 30 days and the Issuer begins corrective action within the 30-day period and works diligently to cure the default or (2) with the prior written consent of the Bond Insurer.

[SECTION 7.02. Acceleration of Maturities.] During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Bond Trustee, upon (i) the written direction of the Bond Insurer or (ii) the written direction of the Holders of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding with the written consent of the Bond Insurer, shall promptly upon such occurrence, by notice in writing to the Issuer and the Bond Insurer declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture or in the Bonds contained to the contrary notwithstanding. The Bond Insurer is obligated to pay only on the original maturity schedule of the Bonds. The Bond Insurer may in its discretion pay the accelerated principal and interest accrued on such principal to the date of acceleration. In either case, the Bond Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date, the Bond Insurer’s obligations under the Bond Insurance Policy with respect to such Bonds shall be fully discharged.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Bond Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest upon all the 2005 Bonds, with interest on such overdue installments of principal, and the reasonable fees and expenses of the Bond Trustee, including reasonable fees and expenses of its attorneys, all amounts due the Bond Insurer and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee and the Bond Insurer or provision deemed by the Bond Trustee and the Bond Insurer to be adequate shall have been made therefor, then, and in every such case, the Bond Insurer or the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, with the written consent of the Bond Insurer, by written notice to the Issuer and to the Bond Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.
When the Bond Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Issuer, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.]

SECTION 7.03. Institution of Legal Proceedings by Bond Trustee. Subject to the provisions of Section 7.06, if an Event of Default shall occur and be continuing, the Bond Trustee in its discretion may, and upon the written request of the Bond Insurer and upon being indemnified to its satisfaction therefor by the Bondholders or the Bond Insurer, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds under this Bond Indenture by any means permitted by law.

SECTION 7.04. Application of Pledged Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Pledged Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (other than payments received from the Credit Facility Provider and moneys required to be deposited in the Rebate Fund and subject to the requirements of Section 12.10 relating to the use of moneys held for particular Bonds) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Bond Indenture;

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption
Price due on such date to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

SECTION 7.05. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, subject to the right of the Bond Insurer to direct and continue all enforcement proceedings, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders and the Credit Facility Provider by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, in the Credit Facility Provider, or in such Holders and the Credit Facility Provider under this Bond Indenture, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Pledged Revenues and other assets pledged under this Bond Indenture, pending such proceedings. All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.06. Bond Insurer’s Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Bond Insurer has the right to direct the method of conducting all remedial proceedings taken by the Bond Trustee with respect to the 2005 Bonds hereunder, provided that such direction shall be in accordance with law and the provisions of this Bond Indenture.
SECTION 7.07. Limitation on Bondholders’ Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture.

SECTION 7.08. Absolute Obligation of Issuer. Nothing in Section 7.07 or in any other provision of this Bond Indenture, or in the Bonds, contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Pledged Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.09. Termination of Proceedings. In case any proceedings taken by the Bond Trustee, the Credit Facility Provider or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee, the Credit Facility Provider or the Bondholders, then in every such case the Issuer, the Bond Trustee, the Credit Facility Provider and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Bond Trustee, the Credit Facility Provider and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.10. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee, the Bond Insurer or the Credit Facility Provider (if any) or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such
remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy
given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.11. No Waiver of Default. No delay or omission of the Bond Trustee, the
Bond Insurer, the Credit Facility Provider (if any) or of any Holder of the Bonds to exercise any
right or power arising upon the occurrence of any default shall impair any such right or power or
shall be construed to be a waiver of any such default or an acquiescence therein.

SECTION 7.12. Notice to Bondholders of Default. The Bond Trustee shall promptly give
written notice by first class mail to the Bondholders, the Bond Insurer and the Credit Facility
Provider (if any) of the occurrence of an Event of Default, if the Bond Trustee has actual
knowledge of such Event of Default.

SECTION 7.13. Payment by the Bond Insurer. Notwithstanding any provision of this
Bond Indenture to the contrary, payment of principal of or interest on Bonds from funds provided
by the Bond Insurer shall not discharge the obligation of the Issuer to make payments of Pledged
Revenues, if and to the extent that funds provided by the Bond Insurer are applied to make
payments of principal of and interest on Bonds and the Bond Insurer so requests, the Bond Trustee
shall deliver to the Bond Insurer an instrument assigning to the Bond Insurer any rights the Bond
Trustee may have to Pledged Revenues in respect of principal of and interest on 2005 Bonds that
have been paid with funds provided by the Bond Insurer.

ARTICLE VIII
THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee. The Bond Trustee
accepts and agrees to execute the trusts imposed upon it by this Bond Indenture but only upon the
terms and conditions set forth herein.

(A) The Bond Trustee shall, prior to an Event of Default, and after the curing of all
Events of Default that may have occurred, perform such duties and only such duties as are
specifically set forth in this Bond Indenture. The Bond Trustee shall, during the existence of any
Event of Default (that has not been cured or waived), exercise such of the rights and powers vested
in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent
person would exercise or use under the circumstances in the conduct of his own affairs.

(B) The Issuer may remove the Bond Trustee at any time unless an Event of Default
shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time
requested to do so by an instrument or concurrent instruments in writing signed by the Holders of
not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their
attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in
accordance with Subsection (E) of this Section, or shall become incapable of acting, or shall be
adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be
appointed, or any public officer shall take control or charge of the Bond Trustee or of its property
or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving
written notice of such removal to the Bond Trustee, and thereupon shall appoint a successor Bond Trustee by an instrument in writing.

(C) The Bond Trustee may at any time resign by giving written notice of such resignation to the Issuer, the Bond Insurer and any other such Credit Facility Provider and by giving the Bondholders notice of such resignation by mail at the addresses shown on the bond registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

(D) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall only become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself or herself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the Request of the Issuer or the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the Issuer shall mail a notice of the succession of such Bond Trustee to the trusts hereunder to each Rating Agency then rating the Bonds and to the Bondholders at the addresses shown on the Bond Register. If the Issuer fails to mail such notice within 15 days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of the Issuer.

(E) Any Bond Trustee appointed under the provisions of this Section in succession to the Bond Trustee shall be a trust company or bank having the powers of a trust company either within or without the State of West Virginia, having (or if such trust company or bank is a member of a bank holding company system, its bank holding company having) a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or state
authority. If such bank or trust company publishes a report of condition at least annually, pursuant

to law or to the requirements of any supervising or examining authority above referred to, then for
the purpose of this subsection the combined capital and surplus of such bank or trust company
shall be deemed to be its combined capital and surplus as set forth in its most recent report of
condition so published. In case at any time the Bond Trustee shall cease to be eligible in

accordance with the provisions of this Subsection (E), the Bond Trustee shall resign immediately
in the manner and with the effect specified in this Section.

SECTION 8.02. Merger or Consolidation. Any company into which the Bond Trustee

may be merged or converted or with which it may be consolidated or any company resulting from
any merger, conversion or consolidation to which it shall be a party or any company to which the
Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided
such company shall be eligible under Subsection (E) of Section 8.01 shall be the successor to such
Bond Trustee without the execution or filing of any paper or any further act, anything herein to the
contrary notwithstanding.

SECTION 8.03. Liability of Bond Trustee.

(A) The recitals of facts herein and in the 2005 Bonds contained shall be taken as

statements of the Issuer, and the Bond Trustee shall assume no responsibility for the correctness
of the same, nor make any representations as to the validity or sufficiency of this Bond Indenture
nor of the 2005 Bonds, nor shall incur any responsibility in respect thereof, other than in
connection with the duties or obligations herein or in the 2005 Bonds assigned to or imposed upon
it except for any recital or representation specifically relating to the Bond Trustee or its powers.
The Bond Trustee shall, however, be responsible for its representations contained in its certificate
of authentication on the 2005 Bonds. The Bond Trustee shall not be liable in connection with the
performance of its duties hereunder, except for its own negligence or willful misconduct. The
Bond Trustee may become the owner of Bonds with the same rights it would have if it were not
Bond Trustee and, to the extent permitted by law, may act as depositary for and permit any of their
officers or directors to act as a member of, or in any other capacity with respect to, any committee
formed to protect the rights of Bondholders, whether or not such committee shall represent the
Holders of a majority in principal amount of the Bonds then Outstanding.

(B) The Bond Trustee shall not be liable for any error of judgment made in good faith
by a responsible officer, unless it shall be proved that the Bond Trustee was negligent in
ascertaining the pertinent facts.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to
be taken by it in good faith in accordance with the direction of the Holders of not less than a
majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time,
method and place of conducting any proceeding for any remedy available to the Bond Trustee, or
exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or
powers vested in it by this Bond Indenture at the request, order or direction of any of the
Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have
offered to the Bond Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Bond Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or premium, if any, with respect to the Bonds from its own funds; but rather the Bond Trustee’s obligations shall be limited to the performance of its duties hereunder.

(E) Except with respect to Events of Default specified in Section 7.01(A) or (B) hereof, the Bond Trustee shall not be deemed to have knowledge of any Event of Default unless and until an officer at the Bond Trustee’s corporate trust operation responsible for the administration of its duties hereunder shall have actual knowledge thereof or the Bond Trustee shall have received written notice thereof at the Principal Corporate Trust Office. The Bond Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default thereunder. The Bond Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(F) The Bond Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, and shall not be answerable for the negligence or misconduct of any such attorney-of-fact, agent or receiver selected by it with due care. The Bond Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, including verification reports in connection with any defeasance of the Bonds, but the Bond Trustee shall not be answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of this Bond Indenture, if such attorney-in-law or certified public accountant was selected by the Bond Trustee with due care.

(G) The Bond Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof.

(H) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Credit Facility or related documents relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provision of this Article.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bond Trustee may consult with counsel, who may be counsel of or to the Issuer, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in
respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Issuer, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Bond Insurer, any other such Credit Facility Provider and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. Separate or Co-Bond Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Bond Trustee shall have power to appoint, and, upon the request of the Credit Facility Provider or the Holders of at least 25% in aggregate principal amount of Bonds Outstanding and with the consent of the Issuer, shall appoint, one or more Persons approved by the Bond Trustee either to act as co-trustee or co-trustees, jointly with the Bond Trustee, or to act as separate trustee or separate trustees, and to vest in such Person or Persons, in such capacity, such rights, powers, duties, trusts or obligations as the Bond Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(A) The Bonds shall be authenticated and delivered solely by the Bond Trustee.

(B) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Bond Trustee, or by the Bond Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Bond Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(C) Any request in writing by the Bond Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(D) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Bond Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(E) The Bond Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section.
(F) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(G) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Bond Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(H) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Bond Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Bond Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Bond Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Bond Trustee its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Bond Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

The Bond Trustee may also appoint a banking institution located in New York, New York, to serve as its agent when required to perform its responsibilities hereunder.

SECTION 8.07. Compensation and Indemnification. The Issuer shall pay to the Bond Trustee from time to time, but only from Pledged Revenues, reasonable compensation for all services rendered under this Bond Indenture, and also all reasonable expenses, charges, legal and consulting fees and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Bond Indenture.

Upon an Event of Default, and only upon an Event of Default, the Bond Trustee shall have a superior charge with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond, upon the Trust Estate for the foregoing fees, charges and expenses incurred by it.

No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it has not received the agreed compensation for such services or, in cases where the Bond Trustee has a right to reimbursement or indemnification for such performance or exercise, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably
assured to it; provided, however, that the Bond Trustee shall in no event condition any request for payment under the Credit Facility or any payment to Bondholders from such payments under the Credit Facility upon the provision of any indemnification for such performance.

SECTION 8.08. Notice to Rating Agency. The Bond Trustee shall give written notice to any Rating Agency then rating the Bonds (i) if a successor Bond Trustee is appointed hereunder, (ii) if this Bond Indenture or the Credit Facility is amended or supplemented in any material manner or if any of such documents are amended with the consent of the Credit Facility Provider, (iii) if the Bonds are paid and this Bond Indenture defeased pursuant to Section 10.01, (iv) if the Bonds are accelerated pursuant to Section 7.02, or (v) if the Bonds are redeemed in whole or in part pursuant to Section 4.01, provided that the Bond Trustee shall incur no liability for failure to give any such notice.

SECTION 8.09. [Reserved].

SECTION 8.10. Bond Trustee’s Relationship to the Issuer.

(a) The Bond Trustee acknowledges that the Bonds are payable from Pledged Revenues, and other moneys legally available to be used for such purposes (which other moneys may be used for but are not pledged to such payment), and that the Bonds are not general obligations of the Issuer.

The Bond Trustee will notify the Issuer of any default known to the Bond Trustee under this Bond Indenture, and will at the expense of the Issuer and upon receipt of a Request of the Issuer provide the Issuer with any information reasonably available to the Bond Trustee which the Issuer may reasonably request regarding any Events of Default.

(b) The Bond Trustee shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all funds and accounts established by or pursuant to this Indenture, which shall at all reasonable times be subject to the inspection by the Issuer or the owners (or a designated representative thereof) of not less than ten percent (10%) in aggregate principal amount of the Bonds then outstanding.

Within five (5) days after each date on which principal or Redemption Price of or interest on, any of the Bonds is due, the Bond Trustee shall furnish to the Issuer a written certificate setting forth the following:

(a) The designated name of the Bonds;

(b) The date on which such interest on any of the Bonds is due, the rate or rates of interest borne by such Bonds, and the amount of such interest due;

(c) The date on which such interest on any of the Bonds is paid and the amount of such interest paid;
(d) The date on which such principal or Redemption Price of any of the Bonds is due (whether at maturity, upon call for redemption or acceleration) and the amount of such principal or Redemption Price due;

(e) The date on which such principal of or Redemption Price of any of the Bonds is paid and the amount of such principal or Redemption Price; and

(f) The name of the Bond Trustee.

Not later than thirty (30) days after the end of each October 1, commencing on October 1, 2005, the Bond Trustee will prepare and file with the Issuer a statement setting forth, with respect to the preceding bond year and the current bond year, (1) amounts withdrawn from and deposited in each fund and account relating to the Bonds hereunder, (2) the balance on deposit in each such fund or account relating to the Bonds at the end of each period for which such statement is prepared, (3) a brief description of all obligations held as investments in each such fund or account relating to the Bonds, (4) the amount applied to the redemption of the Bonds, a description of the Bonds or portions of Bonds so redeemed, and an accounting of the Bonds of each maturity outstanding, and (5) any other information that the Issuer may reasonably request or that the Bond Trustee may from time to time deem appropriate.

SECTION 8.11. Effect of Bond Insurance Policy.

(A) Notwithstanding any other provision of this Bond Indenture, if the Bond Trustee is required by the provisions hereof to determine the effect on the Bondholders of any actions taken hereunder, such determinations shall be made under the assumption that the Bond Insurance Policy is not then in effect.

(B) The Bond Insurer shall be deemed to be the sole Holder of the 2005 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the 2005 Bonds are entitled to take pursuant to Articles VII and VIII of this Bond Indenture, including but not limited to the remedy of mandamus.

(C) The rights granted to the Bond Insurer under this Bond Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders, nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.

(D) The Bond Trustee shall not be permitted to resolve any ambiguities in this Bond Indenture or any related document in a manner that would be conclusively binding on the owners of the 2005 Bonds without the consent of the Bond Insurer. The Bond Insurer will receive notice of any meetings of Bondholders and shall be given the opportunity to attend and participate in such meetings.
(E) In determining whether any amendment, consent or other action to be taken, or any failure to act, under this Bond Indenture would adversely affect the security for the 2005 Bonds or the rights of the Bondholders, the Bond Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Bond Insurance Policy.

(F) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the 2005 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(G) In determining whether an Event of Default has occurred or whether a payment of principal of or interest on the 2005 Bonds has been made under this Bond Indenture, no effect shall be given to payments of principal of or interest on the 2005 Bonds made under the Bond Insurance Policy.

ARTICLE IX
MODIFICATION OR AMENDMENT OF THIS BOND INDENTURE

SECTION 9.01. Amendments Permitted.

(A) This Bond Indenture may be modified or amended from time to time by an indenture or indentures supplemental hereto only as set forth in this Section 9.01. As long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default thereunder and if any other Credit Facility is in effect and the Credit Facility Provider is not in default thereunder, the Issuer and the Bond Trustee may enter into a Supplemental Bond Indenture only when the written consent of the Bond Insurer and any other such Credit Facility Provider have been filed with the Bond Trustee. The Bond Insurer shall be provided a full transcript of all proceedings relating to the execution of any such modification or amendment.

(B) No Supplemental Bond Indenture may (1) extend the maturity of any Bond, or reduce the amount of principal thereof, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, (2) permit the creation of any charge on the Pledged Revenues and other assets pledged under this Bond Indenture prior to the charge created by this Bond Indenture, or deprive the Holders of the Bonds of the charge created by this Bond Indenture on such Pledged Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all of the Bonds then Outstanding, or (3) modify any of the rights or obligations of the Bond Trustee or the Issuer without the written consent of the Bond Trustee or Issuer, which may be evidenced by each such party’s execution of the Supplemental Bond Indenture.
(C) This Bond Indenture may be modified or amended from time to time by a Supplemental Bond Indenture or Indentures, which the Issuer and the Bond Trustee may enter into without the consent of any Interested Parties except as required by Subsection (A) above, for any one or more of the following purposes:

(1) To add to the covenants and agreements of the Issuer contained in this Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Issuer;

(2) To make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the Issuer may deem necessary or desirable and not inconsistent with this Bond Indenture;

(3) To modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or the Bonds under the Securities Act of 1933, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) To make the Bonds eligible for deposit with any securities depository;

(5) To obtain a rating on the Bonds;

(6) To conform to the terms and provisions of any Credit Facility; or

(7) To provide for the issuance of Additional Bonds.

The Bond Trustee shall give notice of any such modification or amendment to each Rating Agency then rating the Bonds at least 15 days in advance of the execution of such modification or amendment; provided, the Bond Trustee shall incur no liability for failure to do so.

(D) This Bond Indenture may also be modified or amended from time to time by a Supplemental Bond Indenture or Indentures entered into by the Issuer and the Bond Trustee for any purpose not specified in Subsections (B) and (C) above, but subject to Subsections (A) and (B) above, upon the filing with the Bond Trustee the written consent of at least 51% of the Holders of Bonds then outstanding.

SECTION 9.02. Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the Issuer, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond...
Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may, and if the Bond Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Issuer and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Issuer and the Bond Trustee, to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared and executed by the Issuer and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Principal Corporate Trust Office, without cost to the Bond Trustee or any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series.

SECTION 9.04. Consent of Bond Insurer. No modification or amendment to this Bond Indenture or any other Related Document may become effective except upon obtaining the prior written consent of the Bond Insurer. Copies of any modification or amendment to this Bond Indenture or any other Related Document shall be sent to S&P and Moody’s at least 10 days prior to the effective date thereof.

ARTICLE X
DEFEASANCE

SECTION 10.01. Discharge of Bond Indenture. The Bonds may be paid by the Issuer in any of the following ways, provided that the Issuer also pays or causes to be paid any other sums payable hereunder by the Issuer:

(A) By paying or causing to be paid the principal or Redemption Price of and interest on the Bonds, as and when the same become due and payable (from funds other than moneys paid pursuant to the Bond Insurance Policy);

(B) By depositing with the Bond Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Bonds then Outstanding (from funds other than moneys paid pursuant to the Bond Insurance Policy); or

(C) By delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer and no amounts are owing to the Bond Insurer or the Credit Facility Provider, if any, then and in that case, upon receipt by the Bond Trustee and the Bond Insurer or Credit Facility Provider
(if any) of (i) an Opinion or Opinions of Counsel to the effect that the obligations under this Bond Indenture and the Bonds have been discharged and (ii) written evidence from each Rating Agency then rating the Bonds that defeasance will not result in the reduction of such ratings, this Bond Indenture and the pledge of Pledged Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the Issuer under this Bond Indenture shall cease, terminate, become void and be completely discharged and satisfied, and the Bonds will no longer be deemed to be outstanding under this Bond Indenture.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bond shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Redemption Price of and interest on such Bond by the Issuer and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Bond Trustee as aforesaid for its payment, provided further, however, that the provisions of Section 10.04 shall apply in all events.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(A) Lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing).

In addition, there must be delivered to the Bond Trustee and the Bond Insurer, (a) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer, verifying the adequacy of the escrow established to pay the Bonds in full on the maturity or redemption date (“Verification”); (b) an
escrow deposit agreement (which shall be acceptable in form and substance to the Bond Insurer); (c) an opinion of Bond Counsel to the effect that the Bonds are no longer “Outstanding” under this Bond Indenture; and (d) a certificate of discharge of the Bond Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, the Bond Trustee and the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. In the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest on such Bonds.

If a forward supply contract is employed in connection with a refunding of Bonds, (i) the verification report described above shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or this Bond Indenture, if no separate escrow agreement is executed in connection with such refunding), the terms of the escrow agreement or this Bond Indenture, as applicable, shall be controlling.

Bonds shall be deemed “Outstanding” under this Bond Indenture unless and until they are in fact paid and retired or the above criteria are met.

SECTION 10.04. Escheat. Notwithstanding any provisions of this Bond Indenture, any moneys held by the Bond Trustee in trust for the payment of Redemption Price or the principal of, or interest on, any Bonds and remaining unclaimed for two years (or, if less, one day before such moneys would escheat to the State of West Virginia under then applicable West Virginia law) after the due date will be repaid to the Issuer.

SECTION 10.05. Bond Insurer. Notwithstanding anything in this Bond Indenture to the contrary, in the event that the principal or interest due on the 2005 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the 2005 Bonds shall not be deemed paid for purposes of this Bond Indenture and shall remain Outstanding for all purposes and continue to be due and owing until paid by the Issuer in accordance with this Bond Indenture. This Bond Indenture shall 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 unless and until all amounts due or to become due to the Bond Insurer shall have been paid in full or duly provided for.

SECTION 10.06. [RESERVED]
SECTION 10.07. Restructuring of Defeasance Escrow. Notwithstanding anything to the contrary herein, upon the provision for payment of the Bonds or a portion thereof as specified in this Article X, the optional redemption provisions of Section 4.01 of this Bond Indenture allowing such Bonds to be called prior to maturity upon proper notice (notwithstanding provision for the payment of such Bonds having been made through a date after the first optional redemption date provided for in Section 4.01) shall remain available to the Issuer unless, in connection with making the deposits referred to in this Article X, the Issuer shall have irrevocably elected to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. No such redemption or restructuring shall occur, however, unless the Issuer shall deliver to the Bond Trustee (a) Government Obligations and cash, or either thereof, sufficient to discharge such Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) an opinion of an independent certified public accountant verifying that such Government Obligations, together with the expected earnings thereon, and cash, or either thereof, will be sufficient to provide for the payment of such Bonds to the redemption or maturity dates, (c) an Opinion of Bond Counsel to the effect that such earlier redemption or restructuring will not result in the loss of any exemption for purposes of federal income taxation to which interest on the Bonds would otherwise be entitled, and (d) the written consent of the Bond Insurer. The Issuer shall also provide the opinions referred to in clause (b) and (c) in the preceding sentence to the Bond Insurer. The Bond Trustee will give written notice of any such redemption or restructuring to the Holders of the Bonds affected thereby.

ARTICLE XI

[RESERVED]

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Liability of Issuer Limited to Pledged Revenues. Notwithstanding anything in this Bond Indenture or in the Bonds contained, the Issuer shall not be required to advance any moneys derived from any source other than the Pledged Revenues and other assets pledged under this Bond Indenture for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Bond Indenture. Nevertheless, the Issuer may, but shall not be required to, advance for any of the purposes hereof any funds of the Issuer that may be legally available to it for such purposes.

SECTION 12.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the Issuer or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the Issuer or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.
SECTION 12.03. Limitation of Rights to Parties, Issuer, Credit Facility Provider and Bondholders. Nothing in this Bond Indenture or in the 2005 Bonds expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Bond Trustee, the Credit Facility Provider (including the Bond Insurer) and the Holders of the 2005 Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Bond Trustee, the Credit Facility Provider and the Holders of the 2005 Bonds. The Credit Facility Provider is expressly deemed to be a third-party beneficiary of this Bond Indenture.

SECTION 12.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail, Electronic Means or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the Issuer of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds and deliver a certificate of such destruction to the Issuer.

SECTION 12.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Issuer hereby declares that it would have entered into this Bond Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2005 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Bond Indenture may be held illegal, invalid or unenforceable.

SECTION 12.07. Notices. Any notice required to be given to Bondholders shall also be given to the Credit Facility Provider. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Principal Corporate Trust Office (original address shown below), or at such other address as may have been filed in writing by the Bond Trustee with the Issuer. Except with respect to notices to the Credit Facility Provider with respect to claims under the Credit Facility, which notices shall be given in accordance with such documents, any notice to or demand upon the Issuer or the Credit Facility Provider shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, to the respective following addresses (or to such other address as may have been filed in writing by such party with the Bond Trustee):
(1) to the Issuer at:

The Shepherd University Board of Governors
Shepherd University
Ikenberry 207
P. O. Box 3210
Shepherdstown, West Virginia 25443-3210
Attention: President

with copy to:

Bowles Rice McDavid Graff & Love LLP
600 Quarrier Street
P. O. Box 1386
Charleston, West Virginia 25325
Attention: Public Finance

(3) to the Bond Trustee at:

WesBanco Bank, Inc.
One Bank Plaza
Wheeling, West Virginia 26003
Attention: Corporate Trust

(4) to S&P at:

25 Broadway, 20th Floor
New York, New York 10004
Attention: Public Finance

(5) to Moody’s at:

99 Church Street
New York, New York 10007
Attention: Structured Finance

(6) to Fitch at:

One State Street Plaza
New York, New York 10004
Attention: Public Finance
In the case in which a notice of other communication sent to the Bond Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

SECTION 12.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Bond Indenture and shall be conclusive in favor of the Bond Trustee and of the Issuer if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Bond Register maintained by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the Issuer in accordance therewith or reliance thereon.

SECTION 12.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds that are held by or for the account of the Issuer, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee’s right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any
other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 12.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 12.11. Funds and Accounts. Any fund or account required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every Holder thereof. The Bond Trustee may establish such additional funds and accounts as it deems necessary to perform its obligations hereunder.

SECTION 12.12. Waiver of Personal Liability. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or Redemption Price or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 12.13. Business Days. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

SECTION 12.14. Governing Law. This Bond Indenture and the Bonds are contracts made under the laws of the State of West Virginia, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State.

SECTION 12.15. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS has caused these presents to be signed by its Chairman and attested to by its Secretary, and, to evidence its acceptance of the trusts hereby created, ____________________, in token of its acceptance of the trusts created hereunder, has caused these presents to be signed in its name and behalf by one of its authorized officers, all as of the day and year first and above written.
THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS

By: ______________________________

Its: Chairman

Attest:

______________________________
Secretary

Dated: _____________, 2005

WESBANCO BANK, INC., as Bond Trustee

By: ______________________________

Its: ______________________________
EXHIBIT A

FORM OF 2005 BONDS
$23,595,000
THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS
REVENUE BONDS (SHEPHERD UNIVERSITY RESIDENCE HALLS PROJECTS)
SERIES 2005

BOND PURCHASE AGREEMENT

May __, 2005

The Shepherd University Board of Governors
Post Office Box 3210
Shepherdstown, West Virginia 25443

Ladies and Gentlemen:

Ferris, Baker Watts, Incorporated (the “Underwriter”) hereby offers to enter into this Bond Purchase Agreement with The Shepherd University Board of Governors (the “Issuer”) for the sale by the Issuer and the purchase by the Underwriter of the above-referenced Bonds in the aggregate principal amount of $23,595,000 (the “Bonds”) described herein and in the Official Statement (defined herein), which are being issued by the Issuer. Upon your acceptance of this offer and your execution and delivery of this Bond Purchase Agreement (hereinafter referred to as the “Bond Purchase Agreement”), this Bond Purchase Agreement will be binding upon you and the Underwriter. This offer is made subject to your acceptance, evidenced by your execution and delivery of this Bond Purchase Agreement to the Underwriter, on the date hereof, and will expire if not so accepted at or prior to such time (or such later time as the Underwriter may agree to in writing).

1. Definitions. The capitalized terms used in this Bond Purchase Agreement shall have the meanings assigned to them herein or, if not defined herein, shall have the meanings set forth in the Bond Trust Indenture and Security Agreement between the Issuer and WesBanco Bank, Inc., as Trustee, dated as of May 1, 2005 (the “Indenture”). This Bond Purchase Agreement, the Official Statement, the Preliminary Official Statement, the Indenture, the Tax Regulatory Agreement and the Continuing Disclosure Agreement are sometimes herein referred to as the “Bond Documents.”

2. Closing. Delivery and acceptance of the Bonds and payment therefor (the “Closing”) will take place in Charleston, West Virginia, at the offices of Bowles Rice McDavid Graff & Love LLP, on May __, 2005 (the “Closing Date”) at 10:00 a.m., or at such other place or time as may be mutually agreed upon by you and the Underwriter. The Bonds will be available in definitive form at the offices of The Depository Trust Company (or the Registrar, if “DTC-Fast” delivery is used) not less than twenty-four hours prior to the Closing Date.

3. Purchase and Sale.
3.1 Subject to the terms and conditions set forth in this Bond Purchase Agreement, and upon the basis of the representations hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter when, as and if issued, all (but not less than all) of the Bonds identified in Exhibit A attached hereto for a total purchase price equal to the Net Purchase Price set forth in Exhibit A, in immediately available funds.

3.2 The Bonds will (i) be issued pursuant to the Issuer Resolution and the Indenture and (ii) have the payment related terms (that is, dated dates, principal or issuance amounts, maturity dates, interest rates and yield to maturity) set forth in Exhibit A attached hereto, and will otherwise correspond to the description thereof contained in the Official Statement referred to in Section 3.3.

3.3 Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter a reasonable number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the “Official Statement”). The Official Statement shall be in substantially the same form as that of the Preliminary Official Statement of the Issuer dated April __, 2005 (the “Preliminary Official Statement”), previously distributed with respect to the Bonds.


4.1 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute your acknowledgment that the Underwriter (a) proposes to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement (which such initial offering prices or yields may be changed by the Underwriter, in its sole discretion), (b) may effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and may discontinue such stabilizing, if commenced, at any time and (c) may change the offering prices of the Bonds from time to time and may offer the Bonds to certain dealers and others at prices lower than the public offering prices shown on the front cover (or inside front cover) of the Official Statement.

4.2 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute (i) your consent and authorization to the use by the Underwriter, in connection with the public offering and sale of the Bonds, of copies of the Official Statement and the information contained therein, and (ii) your ratification of the use by the Underwriter, in connection with such offering and sale, of the Preliminary Official Statement and the information contained therein.

5. Representations and Warranties.

5.1 The Issuer hereby makes the following representations and warranties to the Underwriter:

(a) The Issuer is a public body of the State of West Virginia (the “State”), created pursuant to Chapter 18B of the West Virginia Code of 1931, as amended, and is authorized to issue the Bonds pursuant to Article 10 of Chapter 18B (the “Act”).

(b) On January 13, 2005, and April 14, 2005, the Issuer adopted the Issuer Resolution, and since that time the Issuer Resolution has not been rescinded, amended or modified.
(c) When delivered to the Underwriter against payment therefor in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered.

(d) The execution and delivery by the Issuer of the Bond Documents and the consummation by the Issuer of the transactions contemplated thereby are not prohibited by, do not violate any provision of, and will not result in the breach of or default under the Act, or, to its knowledge, any applicable law, rule, regulation, judgment, decree, order or other requirement, or any material contract, indenture, agreement or commitment to which the Issuer is a party or by which it is bound.

(e) The Issuer is not in breach of or in default under any existing law, court or administrative regulation, judgment, decree, order, agreement, mortgage, lease, loan agreement or other instrument to which it is a party or by which it is bound. No event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under the Bond Documents or any other agreement or instrument to which the Issuer is a party, or by which it may be bound or to which any of its property is or may be subject.

(f) The Issuer has duly authorized all necessary action to be taken by it for (i) the issuance and sale of the Bonds by the Issuer upon the terms and conditions set forth herein, in the Official Statement and in the Indenture and the approval of the Official Statement, the Indenture and the Bonds, and (ii) the execution, delivery and receipt of the Bond Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, effectuate and consummate the transactions contemplated in the Bond Documents.

(g) The information contained in the Preliminary Official Statement and the Official Statement relating to the Issuer and Shepherd University (“Shepherd”) and their properties, operations and financial and other affairs, including Appendix A and the project to be financed with proceeds of the Bonds is true and correct in all respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) Except as may be described in the Preliminary Official Statement and the Official Statement, there is no legal action, or other proceeding, or any investigation or inquiry (before or by any court, agency, arbitrator or other entity or person) pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer or Shepherd or any of their officials, in their respective capacities as such, which would restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Fees pledged under the Indenture or in any way would contest or affect the organization or existence of the Issuer or the entitlement of any officers of the Issuer to their respective offices or which may reasonably be expected to have a material and adverse effect upon (A) the due performance by the Issuer or Shepherd of the transactions contemplated by the Bond Documents, (B) the validity or enforceability of the Bonds, the Issuer Resolution, the Bond
Documents, or any other agreement or instrument to which the Issuer is a party and that is used or contemplated for use in consummation of the transactions contemplated hereby and thereby or (C) the exclusion of the interest on the Bonds from gross income for federal income tax purposes and the exemption from State income taxation of the Bonds and interest thereon as set forth in the Official Statement. Neither the Issuer nor Shepherd is subject to any judgment, decree or order entered in any lawsuit or proceeding brought against it that may reasonably be expected to have such an effect.

(i) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is an issuer whose arbitrage certifications may not be relied upon.

(j) The Bond Documents, when executed and delivered by the Issuer, will be, and this Bond Purchase Agreement constitutes, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and as to the availability of equitable remedies.

(k) When the Bonds are issued, sold and delivered to the Underwriter, the representations and certifications of the Issuer herein and in the other Bond Documents will be true, accurate and complete.

(l) The audited financial statements for Shepherd for the year ended June 30, 2004, contained in the Preliminary Official Statement and the Official Statement as Appendix B presents fairly the financial position of Shepherd at the date indicated and the results of operations for the period specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto.

(m) Since June 30, 2004, there has been no material adverse change in the financial position or results of operations of Shepherd, nor has Shepherd incurred any material liabilities except as set forth in the Preliminary Official Statement and the Official Statement or disclosed to the Underwriter in writing.

(n) The Issuer deems the Preliminary Official Statement to be final as of its date in accordance with subsection (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Issuer deems the Official Statement to be final and complete as of its date for purposes of subsection (b)(3) of such Rule.

(o) Except as described in the Official Statement and Preliminary Official Statement, the Issuer is in compliance with all continuing disclosure agreements or certificates heretofore delivered by the Issuer in connection with the issuance of any prior bonds.

(p) The Issuer has received all approvals, consents, resolutions, orders and authorizations necessary for the issuance of the Bonds, the execution and delivery of the Bond Documents, the imposition and collection of the Fees to be used for and pledged to the payment of
the principal of and interest on the Bonds and the pledge of the Fees to secure the repayment of the Bonds and the interest thereon.

(q) The Fees have not been previously pledged or encumbered in any manner, and the Issuer has duly and lawfully granted a first lien on and security interest in the Fees in favor of the Trustee on behalf of the Holders of the Bonds.

6. Covenants.

6.1 The Issuer hereby makes the following covenants with the “Underwriter”:

(a) The Issuer will not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter.

(b) Prior to the Closing Date, the Issuer will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of, the Issuer Resolution or the Bond Documents without the prior written consent of the Underwriter.

(c) Prior to the Closing Date, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interest which will be pledged pursuant to the Issuer Resolution or the Bond Documents.

(d) The Issuer will promptly advise the Underwriter of any matter arising or occurring or discovered before Closing or within 90 days after the end of the underwriting period for the Bonds (within the meaning of Rule 15c2-12 under the Exchange Act) that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or might adversely affect the correctness or completeness of any statement of a material fact contained in the Official Statement.

(e) If as the result of any matters described in paragraph (d) of this Section it becomes necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement to make the statements contained therein, in light of the circumstances under which they were made, not misleading, the Issuer will, upon notice thereof, promptly prepare and furnish to the Underwriter (at the expense of the Issuer) a reasonable number of copies of an amendment of, or a supplement to, the Official Statement (in form and substance satisfactory to the Underwriter) so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) Except as disclosed in the Official Statement, prior to the Closing Date, the Issuer will obtain or cause to be obtained all consents, approvals, orders or authorizations (other than state securities law clearances) of any governmental authority or agency or any other person that would constitute a condition precedent to the performance by Issuer of its obligations under the Resolution, the Bond Documents or the Bonds.
(g) The Issuer will not voluntarily undertake any course of action inconsistent with the satisfaction of the requirements applicable to it as set forth in the Bond Documents.

(h) The Issuer will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter might designate, the cost of which will be borne by the Underwriter, as provided in Section 10.2 (iii) below, provided that the Issuer shall not be required to subject itself to service of process in jurisdictions other than that to which the Issuer is subject pursuant to the Act.

(i) The Issuer will not, except as required by law, take or omit to take any action which, under existing law, adversely affects the exemption from federal income taxation of the interest on the Bonds, or adversely affects the West Virginia State tax exemptions with respect to the Bonds and the interest thereon, as set forth in the Official Statement.

(j) The Issuer agrees to comply with all provisions of the Continuing Disclosure Agreement.

7. Conditions of Closing.

7.1 The obligations of the Underwriter to consummate the transactions contemplated hereby are subject to receipt by the Underwriter of the items described in Section 7.2 hereof and to the satisfaction (unless waived by the Underwriter in its sole discretion) of the following conditions:

(a) The representations and warranties made by the Issuer in this Bond Purchase Agreement shall be true and correct as of the Closing Date as if made on such date.

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with prior to closing.

(c) The Bond Documents each shall have been executed and delivered by each of the parties thereto, shall be in full force and effect on and as of the Closing Date and shall not have been amended, modified or supplemented prior to the Closing Date except as may have been agreed to in writing by the Underwriter.

(d) The proceeds of the sale of the Bonds shall be applied as described in the Official Statement.

7.2 In addition to the conditions set forth in Section 7.1, the obligations of the Underwriter to consummate the transactions on the Closing Date contemplated hereby are subject to receipt by the Underwriter of the following items:

(a) An approving opinion of Bowles Rice McDavid Graff & Love LLP, Bond Counsel, substantially in the form included in the Preliminary Official Statement, dated the Closing Date with respect to the validity and tax-exempt nature of the Bonds, and a supplementary opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that: (i) this
Bond Purchase Agreement has been duly authorized, executed and delivered by the Issuer, (ii) the Official Statement has been duly approved, signed and delivered by the Issuer, (iii) assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents have been duly authorized, executed, acknowledged and delivered by the Issuer, and are legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws and equitable principles affecting the right of creditors or by the exercise of judicial discretion or general principles of equity), (iv) the statements contained in the Official Statement under the captions “The Series 2005 Bonds” (excepting matters as to Depository Trust Company and the Book-Entry-Only System), “Security and Sources of Payment for the Series 2005 Bonds,” “Tax Exemption and Other Tax Matters,” “Appendix C – Definitions of Terms and Summaries of Certain Documents,” and “Appendix F - Form of Opinion of Bond Counsel” do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, it being understood that, in rendering such opinion, such Counsel shall be expressing no opinion with respect to statistical data, technical and financial statements, operating statistics and other financial data in the Official Statement, and (v) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(b) An opinion of K. Alan Perdue, Esquire, Counsel to the Issuer, addressed to, among others, Bond Counsel and the Underwriter, in form and substance satisfactory to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that: (i) no litigation is pending or, to his knowledge, threatened (A) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Fees pledged under the Indenture, (B) in any way contesting the power or the authority of the Issuer for the issuance of the Bonds or the validity of the Bonds, or the Bond Documents, or (C) in any way contesting the existence or powers of the Issuer relating to the issuance of the Bonds, (ii) to the best of his knowledge, no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer or Shepherd not misleading in any material respect, (iii) the Issuer is a body corporate and politic (constituting a governmental agency of the State and existing under the provisions of the Act), pursuant to which the Issuer has full legal right, power and authority to enter into the Bond Documents and to issue the Bonds and each of the Bonds and the Bond Documents has been duly authorized, executed and delivered and each constitutes the legal, valid and binding agreement and obligation of the Issuer enforceable in accordance with its respective terms (subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity), and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is party or otherwise subject or bound, (iv) the Fees pledged for the repayment of the Bonds (A) have been duly approved by the Issuer and no further action by the Issuer or any other person is required for such Fees to be imposed and collected and (B) such Fees are not encumbered by or pledged for any other debt or obligation of the Issuer and are duly and lawfully pledged for the payment of the Bonds, and the Trustee, on behalf of the Holders of the Bonds, has a first lien on and security interest in the Fees, (v) the Issuer has received all approvals,
consents, resolutions, orders and authorizations necessary for (A) the issuance of the Bonds, (B) the execution and delivery of the Bond Documents, (C) the imposition and collection of the Fees to be used for and pledged to the payment of the principal of and interest on the Bonds, and (D) the pledge of the Fees to secure the repayment of the Bonds and the interest thereon, (vi) the Official Statement has been duly approved, executed and delivered by the Issuer, and (vii) the statements contained in the Official Statement under the captions “Introduction,” “The Issuer,” “Plan of Financing,” “Legal Matters,” “Continuing Disclosure” and “Appendix A – Certain Information Regarding Shepherd University,” do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(c) An opinion of Goodwin & Goodwin, LLP, Counsel to the Underwriter, in form and substance satisfactory to the Underwriter.

(d) A certificate of the Issuer, dated the Closing Date, signed by an officer of the Issuer to the effect that (i) the representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with by it at or prior to the Closing Date; (iii) since the respective dates as of which information is given in the Official Statement, and except as set forth therein, there has not been any material or adverse change in the Issuer’s condition, financial or otherwise; (iv) the Official Statement, insofar as it relates to the Issuer, does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) that subsequent to June 30, 2004, the date of Shepherd’s most recent audited financial statements included as Appendix B of the Official Statement, there has been no material adverse change in the financial position or results of operations of the Issuer, (vi) that no litigation is pending or, to the knowledge of the Issuer, threatened against the Issuer or Shepherd or their respective officers (A) to restrain or enjoin issuance or delivery of any of the Bonds or the collection of Fees pledged under the Indenture, (B) in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds, or the Bond Documents, (C) in any way contesting or affecting the existence or powers of the Issuer or its ability to perform its obligations under the Bond Documents, or (D) that may materially adversely affect the financial condition or operations of Shepherd, (vii) that the Issuer has satisfied all conditions pertaining to the issuance of the Bonds pursuant to the Resolution, the Indenture and all other applicable provisions, and (viii) that no event affecting the Issuer, Shepherd or the transactions contemplated by the Official Statement or the Bond Documents has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.

(e) A Certificate dated as of the Closing Date signed by an authorized officer of the Issuer, sufficient in form and substance to show, to the satisfaction of Bond Counsel and the Underwriter, that the Bonds will not be arbitrage bonds under Section 148 of the Code and the regulations thereunder, which certificate shall conform to the requirements of said regulations.
(f) A certified copy of the Resolution authorizing the execution and delivery by the Issuer of the Bond Documents, certified by its Secretary.

(g) One executed original of each of the Bond Documents.

(h) The executed IRS Form 8038-G to be filed with the Internal Revenue Service.

(i) Evidence of a rating on the Bonds of “__” from Moody’s Investor’s Services, Inc. (“Moody’s”).

(j) Approval of the issuance of the Bonds by the Governor of the State of West Virginia.

(k) Such additional legal opinions, certificates and other documents as the Underwriter or Bond Counsel reasonably may deem necessary to evidence the truth and accuracy as of the Closing Date of the representations and warranties of the Issuer herein contained and of the Official Statement, and to evidence compliance by the Issuer with this Bond Purchase Agreement and all applicable legal requirements, and the due performance and satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by either of them.

7.3 If any of the conditions set forth in Section 7.1 or 7.2 has not been met on the Closing Date, the Underwriter may, in its sole discretion, terminate this Bond Purchase Agreement or proceed to Closing upon waiving any rights under this Bond Purchase Agreement with respect to any such condition. If this Bond Purchase Agreement is terminated pursuant to this Section, neither party will have any rights or obligations to the other, except as provided in Sections 10 and 11 herein.

8. Actions and Events at the Closing. The following events will take place at closing:

(a) The Issuer will direct the Trustee to authenticate and deliver the Bonds to the Underwriter, at the place established pursuant to Section 2 herein. Each of the Bonds so delivered will be in definitive form or, with the consent of the Underwriter, in temporary form, duly executed on behalf of the Issuer, in denominations or maturity amounts of five thousand dollars ($5,000) or any integral multiple thereof, and will be fully registered in such names and amounts as the Underwriter will request at least four (4) business days prior to the Closing Date. In the event the Bonds are delivered in temporary form, the Issuer shall deliver the Bonds in definitive form on such date as the Underwriter may reasonably require.

(b) The Issuer will deliver or cause to be delivered at Closing to the Underwriter the documents described in Section 7.2 hereof.

(c) The Underwriter will deliver to the Trustee, for the account of the Issuer, immediately available funds in an amount equal to the purchase price of the Bonds set forth as the Net Purchase Price in Exhibit A hereto.
9. Termination of Bond Purchase Agreement. The Underwriter may terminate this Bond Purchase Agreement without liability therefor (except as provided under Section 10) by notice to the Issuer at any time at or prior to the Closing if:

(a) Any legislation is introduced in, or enacted by, the United States Congress, or shall have been reported out of committee, or any decision is rendered by any court of competent jurisdiction or any ruling or regulation, temporary regulation, release or announcement shall have been issued or proposed by the Treasury Department of the United States, the Internal Revenue Service, or any other agency of the government of the United States that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting interest on the Bonds to inclusion in gross income for federal income tax purposes or has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(b) Any legislation, ordinance, rule or regulation is introduced in, or enacted by, any governmental body, department or agency of the State of West Virginia, or shall have been reported out of committee, or a decision by any court of competent jurisdiction within the State of West Virginia is rendered, that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting the Bonds or the interest thereon to West Virginia State income taxation or otherwise has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(c) Any other action or event shall exist or have transpired which has the purpose or effect, directly or indirectly, of materially adversely affecting the federal or West Virginia income tax consequences of the transactions contemplated by the Official Statement, and in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale at the contemplated offering prices by the Underwriter of the Bonds;

(d) Any fact exists or any event occurs that, in the reasonable opinion of the Underwriter, makes untrue or incorrect in any material respect any statement or information in the Official Statement or causes the Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading for the purposes for which the Official Statement is to be used;

(e) Any amendment of or supplement to the Official Statement is distributed (whether or not such amendment or supplement was approved by the Underwriter prior to its distribution) which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(f) There shall have occurred any new outbreak, continuation or resumption of hostilities, whether declared or undeclared, or other national or international calamity or crisis, which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;
(g) Any legislation is introduced in, or enacted by the United States Congress, or any action is taken by, or on behalf of, the Securities and Exchange Commission, that in the opinion of the Underwriter has the effect of requiring (i) the registration of a security under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended, in connection with the offering and sale of the Bonds or (ii) any governmental consents, approvals, orders or authorizations for the consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, or the other Bond Documents, which cannot, without undue expense, be obtained prior to the Closing Date;

(h) There shall have occurred a general suspension of trading on the New York Stock Exchange, or a general banking moratorium is declared by the United States or by the State of West Virginia authorities, that, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(i) Any fact exists or any event occurs that is not disclosed in the Preliminary Official Statement which after disclosure in the Official Statement affects the ability of the Underwriter to sell the Bonds at the contemplated offering prices; or

(j) Moody's shall have notified the Underwriter that its rating of the Bonds is withdrawn or will be lower than that set forth above.

10. Expenses.

10.1 The Issuer will pay or cause to be paid from proceeds of the Bonds or otherwise (i) fees and expenses of bond counsel, counsel to the Issuer, and Underwriter's counsel; (ii) rating agency fees; (iii) initial fees of the Trustee, Registrar and Paying Agent; (iv) fee for obtaining “CUSIP Numbers” for the Bonds; (v) costs of preparing, printing, mailing and delivering the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto; and (vi) any other costs and expenses of the issue not set forth in Section 10.2 below.

10.2 The Underwriter will pay (i) sales commissions associated with marketing the Bonds; (ii) costs of qualification of the Bonds for sale under the securities or “Blue Sky” laws of various jurisdictions; (iii) initial fees relating to The Depository Trust Company; and (iv) costs and expenses incurred by the Underwriter in connection with the preparation, offering and distribution of the Bonds, including but not limited to advertising, local and long distance telephone, and travel expenses, as well as management fees in connection with such offering.

10.3 In the event that the Issuer or the Underwriter shall have temporarily paid obligations of the other as set forth in this Section, appropriate adjustments will promptly be made.

10.4 Nothing herein will limit the rights of the Issuer to take action against the Underwriter for default of its responsibilities hereunder or for its actions or inactions regarding the matters contemplated herein.

11. Miscellaneous.
11.1 All notices, demands and formal actions hereunder will be written and mailed, faxed or e-mailed or delivered to the following address or such other address, as either of the parties shall specify:

IF TO THE ISSUER:

The Shepherd University Board of Governors  
Post Office Box 3210  
Shepherdstown, West Virginia 25443

IF TO THE TRUSTEE:

WesBanco Bank, Inc.  
1 Bank Plaza  
Wheeling, WV 26003-3565

IF TO THE UNDERWRITER:

Ferris, Baker Watts, Incorporated  
100 Laidley Tower  
Charleston, WV 25301

IF TO THE RATING AGENCY:

Moody’s Investors Service, Inc.  
99 Church Street  
New York, New York 10007

11.2 This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties hereto and their successors and will not confer any rights upon any other person. The term “successor” will not include any purchaser of any of the Bonds from the Underwriter merely because of such purchase. All representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement including, but not limited to, the continuing disclosure agreement contained in Section 6.1.

11.3 This Bond Purchase Agreement may not be assigned by any of the parties hereto.

11.4 If any provision of this Bond Purchase Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperable or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.
11.5 The payment for, acceptance of, and delivery and execution of any receipt for the Bonds and any other instruments upon or in connection with the closing by the Underwriter will be valid and sufficient for all purposes and binding upon the Underwriter. No such action by the Underwriter will impose any obligation or liability upon the Underwriter, other than as may arise as expressly set forth in this Bond Purchase Agreement.

11.6 Whenever any action contemplated by this Bond Purchase Agreement requires the consent or approval of the Underwriter, it is acknowledged that the Underwriter may not unreasonably withhold such approval.

11.7 This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia applicable to agreements to be performed wholly therein. The parties hereto intend to be legally bound hereby.

11.8 This Bond Purchase Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

11.9 No personal recourse shall be had for any claim based on this Bond Purchase Agreement or the Bonds against any member, officer, agent or employee, past, present or future, of the Issuer or any successor body or entity as such, either directly or through the Issuer or any such successor body or entity, under any constitutional provision, statute, or rule of law or by the enforcement of an assessment or penalty or otherwise.
FERRIS, BAKER WATTS, INCORPORATED

By: _____________________

Its: _____________________

Accepted as of the date first above written:

THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS

By: _____________________

Its: _____________________
EXHIBIT A

$23,595,000
THE SHEPHERD UNIVERSITY BOARD OF GOVERNORS
REVENUE BONDS (SHEPHERD UNIVERSITY RESIDENCE HALLS PROJECTS)
SERIES 2005

Dated Date: May 1, 2005
Closing Date: May ___ 2005

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Total        -        -        -  $23,595,000.00  -        $
Redemption Provisions

The Bonds are subject to redemption prior to their stated maturities.

Optional Redemption

The Bonds maturing on and after June 1, 201_, are subject to redemption on or after June 1, 201_, at the option of the Issuer, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at par, plus accrued interest to the date fixed for redemption.

Net Purchase Price:

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