

**NEW STUDENT HOUSING PROJECT, INFRASTRUCTURE,
AND RELATED STUDENT FEE**

The College staff have been working to develop the planning for the new student housing project, which was approved by the Board at the September 2003 meeting. In conjunction with that planning, the Board was briefed at the November 2003 meeting on the desirability of doing an additional bonded project of roads and infrastructure for some of the undeveloped West Campus to support not only the housing but all additional development which will come in the years ahead.

Staff is continuing to develop the full scope of the infrastructure project, as well as the housing project. An underwriter for the bonds has not yet been selected. By planning to combine the two into one bond project, with two series of bonds to be issued, a substantial economy of expense can be achieved and the College will greatly enhance its capacity to progress with West Campus development.

The progression of review that is presently anticipated is for the Board to take initial action, as recommended below, at the January meeting. The underwriter for the project should be selected before February 1, 2004. The architect selection committee is currently reviewing nearly 40 proposals and will make a selection soon, to allow that project design to begin. Beginning immediately, as weather permits, the College will employ geotechnical and civil engineering professionals to help plan building locations, roads, and water and sewer service.

Today's resolutions will establish a conservative maximum amount for the total of bonds to be issued for both projects. These resolutions qualify the College for obtaining reimbursement for capital expenditures made toward the projects but prior to the actual bond issuance. Although no firm estimates of costs are available at this early stage, the staff expects the total project costs to be less than the amount referenced in these resolutions.

The following resolutions are recommended for adoption by the Board:

1. RESOLVED, That the Shepherd College Board of Governors approves the establishment of a Capital Financing Fee, to be effective as of the Fall 2004 academic semester; and

RESOLVED, FURTHER, That the Shepherd College Board of Governors directs the President to take such other actions as are necessary to allow the Board of Governors to make further review and final determinations of the scope and size of the Student Housing and the Infrastructure projects as appropriate at subsequent meetings of the Board.

2.

INDUCEMENT RESOLUTION STATING THE REASONABLE EXPECTATION OF THE SHEPHERD COLLEGE BOARD OF GOVERNORS TO REIMBURSE SHEPHERD COLLEGE FOR CAPITAL EXPENDITURES IN CONNECTION WITH THE PLANNING, DESIGN, ACQUISITION, CONSTRUCTION AND EQUIPPING OF A NEW STUDENT HOUSING PROJECT AND ASSOCIATED PARKING LOTS, NEW WEST CAMPUS ROADWAYS AND UTILITIES INFRASTRUCTURE, AND OTHER CAPITAL IMPROVEMENTS FOR USE BY SHEPHERD COLLEGE MADE PRIOR TO THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS AND TAKING OTHER ACTIONS IN CONNECTION WITH SAID BONDS

WHEREAS, Shepherd College (the “College”) is an institution of higher education of the State of West Virginia governed by the Shepherd College Board of Governors (the “Board”), which is empowered and authorized by Chapters 18 and 18B of the Code of West Virginia, 1931, as amended, among other things, in furtherance of the public purposes of the College, to issue revenue bonds of the College to finance capital improvements at the College and as security for the payment of the principal and redemption price of, and interest on, any such bonds so issued and any agreements made in conjunction therewith, to pledge the revenues and receipts from certain student fee and other revenues of the College to secure the payment of such bonds and interest thereon;

WHEREAS, the Board has heretofore determined that the planning, design, acquisition, construction and equipping of a new student housing project and associated parking lots, new west campus roadways and utilities infrastructure and other capital improvements for use by the College (collectively, the “Project”) will be undertaken at an estimated aggregate cost not to exceed \$25,000,000; and

WHEREAS, the Board desires to express its approval in concept of the issuance of tax-exempt revenue bonds in one or more series in an aggregate principal amount not to exceed \$25,000,000 to finance all or a portion of the costs of such Project (the “Bonds”); and

WHEREAS, the Board reasonably expects that the College will reimburse itself for all or a portion of the costs of the planning, design, acquisition, construction and equipping of the Project, such reimbursement to not exceed \$25,000,000, from the proceeds of the sale of the Bonds, which will be tax-exempt revenue bonds payable from certain student fee and/or other revenues pledged for such purpose; and

WHEREAS, the Board has determined to authorize the issuance of the Bonds to permanently finance the Project; and

WHEREAS, the Board has found and determined that the Project is desirable to provide improvements to the facilities of the College, for the benefit of its students and the citizens of the State of West Virginia (the "State"), and is necessary and appropriate for the public interest of the State and citizens and residents of the State and such financing and the approval of the issuance of the Bonds are for a public purpose of the State.

NOW, THEREFORE, BE IT RESOLVED BY THE SHEPHERD COLLEGE BOARD OF GOVERNORS AS FOLLOWS:

Section 1. The Board hereby approves in concept the issuance of the Bonds in one or more series in an aggregate principal amount not to exceed \$25,000,000 for the purpose of financing all or a portion of the costs of the Project.

Section 2. The Board reasonably expects that the College will reimburse itself from the proceeds of the Bonds for certain capital expenditures made not more than sixty (60) days prior to the date of adoption of this Resolution (and after date of such adoption, but prior to the issuance of the Bonds), in connection with the planning, design, acquisition, construction and equipping of the Project, such capital expenditures to be undertaken or incurred prior to the execution and delivery of the Bonds, which are reasonably expected to be executed and delivered within eighteen (18) months from the later of (i) the expenditure for payment of said cost, or (ii) the placing of the Project in service.

Section 3. This Resolution is intended to constitute a "declaration of official intent" pursuant to Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended.

Section 4. The source or sources of payment for such capital expenditures will be from the building and campus renewal fund of the College, and from the student housing fund of the College, and upon issuance of the Bonds, proceeds thereof not to exceed the amount of such capital expenditures will be applied to the reimbursement of the respective funds from which these expenditures were made.

Section 5. The maximum principal amount of the Bonds to be issued for the Project (including costs of issuance of the Bonds and related costs, but not including any original issue discount) and the maximum amount of reimbursable costs is \$25,000,000.

Section 6. The College shall provide written evidence of all reimbursement allocations within the time provided in Section 1.150-2 of the Treasury Resolutions, which written evidence may be satisfied by one or more requisitions submitted in connection with the subject financing.

Section 7. The marketing of the Bonds by the Underwriter to be subsequently designated by the College as hereinafter provided is hereby authorized and approved, including, but in no manner limited to the preparation and distribution of a preliminary official statement or

other offering document in such form as may be approved by Edward Magee, the Vice President of Administration and Finance of the College, after consultation with the College's legal counsel.

Section 8. The firm of Bowles Rice McDavid Graff & Love, PLLC is hereby appointed as Bond Counsel for the issuance and sale of the Bonds and the Board hereby approves and authorizes such Bond Counsel to prepare such documents as they deem necessary or appropriate for such purposes, provided that the fees and expenses of Bond Counsel shall be paid from the proceeds of the Bonds or other available funds of the College. All other costs of issuance shall be paid from the proceeds of the Bonds or other available funds of the College.

Section 9. The President or his designee is hereby authorized to solicit proposals for an "Underwriter" with respect to the issuance of the Bonds, who upon selection by the College shall be hereby authorized to proceed with the preparation of all the necessary documents relating to the marketing and sale of the Bonds, all fees and expenses in connection with such services to be paid solely from the proceeds of the Bonds or other available funds of the College.

Section 10. The Bonds are special obligations of the College payable solely from the student fee and/or other revenues and other sources, if any, pledged for such purpose. The State and its counties, municipalities and political subdivisions shall not be liable for the payment or performance of the Bonds. The Bonds, as to both principal and interest, shall not constitute a debt or pledge of the full faith and credit or taxing power of the State or any county, municipality or other political subdivision of the State and are payable solely and exclusively from the revenues, funds and other collateral pledged for their payment. The holders of such Bonds shall have no right to have taxes levied by the West Virginia Legislature or the taxing authority of any county, municipality or any other political subdivision of the State for the payment of the principal of or interest on such Bonds.

Section 11. None of the present or future employees, officers or board members of the Board or the College, or any person executing the Bonds or any of the documents relating thereto shall be personally liable for the Bonds or any other obligation relating to the issuance of such Bonds, or be subject to any personal liability by reason of the issuance of the Bonds.

Section 12. The Board finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of the Board and that all deliberations of the Board which resulted in formal action were conducted during meetings open to the public, in full compliance with all applicable legal requirements.

Section 13. The issuance of the Bonds may be authorized by one or more future resolutions of the Board upon the approval of the various documents relating to such Bonds by the Board and its duly appointed legal counsel.

Section 14. This Resolution shall become effective on the date of its adoption.