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June 25, 2007

Toni A. Murdock
Chancellor,
Antioch University
795 Livermore Street
Yellow Springs, OH 45387

Re: Alleged Liens on College Real Estate

Dear Toni:

Pursuant to your request, I have reviewed the document presented at the faculty meeting on Friday afternoon, June 22, by faculty member emeriti, Dimi Reber. She believed this document from the Secretary of State's office established that the College's real estate was mortgaged to secure bonds for the construction of the new Campus West building for Antioch McGregor. The document is not a mortgage on College real estate. It is a "financing statement." There is no lien on College real estate as a result of this bond issue.

By way of background, the 2006 McGregor bond issue was a revenue bond which was underwritten and supported only by the revenue stream generated by McGregor. At the time of that revenue bond, the board learned that it had an opportunity to refinance two earlier bonds to the College issued by the Ohio Higher Educational Facilities Commission in 1997 and 2000. Those bonds had a balance due of approximately \$1.8 Million. The proceeds of those bonds had been used between 1997 and 2001 for renovations and improvements on College buildings including a new roof on the Science building, HVAC replacements on Antioch Hall and other buildings, new carpeting, campus parking lot resurfacing, fire system upgrades and so on. The principal payments due on those original College bonds were approximately \$275,000 per year. By refinancing those bonds and rolling them into the bond for the new Campus West building, the annual principal payment was reduced to approximately \$35,000 for a cash flow savings to the College of approximately \$240,000 per year. McGregor has paid, and will pay, all principal and interest obligation related to its portion of the 2006 bond. The College has paid only that portion of the principal and interest related to its refinancing of the 1997 and 2000 bonds.

Again, the total amount of the bond issue in 2006 was \$13,750,000 of which approximately \$1.8 million was the refinancing of the 1997 and 2000 College debt and

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\$11.2 million was for the Campus West Building.¹ Again, no College assets were used to secure that part of the bond which was used to construct Campus West. The only College assets which were pledged under the new bond were the specific fixtures and equipment, such as HVAC equipment, which were acquired and installed on College buildings as a result of the 1997 and 2000 Bond issues to the College. Those assets were pledged as part of the original bonds and that lien was continued as part of the refinancing.

I would like to emphasize again, that while the financing statement filed with the Secretary of State's office contains a legal description of real estate on the College campus, the description of those tracts is set forth only to identify the location of the fixtures and equipment which were the subject of the lien. There is no mortgage on the real estate itself. Incidentally, mortgages are not filed with the Ohio Secretary of State. They are filed with the County Recorder. I have confirmed that there is no mortgage filed with the Greene County Recorder. I hope this will help clarify this unfortunate misconception.

Very truly yours,
Martin, Browne, Hull & Harper, PLL

William R. Groves

¹ The balance of \$750,000 relates to underwriting expenses for the bond.