



To: **876 Bondholders**

As we have previously advised you, the Saint Paul Port Authority has petitioned the Ramsey County District Court for approval of a plan to liquidate the 876 Fund and distribute revenues derived from that liquidation to bondholders in a final payment. Certain bondholders opposed that plan and petitioned the court for the appointment of a receiver of the 876 Fund. The court took four full days of testimony on both petitions, and briefs were filed on March 5 and 14, 2007. It is anticipated that Judge Teresa Warner will render her decision by June 12, 2007; however, the Judge's decision could be rendered at any time prior to June 12.

Pursuant to a court order dated September 22, 2006, the Port Authority will hold the Prepaid Net Revenues and Special Funds currently on deposit (as well as those Prepaid Net Revenues or Special Funds that are received in the future) in the 876 Bond Fund. If the Port Authority is authorized by the court to proceed with terminating the 876 Fund these funds will be paid out of all bondholders on a proportionate basis once the termination plan is implemented. If the court does not authorize the termination plan then the funds will be used in a manner that is determined by the court.

The June 1, 2007, interest payment will be made to bondholders from amounts on deposit in the 876 Fund, excluding Prepaid Net Revenues and Special Funds. It is anticipated that this distribution will result in a payment of approximately 70 % of the interest due. A portion of the funds used to make this interest payment came from the operation of two foreclosed properties that since have been sold. As a result, revenues from those properties will not be available for debt service in the future.

The timing and nature of payments to 876 Fund bondholders after June 1, 2007, will be subject to the court's action, and the eventual outcomes of any subsequent appeals of that order.

We anticipate completion of the 876 Fund audit on or about April 30, 2007. At that time, it is our intention to post the audit on the 876 website, which can be accessed at [www.876fund.org](http://www.876fund.org). If you do not have access to this website—or if you have any questions about this letter—and would like to be mailed a copy of the audit, please contact Tom Collins at 651-224-5686 or 1-800-328-8417, for a copy of the audit.

Kenneth R. Johnson  
President