



August 16, 2007

To: Holders of Bonds Issued by the Saint Paul Port Authority under Its Basic Resolution 876

As authorized by a May 16, 2007 Order of the Ramsey County District Court, on August 16, 2007, the Port Authority filed a Petition Seeking Approval of a Form of Proposal to Liquidate the 876 Fund with the Ramsey County District Court. The court will hold a hearing on the Port Authority's Petition at 9:00 a.m., September 14, 2007, in the Ramsey County Courthouse in Saint Paul, Minnesota. A copy of the Notice of Hearing was published in the *Saint Paul Legal Ledger* and other newspapers and is also enclosed with this letter.

In its Petition, the Port Authority seeks an order from the district court approving the form of the Port Authority's proposal to liquidate the assets pledged to holders of bonds issued under Basic Resolution 876 (the "876 Bonds"). The Port Authority will also ask the District Court for authority to hold all funds for distribution in connection with the proposed liquidation, which, if approved will mean that there will be no payment made on the 876 Bonds on December 1, 2007.

By its May 16 Order, the District Court has previously approved the Port Authority's proposal to liquidate the 876 Fund by selling its assets and distributing the proceeds of the sale to holders of the 876 Bonds in exchange for the cancellation of all outstanding 876 Bonds. As determined by the District Court in its May 16 Order, termination of the 876 Fund at this time is beneficial to 876 Bondholders on an equal basis. Among other things, termination will allow 876 Bondholders to recognize, for tax purposes, any capital loss they may have on their 876 Bonds.

If the court confirms the Port Authority's proposed process, and authorizes the Port Authority to proceed further, the funds obtained from the proposed sale, together with other funds currently on deposit in the 876 Bond Fund, will be distributed to 876 Bondholders on an equal and proportionate basis, the 876 Bonds will be cancelled and the 876 Fund will be terminated. Under the provisions of a 2000 private letter ruling by the U.S. Internal Revenue Service, the funds distributed will be allocated first to principal and then, to the extent available, to interest.

Holders may attend the hearing on September 14, 2007. They may also make their views known by writing directly to the Ramsey County Court at: Court Administrator, Ramsey County District Court, Room 650, 15 West Kellogg Boulevard, Saint Paul, Minnesota 55101, Court File No. C5-06-200031. Bondholders communicating directly to the court should do so by September 7, 2007. The Port Authority's Petition for Approval, and certain documents to be used in connection with the sale of 876 Fund assets, are on file with the Ramsey County District Court.

It should be noted that certain 876 Bondholders who had objected to the Port Authority's earlier petition have filed an appeal from the District Court's May 16 Order. The Port Authority will oppose that appeal, and any efforts by those bondholders to delay this proceeding, which we believe would negatively affect the return for all Bondholders. We intend to move forward to finalize the liquidation of the 876 Fund, and distribute the 876 Fund assets to the bondholders.

Holders are invited to communicate with the Port Authority by contacting Mr. Thomas Collins at (651) 224-5686 or (800)-328-8417.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth R. Johnson". The signature is fluid and cursive.

Kenneth R. Johnson

FILED

STATE OF MINNESOTA

AUG 16 2007

DISTRICT COURT
SECOND JUDICIAL DIVISION
CASE TYPE: 10

COUNTY OF RAMSEY

Court File No. C5-06-200031

In re a Petition for Instructions to
Construe Basic Resolution 876 of
The Port Authority of the City of
Saint Paul.

**NOTICE AND
ORDER FOR HEARING**

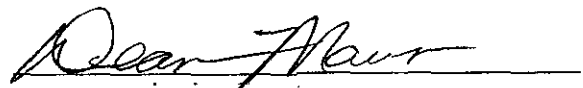
The Petition of the Port Authority of the City of Saint Paul ("Port Authority"), having been duly filed with the Clerk of this Court, praying for an Order setting a time and place for a hearing on the Petition Seeking Approval of Form of Proposal to Market to Investors, and for other relief as more fully set out in the Petition, which Petition is dated August 16, 2007, and filed pursuant to Minn. Stat. §501B.16(23); and the Court having assumed jurisdiction as a proceeding in rem under Minn. Stat. §501B.24, now upon the motion of Briggs and Morgan, P.A., attorneys for Petitioner:

IT IS HEREBY ORDERED, that such Petition be heard by the Honorable Teresa R. Warner of this Court in Room 650 of the Ramsey County Courthouse in Saint Paul, Minnesota, on the 14th day of September, 2007, at 9:00 a.m. or as soon thereafter as counsel may be heard;

IT IS FURTHER ORDERED, that persons wishing to object to the Petition or to seek to intervene or otherwise seek to make their views known, shall file by September 7, 2007, written grounds for their objection or basis for intervention or such other statements as they wish to make, such submissions to be filed with the Administrator of this Court, bearing the court file number noted above, and delivered to Court Administrator, Ramsey County District Court, 15 West Kellogg Boulevard, Room 650, Saint Paul, MN 55102;

IT IS FURTHER ORDERED, that notice of this hearing be given by publishing this Notice and Order for Hearing once in the Saint Paul Legal Ledger, Pioneer Press, Star Tribune, and The Bond Buyer at least twenty (20) days prior to the date of this hearing and by mailing a copy of this Notice and Order for Hearing to all holders of record of bonds issued under the Port Authority's Basic Resolution No. 876 and such beneficial owners of such bonds as may reasonably be determined, all such documents to be addressed to the addresses of such persons as last known to the Port Authority and to be mailed at least fifteen (15) days prior to the date of this hearing.

Dated: Aug 16, 2007



BRIGGS AND MORGAN
Scott Knudson, Atty. Reg. #141987
Paul C. Thissen, Atty. Reg. #241416
W-2200 First National Bank Building
Saint Paul, Minnesota 55101
Tel: (651) 808-6600
Fax: (651) 808-6450
Attorneys for Petitioner

Dean Maus
Court Manager
Ramsey County Probate Court