

Saint Paul Port Authority

News Release

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Saint Paul, MN – The Minnesota Supreme Court ruled on Thursday to vacate a lower court’s ruling that would have allowed the Saint Paul Port Authority to initiate a process that would lead to the liquidation of the 876 Common Revenue Bond Fund. The Court also ordered the district court to determine the validity of court rulings on the 876 Fund in 2002 and 2004 that allowed the Port Authority to retire 876 Fund bonds at a discount.

The Port Authority sought and received an order from the district court in 2007 allowing liquidation of the Fund. The Port Authority sought this remedy believing that liquidating the fund would benefit all 876 Bondholders.

The Port Authority will review and analyze the high court’s ruling to determine the next best steps.

“The Port Authority has sought to achieve a fair and equitable result for all the 876 bondholders,” Port President Louis Jambois said Thursday. “And we will continue to do so in implementing the Supreme Court’s ruling.”

Background

From February 1974 through May 31, 1991, the Port Authority issued \$428,825,000 in industrial and commercial development bonds under its Basic Resolution 876. Those bonds funded 139 projects in and around the City of Saint Paul. As of June 1, 2009, \$51,670,882 of those bonds remained outstanding.

Fund bonds are revenue bonds and are not backed by any tax revenues of the Port Authority, the City of Saint Paul or any other governmental source. Instead 876 bonds are secured by and payable only from revenue streams defined in Basic Resolution 876. These revenue streams are current payments from borrowers whose properties were financed by 876 bonds, proceeds derived from the sale of real estate that the Port Authority has repossessed when borrowers have defaulted and revenues from land and fleeting and tonnage leases.

The Fund also included a number of reserves to secure payment of principal and interest to 876 Bondholders. In 1991, the Port Authority told 876 Bondholders that because of borrower defaults and a downturn in the Saint Paul real estate market, the Port Authority expected that these reserves would eventually be depleted. In an effort to continue paying principal and interest in full through 2022, when the last-issued 876 bonds will mature, the Port Authority undertook a number of efforts to restructure the Fund. The Port Authority spent over \$2 million of its own funds in these unsuccessful efforts.

The Port Authority has also undertaken three tender offers for 876 bonds that have retired over \$123,765,000 in principal. The associated savings in interest payments benefited the remaining 876 Bondholders. As predicted on Dec.1, 2004, reserve funds were depleted. The Fund has since been unable to pay interest and principal in full to 876 Bondholders.

When individual series of 876 bonds were issued, the benefit of ownership of an 876 bond was expected to end at the latest when the bond matured, ordinarily when its 20 to 30 year term ran. It was also the expectation of the parties – both the Port Authority as issuer as well as 876 Bondholders – that the Fund would end at the latest when the last 876 bond matured in 2022.