



January 3, 2007

**Bondholders of the Basic Resolution 876:**

Misinformation about the Saint Paul Port Authority's administration of the 876 Common Revenue Bond Fund recently surfaced in a Bond Buyer article (December 29, 2006) and on a website created by some 876 Fund bondholders opposed to our proposal to distribute the remaining assets of the 876 Fund.

We believe it is important to provide the nearly 3,000 remaining bondholders with accurate information about the future of a fund that has generated income since the mid-1970s but now is unable to fully meet its financial obligations.

First, a factual error in the Bond Buyer article must be corrected. Contrary to the suggestion in the article by the opposing bondholders, the Sheraton Midway Hotel sale proceeds were properly distributed to bondholders. The net sale proceeds of \$7.9 million were paid to bondholders on June 1, 2006, and resulted in the full payment of interest and 50.65% of principal. The opposing bondholders noted that fact in their very first filing to the court in August 2006.

Secondly, the Bond Buyer article and the opposing bondholders' website leave you with the impression that certain non-revenue bond property -- as well as the revenue it generates -- is pledged to the Fund. This is not the case. Revenues from certain land leases as well as fleeting and tonnage fees relating to commerce along the Mississippi River are pledged to the Fund. However, the assets -- and proceeds from the sale of those assets -- are not and have never been pledged to the Fund. **There is no provision in the resolution creating the 876 Fund that prohibits the sale of non-revenue bond properties or encumbers the sale proceeds.**

You may also have read in the Bond Buyer that those assets hold a market value of \$42 million. That number is simply the Ramsey County Assessor's estimate of market value. On this point we have three responses: (1) the estimated market value is based on inaccurate data compiled by Ramsey County -- and the County has stated as much; (2) regardless of their value, any future sale of the assets themselves would not be pledged to the 876 Fund; and (3) lease-to-buy options on some of the pledged property pre-dated the 876 Fund. Once this option is exercised, the pledged revenue stream is diminished.

In summary, the 876 Fund bonds are repaid from the remaining performing leases, the net operating revenues and sale proceeds from REO (repossessed) properties, and the non-revenue bond property lease revenues. The last of the reserve funds pledged to the 876 bonds was depleted on December 1, 2004.

We will continue to provide you with updates as the Ramsey County District Court hearing continues. We expect to present our case for a distribution of the remaining 876 Fund assets on January 26, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth R. Johnson".

Kenneth R. Johnson  
President