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September 24, 2012

Via Federal Express

Hon. Andy Dillon
 State Treasurer, State of Michigan
 Michigan Department of Treasury
 Richard H. Austin Building
 430 W. Allegan
 Lansing, MI 48922

**Re: Downtown Development Authority of the City of Troy
 Development and Refunding Bonds, Series 2001
 Community Center Facilities Bonds, Series 2002**

Dear Mr. Dillon:

We write on behalf of our client, the Downtown Development Authority of the City of Troy (the "TDDA"), in response to the letter to you dated September 19, 2012, from counsel to National Public Finance Guarantee Corporation ("NPF"), the successor in interest to MBIA Insurance Corporation ("MBIA").

MBIA issued financial guarantee insurance policies in 2001 and 2002, respectively (collectively, the "Policies") insuring the payment of the principal of and interest on each series of the referenced bonds (collectively, the "Bonds") when due. For the issuance of the Policies, MBIA received \$352,000 in aggregate premiums. Each series of the Bonds was issued in anticipation of the tax increment revenues ("Tax Increment Revenues") to be collected by the TDDA pursuant to the TDDA's tax increment financing and development plan, as amended (the "Plan") adopted pursuant to the Downtown Development Authority Act, Act 197, Public Acts of Michigan, 1975, as amended ("Act 197").

Each resolution adopted by the TDDA authorizing the issuance of the Bonds, and especially Section 9 of each resolution, makes it clear that the Bonds are to be payable solely from the collection of the Tax Increment Revenues and certain debt service reserve funds funded from the proceeds Bonds, and no other source. Section 9 of each resolution provides as follows:

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“9. SPECIAL OBLIGATION. The Series [2001] [2002] Bonds and the interest thereon shall never constitute a general obligation of the Authority [the TDDA] or the City [the City of Troy] within the meaning of any constitutional, statutory or charter provision or limitation and shall never constitute or give rise to a charge against the general credit of the Authority or the general credit or taxing powers of the City, but shall be special obligations of the Authority payable solely from Tax Increment Revenues and secured solely by the Security, as set forth in Section 14 hereof.”

The Security for each series of the Bonds is limited to the Tax Increment Revenues to be received by the Authority pursuant to the Plan and the moneys on deposit in a debt service reserve fund funded from the proceeds of each series of the Bonds. NPMFG has repeatedly suggested that the City of Troy is ultimately responsible for taking steps to avoid a default on the Bonds. The City is not liable on the Bonds and has no legal responsibility whatsoever to pay principal of and interest on the Bonds. This point was made very clear to the original purchasers of the Bonds and MBIA in connection with the original issuance of each series of Bonds. Each series of the Bonds was structured as a “naked” tax increment bond issued pursuant to Section 16(2) of Act 197, meaning that the Bonds were sold without any pledge of credit of the City, but solely on the basis of the Tax Increment Revenues to be derived by the TDDA as provided in the Plan.

In the event that the Tax Increment Revenues and the moneys on deposit in the debt service reserve funds for each series of Bonds are not sufficient to pay the principal of and interest on the related series of the Bonds when due, then NPMFG is obligated to pay such principal and interest in accordance with the terms of the Policies. At such time, and only at such time, as NPMFG pays such principal and interest under the Policies, it becomes subrogated to the rights of the holders of the Bonds who receive payment from NPMFG. NPMFG cannot be construed to be a holder of the Bonds until it has actually paid a claim under the Policies for each series of the Bonds.

You have been requested by counsel for NPMFG, pursuant to Section 12(1)(f) of Act 72, Public Acts of Michigan, 1990, as amended (“Act 72”), to conduct a preliminary review to determine the existence of a local government financial problem. The basis for this request is the assertion that you have received “written notification from a trustee, paying agent or bondholder of a default in a bond payment or violation or 1 or more bond covenants” and that a bond default is imminent. This request is fatally defective for two reasons: (1) there has been no default in a payment of principal of and interest on the Bonds, and (2) NPMFG has no standing to make such a request, because it has not been required to make any payments under the Policies and, as a result, cannot claim that it is a bondholder with respect to the Bonds. Section 12(1)(f) of Act 72 does not speak to an imminent default, as NPMFG would have you believe; rather it speaks to a default, and based on the information furnished to NPMFG by the TDDA, NPMFG is aware that the first projected shortfall of Tax Increment Revenues and debt service reserve fund moneys is not

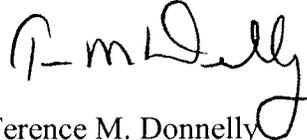
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expected to occur until November, 2013, at which time it will be obligated to advance moneys under the Policies.

To put this matter in context, the TDDA reached out to NPFPG in late 2011 in an attempt to meet with NPFPG to determine if there were any mutually acceptable ways of solving the potential default that is anticipated in November, 2013. TDDA and NPFPG officials met in March of this year in Troy. As requested in follow up communications from NPFPG, the TDDA provided volumes of information, including but not limited to copies of the Plan, the resolutions authorizing the Bonds and the detail concerning the expenditure of TDDA funds over an extended period of time, pursuant to an exhaustive request for information under the Freedom of Information Act. Subsequently, NPFPG mounted a local and national media campaign in mid-August, which culminated with the September 19 letter to you to request a preliminary review under Act 72. It is the TDDA's belief that the foregoing actions of NPFPG are unprecedented and premature and clearly an attempt to bring pressure on the TDDA and the City to take whatever steps are necessary so that NPFPG is relieved of its obligations to make payment under the Policies. NPFPG's actions are premature, since NPFPG is not currently a bondholder, there has been no default on the Bonds and the TDDA continues to explore ways to avoid a default.

For the reasons set forth above, we believe that the request from NPFPG to conduct a preliminary review under Act 72 is without merit and certainly premature at this time.

Very truly yours,



Terence M. Donnelly

TMD:

cc: Lori Grigg Bluhm, Esq. (via email)
Robert L. Schwartz, Esq. (via email)
Nell Worthy, The Bank of New York
Mellon Trust Company, N.A. (via email)