NEW ISSUE—BOOK-ENTRY ONLY **RATING: See "RATING"**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A PFC Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2011A PFC Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Series 2011A PFC Bonds is exempt from personal income taxation by the State of Oregon. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A PFC Bonds. See "TAX MATTERS."

$75,670,000
THE PORT OF PORTLAND, OREGON
Portland International Airport
Passenger Facility Charge Revenue Bonds
Series 2011A (Non-AMT)

Dated: Date of initial delivery **Base CUSIP No.:** 735240 **Due:** July 1, as shown on inside cover

The Port of Portland (the "Port") is issuing its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (Non-AMT) (the "Series 2011A PFC Bonds") to (i) pay costs of certain improvements at the Portland International Airport, (ii) repay draws on a non-revolving credit facility used to finance costs of certain improvements at the Portland International Airport, (iii) fund a debt service reserve and (iv) pay costs of issuing the Series 2011A PFC Bonds, all as described herein. Wells Fargo Bank, National Association, Portland, Oregon, serves as the trustee, registrar and paying agent for the Series 2011A PFC Bonds.

The Series 2011A PFC Bonds will be issued in denominations of $5,000 and integral multiples thereof within a single maturity. Interest on the Series 2011A PFC Bonds will be payable on each January 1 and July 1 (or the next Business Day if January 1 or July 1 is not a Business Day, with the same effect as if made on the day such payment was due), commencing July 1, 2012, at the rates set forth on the inside cover of this Official Statement.

The Series 2011A PFC Bonds are subject to redemption prior to their stated maturities as described herein.

The Series 2011A PFC Bonds when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Series 2011A PFC Bonds. Purchases of beneficial interests in the Series 2011A PFC Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their interests in the Series 2011A PFC Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series 2011A PFC Bonds, payments of principal of and premium, if any, and interest on the Series 2011A PFC Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants, all as described herein.

The Series 2011A PFC Bonds are limited obligations of the Port, secured by a pledge and assignment of revenues to be received by the Port from certain passenger facility charges imposed by the Port at Portland International Airport. No other revenues of the Port are currently pledged or assigned to the payment of the Series 2011A PFC Bonds. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the Series 2011A PFC Bonds. The Series 2011A PFC Bonds are not obligations of the State of Oregon or any political subdivision of the State of Oregon other than the Port.

This cover contains certain information for quick reference only and is not a complete summary. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2011A PFC Bonds are offered when, as and if issued, subject to receipt of the approving opinions of Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Bond Counsel to the Port, and to certain other conditions. Certain legal matters will be passed upon for the Port by its General Counsel and for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that delivery of the Series 2011A PFC Bonds will be made through the facilities of DTC in New York, New York on or about November 10, 2011.

BofA Merrill Lynch **Goldman, Sachs & Co.**

October 26, 2011.

$75,670,000
THE PORT OF PORTLAND
Portland International Airport
Passenger Facility Charge Revenue Bonds
Series 2011A (Non-AMT)

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 735240
2012	$ 755,000	2.50%	0.50%	A60
2013	1,425,000	3.00	0.85	A78
2014	1,475,000	3.00	1.18	A86
2015	1,505,000	4.00	1.60	A94
2016	1,560,000	5.00	2.02	B28
2017	1,650,000	4.00	2.35	B36
2018	1,710,000	5.00	2.64	B44
2019	150,000	3.00	2.95	B51
2020	135,000	3.00	3.21	B69
2021	125,000	3.25	3.33	B77
2022	105,000	3.25	3.45	B85
2023	80,000	3.50	3.58	B93
2024	60,000	3.50	3.71	C27
2025	7,955,000	5.00	3.83*	C35
2026	3,625,000	5.00	3.94*	C43
2026	4,725,000	5.50	3.94*	D26
2027	8,795,000	5.50	4.04*	C50
2028	9,275,000	4.00	4.14	C68
2029	9,645,000	5.50	4.24*	C76
2030	10,180,000	5.50	4.31*	C84
2031	1,500,000	5.00	4.38*	C92
2031	9,235,000	5.50	4.38*	D34

* Calculated to the par call date of July 1, 2021.

THE PORT OF PORTLAND
7200 NE Airport Way
Post Office Box 3529
Portland, Oregon 97208

Board of Commissioners

Judi Johansen	President
Steven H. Corey	Vice President
Diana Daggett	Secretary
Paul A. Rosenbaum	Treasurer
Ken Allen	Commissioner
Peter Bragdon	Commissioner
James C. Carter	Commissioner
Tom Chamberlain	Commissioner
Bruce A. Holte	Commissioner

Executive, Financial and Legal Management of the Airport

Bill Wyatt	Executive Director
Vincent Granato	Chief Financial Officer and Director of Financial & Administrative Services
Steven H. Schreiber	Director of Aviation
Carla Kelley	General Counsel

Advisors and Consultants

Orrick, Herrington & Sutcliffe LLP	Bond Counsel
Seattle-Northwest Securities Corporation	Financial Advisor
Ricondo & Associates, Inc.	Airport Consultant
PricewaterhouseCoopers LLP	Independent Accountants

Trustee

Wells Fargo Bank, National Association
Portland, Oregon

No dealer, broker, salesperson or other person has been authorized by the Port or the Underwriters to give any information or to make any representations with respect to the Series 2011A PFC Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the Series 2011A PFC Bonds, by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement reflect not historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe" and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Port specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in "Continuing Disclosure."

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date of this Official Statement.

In connection with the offering of the Series 2011A PFC Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2011A PFC Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2011A PFC Bonds to certain dealers (including dealers depositing Series 2011A PFC Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed, from time to time, by the Underwriters.

CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Series 2011A PFC Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. No assurance can be given that the CUSIP numbers for the Series 2011A PFC Bonds will remain the same after the date of initial delivery of the Series 2011A PFC Bonds to the Underwriters. The Port is not responsible for the selection of CUSIP numbers, nor is any representation made as to their correctness on the Series 2011A PFC Bonds or as indicated herein.

Information on web site addresses set forth in this Official Statement is not included in or incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can it be relied upon in making investment decisions regarding the Series 2011A PFC Bonds.

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OFFICIAL STATEMENT

$75,670,000
THE PORT OF PORTLAND
Portland International Airport
Passenger Facility Charge Revenue Bonds
Series 2011A (Non-AMT)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover, inside cover, table of contents and appendices, is to provide information concerning the issuance and sale by The Port of Portland (the "Port") of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (Non-AMT) (the "Series 2011A PFC Bonds"). The Series 2011A PFC Bonds, together with the Port's outstanding Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999B (AMT) (the "Series 1999B PFC Bonds"), Portland International Airport Passenger Facility Charge Refunding Revenue Bonds, Series 2009A (Non-AMT) (the "Series 2009A PFC Bonds") and any additional bonds that may be payable from PFC Revenue (defined herein) on a parity with the Series 2011A PFC Bonds, the Series 1999B PFC Bonds and the Series 2009A PFC Bonds, are referred to collectively as the "First Lien PFC Bonds." The First Lien PFC Bonds and any "Subordinate Lien PFC Obligations" are referred to collectively as "PFC Bonds." Capitalized terms used in this Official Statement, but not defined, are defined in Ordinance No. 395-B (as amended and supplemented by Ordinance No. 422-B, the "Master Ordinance") and Ordinance No. 442-B (the "Series 2011 Bond Ordinance," and together with the Master Ordinance, the "Ordinances") or in the Supplemental Action of the Executive Director (the "Supplemental Action"), dated the date of initial delivery of the Series 2011A PFC Bonds. See Appendix C—"SUMMARY OF PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Ordinances—Definitions" and "—Summary of Certain Provisions of the Supplemental Action—Definitions."

Payment of the First Lien PFC Bonds is secured by a pledge and assignment of revenues to be received by the Port from passenger facility charges ("PFCs") authorized by the Federal Aviation Administration (the "FAA") and imposed by the Port on enplaning passengers at Portland International Airport (as further defined herein, the "Airport"). See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS."

The Port is a political subdivision of the State of Oregon (the "State") and was established by an act of the State Legislative Assembly in 1891. The Port owns and operates the Airport and two general aviation airports (the "General Aviation Airports"). PFCs are not imposed on passengers at the General Aviation Airports, but to the extent approved by the FAA in the future, PFCs may be used to finance the costs of improvements at the General Aviation Airports. See "PORTLAND INTERNATIONAL AIRPORT" for a description of the Airport. The Port has engaged Ricondo & Associates, Inc. to prepare a report relating to the Airport and the Series 2011A PFC Bonds. The "Report of the Airport Consultant" attached to this Official Statement as Appendix A is part of this Official Statement and should be read in its entirety.

Purpose of Issue

The Port received approval from the FAA to spend PFC Revenue on costs associated with the south runway rehabilitation project and the deicing system improvements project (the "2011 PFC Bond

Projects"). The Port has financed certain costs associated with the 2011 PFC Bond Projects with proceeds of draws on a non-revolving credit facility dated November 24, 2010 (the "PFC Credit Facility") from Wells Fargo Bank, National Association, in the original maximum amount of $100 million. As of June 30, 2011, the Port had drawn down the PFC Credit Facility in the amount of $41,720,614. The Series 2011A PFC Bonds are being issued to (i) pay costs of the 2011 PFC Bond Projects, (ii) repay draws on the PFC Credit Facility, (iii) fund a portion of the First Lien Reserve Account Requirement (defined herein) and (iv) pay costs of issuing the Series 2011A PFC Bonds.

Passenger Facility Charges

PFCs are fees authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"). Pursuant to the PFC Act and to the Port's approvals from the FAA, the Port may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $4.50. The annual amount of PFC Revenue payable to the Port thus depends upon the number of passenger enplanements at the Airport. See "PORTLAND INTERNATIONAL AIRPORT." The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the Port once each month the proceeds of such collections, less a handling fee and less interest earned prior to such remittance.

The FAA may terminate or reduce the Port's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the Port is in violation of certain provisions of the federal Airport Noise and Capacity Act of 1990 ("ANCA"), (ii) PFC collections and investment income thereon are not being used for Approved PFC Projects (as defined below) in accordance with the approvals theretofore granted by the FAA (the "PFC Approvals") or with the PFC Act and the PFC Regulations, (iii) implementation of any Approved PFC Projects does not commence within the time periods specified in the PFC Act and PFC Regulations or (iv) the Port is otherwise in violation of the PFC Act, the PFC Regulations or such PFC Approvals. The PFC Regulations provide for informal and formal procedures for resolution of possible violations of the PFC Act, the PFC Approvals and the PFC Regulations. The FAA has agreed to follow certain other steps prior to terminating or reducing the Port's authority to impose PFCs because of such violations. See "THE PFC PROGRAM" for a description of some of the events that could result in a termination or reduction of the Port's authority to impose PFCs and for a description of the FAA's agreements with the Port concerning termination of PFCs. To date, the FAA has not terminated any airport operator's authority to impose PFCs. Congressional amendment or repeal of the PFC Act could also result in a termination of the Port's authority to impose PFCs.

FAA Approvals

The 2011 PFC Bond Projects are among the capital projects approved by the FAA pursuant to a record of decision (the "2011 Approval") issued by the FAA. Final orders of the Secretary of the Department of Transportation such as the 2011 Approval may be appealed by certain parties during the first 60 days after the date of issuance. The 60-day appeal period for the 2011 Approval has expired, and no appeals were filed. The 2011 PFC Bond Projects, together with the other projects of the Port approved by the FAA and any projects of the Port that may be approved by the FAA in the future, are referred to herein as the "Approved PFC Projects." The 2011 Approval, as the same may be amended, together with any other record of decision (and amendments) relating to PFCs imposed by the Port at the Airport, are referred to in this Official Statement as "PFC Authority." See "THE PFC PROGRAM AT THE PORT—Approved PFC Projects." The Port is required to apply to the FAA for approval before charging or using the proceeds of PFCs for any future project not authorized for PFC funding in the approvals obtained by the Port to date or for paying debt service related to projects not approved for financing with PFC-backed bonds. See "THE PFC PROGRAM" for a description of the application and approval process and "THE PFC PROGRAM AT THE PORT" for a summary of the approvals obtained by the Port to date.

As of June 30, 2011, the FAA has authorized the Port to collect and use up to $1.065 billion of PFC Revenue, of which approximately $401.1 million has been expended. Of the remaining $664.2 million of PFC Authority, approximately $255.2 million has been authorized to pay the costs of the 2011 PFC Bond Projects, including debt service on PFC Bonds and other financing costs. Although this amount exceeds the amount of total debt service on the outstanding PFC Bonds (approximately $265.9 million), the amount of PFCs collected each year depends, among other things, upon the number of annual enplanements at the Airport and the amount of the PFC charged. Based upon expected enplanements and the current PFC of $4.50, the Port and the FAA estimate that the Port's current PFC Authority will expire in March 2031, prior to the final stated maturity of the Series 2011A PFC Bonds in July 2031. The Port plans to apply for additional PFC approvals in the future and has covenanted in the Master Ordinance to take certain steps to ensure that the amounts of unspent PFC Revenue will be sufficient to pay all of the debt service on the outstanding PFC Bonds. See "THE PFC PROGRAM AT THE PORT" and "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—First Lien Sufficiency Covenant."

Security and Sources of Payment; Limited Obligations

The Series 2011A PFC Bonds are limited obligations of the Port. Except as otherwise provided in the Ordinances, payment of the Series 2011A PFC Bonds is secured by a pledge and assignment of PFC Revenue, and no other revenues of the Port are currently pledged or assigned to the payment of the Series 2011A PFC Bonds. "PFC Revenue" means all revenue earned by the Port from time to time from PFCs imposed by the Port at the Airport pursuant to the PFC Authority, the PFC Act and PFC Regulations and investment income with respect thereto. The Port has reserved the right to pledge to the payment of First Lien PFC Bonds, Parity Port Payments and/or Subordinate Lien PFC Obligations any income, receipt or revenue of the Port (other than PFC Revenue) legally available ("Additional Pledged Revenue"), but at the present time, the Port has no plans to do so.

Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the principal of, premium, if any, or interest on the Series 2011A PFC Bonds. The Series 2011A PFC Bonds are not obligations of the State or any political subdivision of the State other than the Port. The 2011 PFC Bond Projects are not security for the Series 2011A PFC Bonds, and the Series 2011A PFC Bonds are not secured by a lien on properties or improvements at the Airport or by a pledge of any revenues (other than PFC Revenue) derived by the Port from the operation of the Airport generally.

Additional Obligations

The Master Ordinance permits the Port to issue additional First Lien PFC Bonds, enter into additional Derivative Products and issue Subordinate Lien PFC Obligations, including variable-rate First Lien PFC Bonds and Subordinate Lien PFC Obligations that may be secured by letters of credit or other credit facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—Additional First Lien PFC Bonds," "—Derivative Products" and "—Subordinate Lien PFC Obligations" for a description of the conditions that the Port must satisfy before issuing additional First Lien PFC Bonds, entering into additional Derivative Products or issuing Subordinate Lien PFC Obligations. The Ordinances contain no provisions for acceleration of the maturity of the Series 2011A PFC Bonds after any payment default or after any other default by the Port, but under certain circumstances, the Series 2009A PFC Bonds are, and other First Lien PFC Bonds or Subordinate Lien PFC Obligations could be, subject to mandatory tenders for purchase or to mandatory redemption at the direction of a credit or liquidity provider. In such cases, the Port could be required to reimburse the credit or liquidity provider and to retire all of such bonds or other obligations prior to the payment in full of the Series 2011A PFC Bonds. The Parity Port Payments under the PFC Bond Swaps described herein are secured by a pledge of

PFC Revenue on a parity of lien with the pledge securing the First Lien PFC Bonds, including the Series 2011A PFC Bonds. See "THE PFC PROGRAM AT THE PORT—PFC Bond Swaps."

Miscellaneous

Brief descriptions of the Series 2011A PFC Bonds, the Airport, the Port and the PFC program, and brief summaries of the Ordinances, the Supplemental Action and certain other documents are included in this Official Statement (including Appendix C hereto). Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to such documents and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Information contained herein has been obtained from officers, employees and records of the Port and from other sources the Port believes to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Port and purchasers or owners of any of the Series 2011A PFC Bonds.

DESCRIPTION OF THE SERIES 2011A PFC BONDS

Payment of the Series 2011A PFC Bonds

Wells Fargo Bank, National Association, serves as trustee, paying agent and registrar under the Ordinances (the "Trustee").

The Series 2011A PFC Bonds will be dated the date they are issued and will mature on July 1 in the years and principal amounts, and bear interest at the rates, all as set forth on the inside cover of this Official Statement. Interest on the Series 2011A PFC Bonds will be payable on each January 1 and July 1 (or the next Business Day if January 1 or July 1 is not a Business Day, with the same effect as if made on the day such payment was due), commencing July 1, 2012, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2011A PFC Bonds are being issued as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as initial Securities Depository for the Series 2011A PFC Bonds. While the Series 2011A PFC Bonds are in book-entry form, payment of Series 2011A PFC Bond principal and interest will be made by wire transfer to the Securities Depository or its nominee on the payment date. Disbursement of payments to DTC participants is the responsibility of DTC and disbursement of payments to beneficial owners of the Series 2011A PFC Bonds is the responsibility of DTC participants, all as described in Appendix D—"DTC AND ITS BOOK-ENTRY SYSTEM."

If the Series 2011A PFC Bonds cease to be in book-entry form, the principal of the Series 2011A PFC Bonds will be payable by check at the Designated Corporate Trust Office of the Trustee. Interest on the Series 2011A PFC Bonds will be paid to the person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date for each Interest Payment Date by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

If any Series 2011A PFC Bond is duly presented for payment and funds have not been duly provided by the Port on such applicable date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Series 2011A PFC Bond until such Series 2011A PFC Bond is paid.

Registration and Transfer or Exchange of Series 2011A PFC Bonds

The Series 2011A PFC Bonds initially are to be registered in the name of Cede & Co., as the nominee of DTC, and held by DTC as Securities Depository, all as described in Appendix D—"DTC AND ITS BOOK-ENTRY SYSTEM." Individual purchases of Series 2011A PFC Bonds are to be made in book-entry form only in denominations of $5,000 or any integral multiple thereof within a single maturity. Purchasers will not receive certificates representing their interest in the Series 2011A PFC Bonds, except as described in Appendix D—"DTC AND ITS BOOK-ENTRY SYSTEM."

Neither the Port nor the Trustee will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Series 2011A PFC Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Series 2011A PFC Bonds, any notice which is permitted or required to be given to Owners under the Ordinances or the Supplemental Action (except such notices as are required to be given by the Port to the Trustee or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Owner. For so long as any Series 2011A PFC Bonds are held by DTC, DTC or its successor depository (or their respective nominees) shall be deemed to be the Owner for all purposes under the Ordinances and the Supplemental Action, and all references to the Owners shall mean DTC or its successor depository (or their respective nominees) and shall not mean the owners of any beneficial interest in such Series 2011A PFC Bonds.

Redemption of Series 2011A PFC Bonds

Optional Redemption. The Series 2011A PFC Bonds that are stated to mature on or before July 1, 2021, are not subject to optional redemption prior to their stated maturity. The Series 2011A PFC Bonds that are stated to mature on or after July 1, 2022, are subject to redemption prior to their stated maturity at the option of the Port, in whole or in part, on any date on or after July 1, 2021, at a redemption price equal to 100% of the principal amount of the Series 2011A PFC Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Series 2011A PFC Bonds for Redemption. If less than all the Outstanding Series 2011A PFC Bonds are to be redeemed, the Trustee, upon written instruction from the Port, shall select the Series 2011A PFC Bonds to be redeemed from the maturity dates selected by the Port, and randomly within each such maturity in such manner as the Trustee shall determine; provided, that the portion of any Series 2011A PFC Bonds to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. While the Series 2011A PFC Bonds are in book-entry only form, notice of redemption is required to be given in accordance with DTC's operational arrangements, not less than 20 days prior to the date of redemption unless DTC consents to a shorter period. If the Series 2011A PFC Bonds cease to be in book-entry only form, then notice of redemption is required to be given by registered mail to all Owners of Series 2011A PFC Bonds to be redeemed, not less than 30 days prior to the redemption date. Failure to give any required notice of redemption as to any particular Series 2011A PFC Bond or any defect therein will not affect the validity of the call for redemption of any Series 2011A PFC Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the

Series 2011A PFC Bond Certificate will be effective when sent and will be conclusively presumed to have been given whether or not actually received by any Owner.

With respect to an optional redemption of any Series 2011A PFC Bond, unless money sufficient to pay the principal of and premium, if any, and interest on such Series 2011A PFC Bond has been received by the Trustee prior to the giving of such notice of redemption, such notice may state that such redemption shall be conditional upon the receipt of such money by the Trustee on or prior to the date fixed for redemption. If such money is not received, such notice shall be of no force and effect, such Series 2011A PFC Bond shall not be redeemed, the redemption price shall not be due and payable and the Trustee is required to give notice, in the same manner in which the notice of redemption was given, that such money was not so received and that such Series 2011A PFC Bond will not be redeemed. Failure to redeem the Series 2011A PFC Bonds in such circumstances shall not be an event of default.

Interest on Series 2011A PFC Bonds that have been called for redemption will cease to accrue on the date fixed for redemption so long as amounts sufficient to redeem those Series 2011A PFC Bonds have been received by the Trustee on or before the date fixed for redemption.

Purchase in Lieu of Redemption. Whenever the Series 2011A PFC Bonds are subject to redemption, they may instead be purchased at the option of the Port at a purchase price equal to the Redemption Price, as described in the Supplemental Action. See Appendix C—"SUMMARY OF PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Supplemental Action—Purchase in Lieu of Redemption."

SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS

Pledge of PFC Revenue

The First Lien PFC Bonds are payable principally from revenues to be received by the Port from PFCs authorized by the FAA and imposed by the Port on enplaning passengers at the Airport. In the PFC Approvals, the FAA authorized the Port to charge PFCs until the dates on which the amount of PFCs and investment income thereon equals the allowable cost of the Approved PFC Projects, currently estimated by the Port to be $1.065 billion in the aggregate. The FAA and the Port estimate that the Port's authority to collect PFCs will expire in March 2031, prior to the final stated maturity of the Series 2011A PFC Bonds in July 2031. See "THE PFC PROGRAM AT THE PORT." The Port has covenanted to reserve PFC Revenue in the amounts required to pay debt service on the PFC Bonds if additional PFC approvals are not obtained. See "First Lien Sufficiency Covenant" under this heading.

The Master Ordinance provides for the creation of the PFC Fund and requires that net of the collection fee and the investment income the air carriers are permitted to retain, PFCs are to be credited to the PFC Fund as earned. In the Master Ordinance, the Port reserves the right to include other income, revenue or receipts as "Additional Pledged Revenue." Any such Additional Pledged Revenue pledged to the payment of First Lien PFC Bonds or Parity Port Payments also would be credited to the PFC Fund. The PFC Fund and the accounts created under the Ordinances (other than the PFC Bond Fund described below, which is held by the Trustee) are to be held, administered and invested by the Port, unless and until the Port is required to transfer such funds and accounts to the Trustee as described in "Flow of Funds" under this heading.

Limited Obligations

The Series 2011A PFC Bonds are limited obligations of the Port. Except as otherwise provided in the Ordinances, payment of the Series 2011A PFC Bonds is secured by a pledge and assignment of

PFC Revenue and Additional Pledged Revenue, if any, that may in the future be pledged and assigned. No other revenues of the Port are currently pledged or assigned to the payment of the Series 2011A PFC Bonds. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the principal of, premium, if any, or interest on the Series 2011A PFC Bonds. The Series 2011A PFC Bonds are not obligations of the State or any political subdivision of the State other than the Port. The 2011 PFC Bond Projects are not security for the Series 2011A PFC Bonds or any other PFC Bonds, and the Series 2011A PFC Bonds are not secured by a lien on properties or improvements at the Airport or by a pledge of any revenues (other than PFC Revenue) derived by the Port from the operation of the Airport generally.

Flow of Funds

In addition to the PFC Fund, which initially is held by the Port, the Master Ordinance creates the PFC Bond Fund, which is held by the Trustee. The PFC Bond Fund is comprised of the First Lien Bond Account, the First Lien Reserve Account, the Subordinate Lien Obligations Account and Subordinate Lien Obligations Reserve Account. The Master Ordinance also creates within the PFC Fund a PFC Capital Account. The PFC Fund is to be held by the Port unless and until the Port is required to transfer the PFC Fund to the Trustee following (a) a notice from the FAA instructing air carriers to remit PFC collections directly to the Trustee because of an alleged violation of the PFC Act or (b) a direction of the holders of a majority in aggregate principal amount of First Lien Bonds Outstanding following a Default under the Ordinances. See "THE PFC PROGRAM—Termination of Authority to Impose PFCs" and "—FAA Agreement with the Port Regarding Termination."

Pursuant to the Master Ordinance, the Port is required to credit to the PFC Fund as earned all PFC Revenue received by the Port (and any Additional Pledged Revenue that may be pledged to the payment of First Lien PFC Bonds or the Parity Port Payments) and, on or before the first day of each month, to transfer from the PFC Fund the following amounts, in the following order, to the following accounts:

First: to make the Monthly First Lien Debt Service Deposit into the First Lien Bond Account (but only to the extent such Monthly First Lien Debt Service Deposit is not made from amounts held as capitalized interest);

Second: to make all payments required to be made into the First Lien Reserve Account or to replenish the First Lien Reserve Account, as described in "First Lien Reserve Account" under this heading;

Third: to make all payments required to be made into any Subordinate Lien Obligations Account in the amount and at the times required by the Master Ordinance, any Supplemental Ordinance or other written direction of the Executive Director (or his or her designee) which may include but are not limited to termination payments, fees, charges or indemnification, required to be made by or on behalf of the Port under a Derivative Product provided that the Port has determined that PFC Revenue may be lawfully used to make such payment;

Fourth: to make all payments required to be made into any Subordinate Lien Obligations Reserve Account; and

Fifth: the remainder to the PFC Capital Account. Amounts in the PFC Capital Account may be used to pay the Costs of Approved PFC Projects; may be used to make necessary additions, betterments, improvements and repairs to or extension and replacements of Approved PFC Projects, if permitted by PFC Regulations, or to the extent permitted by

PFC Regulations, for any other lawful Port purposes; may be transferred to any fund or account for the purpose of paying the cost of improvements to the Airport to the extent such improvements constitute Approved PFC Projects; or may be used to pay debt service on any other obligation incurred by the Port to pay Costs of Approved PFC Projects. The Master Ordinance provides that until so applied, amounts on deposit in the PFC Capital Account shall be pledged to the payment of and subject to a lien and charge in favor of Owners of the PFC Bonds.

First Lien Reserve Account

The Port has deposited from proceeds received from the sale of the Series 1999B PFC Bonds and its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999A (Non-AMT) (the "Series 1999A PFC Bonds," and together with the Series 1999B PFC Bonds, the "Series 1999 PFC Bonds") an amount equal to $10,770,975, the maximum amount permitted upon the issuance of the Series 1999 PFC Bonds to be deposited from proceeds of the Series 1999 PFC Bonds under the Internal Revenue Code of 1986, as amended (the "Code"). The Port is required to maintain in the First Lien Reserve Account an amount equal to the lesser of (i) Maximum Annual Debt Service with respect to Outstanding First Lien PFC Bonds and (ii) with respect to a particular Series of PFC Bonds, the maximum amount permitted by Section 148 of the Code (the "First Lien Reserve Account Requirement"). The Master Ordinance requires that upon the issuance of any additional First Lien PFC Bonds the Port deposit to the credit of the First Lien Reserve Account, from the proceeds of such First Lien PFC Bonds or from other sources, the amount required to make the balance then on deposit in the First Lien Reserve Account equal to the First Lien Reserve Account Requirement for all First Lien PFC Bonds then Outstanding. Upon issuance of the Series 2011A PFC Bonds, the Port will deposit into the First Lien Reserve Account $4,701,592 of proceeds of the Series 2011A PFC Bonds, sufficient to satisfy the First Lien Reserve Account Requirement. See "SOURCES AND USES OF SERIES 2011A PFC BOND PROCEEDS."

Moneys held in the First Lien Reserve Account are to be transferred to the First Lien Bond Account on a First Lien Payment Date if and to the extent that amounts on deposit in the First Lien Bond Account are insufficient to pay the principal of or the interest on the First Lien PFC Bonds as the same become due. The Master Ordinance requires that any deficiency in the First Lien Reserve Account because of any withdrawal be made up from the next available PFC Revenue but in no event later than within one year after the withdrawal.

In computing the amount on hand in the First Lien Reserve Account, the market value of securities then credited to the First Lien Reserve Account is to be determined annually and any deficiency in the First Lien Reserve Account is to be made up in equal monthly installments within six months after the date of such valuation. Moneys on deposit in the First Lien Reserve Account in excess of the First Lien Reserve Account Requirement are to be transferred to the First Lien Bond Account and applied to the payment of regularly scheduled debt service on the First Lien PFC Bonds as provided in the Master Ordinance.

In lieu of depositing moneys to the First Lien Reserve Account or in substitution for moneys and securities then on deposit in the First Lien Reserve Account, the Port may obtain one or more irrevocable letters of credit or irrevocable surety bond policies issued by a bank or bond insurance company with a credit rating in one of the two highest rating categories of each Rating Agency then maintaining an underlying rating on the First Lien PFC Bonds. The Master Ordinance requires that any such letter of credit or surety bond policy (i) permit the Trustee to draw thereunder for deposit to the First Lien Reserve Account an amount that, together with any moneys on deposit in, or letter of credit or surety bond policy available to fund, the First Lien Reserve Account, is not less than the First Lien Reserve Account Requirement and (ii) have a term of at least five years. Prior to its termination, each such letter of credit or surety bond must either (i) be replaced by the Port with cash or with a substitute irrevocable letter of credit or surety bond policy meeting the requirements described above or (ii) be drawn upon by the Trustee pursuant to its terms to fund the First Lien Reserve Account. In addition, each such letter of credit or surety bond must be replaced by the Port with a substitute irrevocable letter of credit or surety bond policy meeting the requirements described in this paragraph, or with cash, within six months after the date on which the issuer of such letter of credit or surety bond policy becomes insolvent. See Appendix C—"SUMMARY OF PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Ordinances—PFC Bond Fund—First Lien Reserve Account."

Additional First Lien PFC Bonds

The Master Ordinance permits the Port to issue additional First Lien PFC Bonds on a parity with the Series 2011A PFC Bonds for the purposes for which PFCs may be used or for refunding purposes.

Additional First Lien PFC Bonds Certificate. Before issuing any additional First Lien PFC Bonds (other than Refunding First Lien PFC Bonds that comply with the requirements described below under "Refunding First Lien PFC Bonds") and before issuing any Refunding First Lien PFC Bonds to refund Subordinate Lien PFC Obligations or to refund other bonds that are not First Lien PFC Bonds, the Port must deliver, among other things, either a certificate executed by the Executive Director (the "Executive Director's Certificate") or a certificate of an independent and nationally recognized aviation consultant (the "Independent Aviation Consultant's Certificate") as described below. For other requirements that must be met prior to the issuance of additional First Lien PFC Bonds, see Appendix C—"SUMMARY OF PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Ordinances—Authorization of Series of PFC Bonds," "—Future First Lien PFC Project Bonds" and "—Future First Lien PFC Refunding Bonds."

The Master Ordinance requires that an Executive Director's Certificate state that (i) the First Lien Sufficiency Covenant described below will be met upon the issuance of the additional First Lien PFC Bonds and (ii) PFC Revenue (adjusted as described below), interest earnings on the First Lien Reserve Account to the extent such earnings are available for transfer to the First Lien Bond Account and Additional Pledged Revenue, if any has been pledged irrevocably to First Lien Bonds (collectively, "Pledged Revenue") earned for any consecutive twelve-whole-month period selected by the Port out of the eighteen-whole-month period next preceding the date of issuance of such additional First Lien PFC Bonds (the "Base Period"), as shown in the audited or unaudited financial statements of the Port, were not less than 150% of Maximum Annual Debt Service on all First Lien PFC Bonds that will be Outstanding upon the issuance of the proposed additional First Lien PFC Bonds. In preparing such certificate, the Executive Director is required to take into account any Forecast PFC Rate Adjustment as if such new rate had been in effect during the entire Base Period and may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining an underlying rating on the First Lien PFC Bonds has confirmed, on or prior to the date of the Executive Director's Certificate, that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then-current underlying rating on the First Lien PFC Bonds then Outstanding. As defined in the Master Ordinance, "Forecast PFC Rate Adjustment" means (i) any change in PFC Regulations that would result in a change in the amount of PFC collections or (ii) any increase in the rate of the levy of PFCs if legislation has been enacted to permit such increase in the rate of levy of PFCs and if the Port has taken all actions and has received all approvals required to impose such PFCs.

In lieu of an Executive Director's Certificate, an Independent Aviation Consultant's Certificate may be delivered, stating that (i) the First Lien Sufficiency Covenant is estimated to be met upon the issuance of the additional First Lien PFC Bonds and (ii) in each of the five full fiscal years subsequent to the issuance of the additional First Lien PFC Bonds (commencing with the first such year following the date of issuance of the additional First Lien PFC Bonds), the amount of Pledged Revenue (adjusted as described below) in each such year is estimated to be not less than 150% of Maximum Annual Debt Service on all First Lien PFC Bonds to be Outstanding after the issuance of the proposed additional First Lien PFC Bonds. In preparing such forecasts of Pledged Revenue, the Independent Aviation Consultant is required to take into account any Forecast PFC Rate Adjustment, by assuming that such rate will be in effect during the full five-year period, and may take into account any Additional Pledged Revenue estimated to be earned during the full five-year period if each Rating Agency then maintaining an underlying rating on the First Lien PFC Bonds has confirmed, on or prior to the date of the Independent Aviation Consultant's Certificate, that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then-current underlying rating on the First Lien PFC Bonds then Outstanding. The Independent Aviation Consultant may also take into account reasonable projections of PFC Revenue based upon the methodology set forth in the certificate, taking into account any projected change in the number of enplanements during the five-year period following the issuance of the additional First Lien PFC Bonds.

Refunding First Lien PFC Bonds. Before issuing any refunding First Lien PFC Bonds, the Port must comply with the additional First Lien PFC Bond requirements described above or deliver, among other things, an Executive Director's Certificate confirming compliance with the First Lien Sufficiency Covenant and stating that after giving effect to the issuance of such refunding First Lien PFC Bonds, Annual Debt Service on such Refunding First Lien PFC Bonds to be issued will not be more than the Annual Debt Service on the First Lien PFC Bonds to be refunded, were such refunding not to occur. The Master Ordinance provides, however, that such restriction shall not prevent the Port from issuing First Lien PFC Refunding Bonds that mature later than the First Lien PFC Bonds to be refunded.

Derivative Products

Pursuant to the Master Ordinance, the Port is authorized to enter into and make certain regularly scheduled payments (excluding termination payments, fees, charges or indemnifications) on Derivative Products ("Parity Port Payments") out of the First Lien Bond Account. The Master Ordinance permits the Port to take payments to be made and received by the Port under Derivative Products into consideration for purposes of determining compliance with the First Lien Sufficiency Covenant and calculating the First Lien Reserve Account Requirement. See "First Lien Sufficiency Covenant," "Additional First Lien PFC Bonds" and "First Lien Reserve Account" under this heading. As a condition precedent to the Port entering into any Derivative Product on a parity with the First Lien PFC Bonds, the Derivative Product must satisfy the requirements for the issuance of additional First Lien PFC Bonds. See "Additional First Lien PFC Bonds" under this heading. The Port entered into the PFC Bond Swaps described herein in 2006 in connection with the expected refunding of the Series 1999A PFC Bonds. See "THE PFC PROGRAM AT THE PORT—PFC Bond Swaps."

Subordinate Lien PFC Obligations

The Port may issue Subordinate Lien PFC Obligations for any purpose for which PFCs may be used or for refunding purposes, provided that the resolution authorizing such Subordinate Lien PFC Obligations provides that so long as any First Lien PFC Bonds are Outstanding, the maturity date of such Subordinate Lien PFC Obligations may not be accelerated (except any indirect acceleration through reimbursement obligations to the provider of a credit facility as a result of a mandatory tender for purchase) and that following the occurrence of a Default under the Ordinances, neither PFC Revenue nor Additional Pledged Revenue, if any, may be used to pay the principal of or interest on the Subordinate Lien PFC Obligations unless all payments required to be made with respect to matured principal of and interest on First Lien PFC Bonds have been fully paid and discharged. See Appendix C—"SUMMARY OF

PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Ordinances—Subordinate Lien PFC Obligations."

First Lien Sufficiency Covenant

The Port covenants in the Master Ordinance that the Port will comply at all times with the First Lien Sufficiency Covenant, unless the PFC Authority has been terminated. The Port also covenants that it will within 60 days after the close of each Fiscal Year confirm that the Port was in compliance with the First Lien Sufficiency Covenant as of the last day of such Fiscal Year.

"First Lien Sufficiency Covenant" means that the result of the following calculation shall exceed 1.05 at all times:

PFC Authority:

Less: costs paid to date of PFC Pay-as-You-Go Improvements
Less: Pay-as-You-Go Contractual Commitments
Less: debt service paid to date on all PFC Bonds
Less: Projected Aggregate Subordinate Lien Debt Service
Plus: funds on deposit in the Subordinate Lien Obligations Account and the Subordinate Lien Obligations Reserve Account and any Additional Pledged Revenue

Divided by:

Projected Aggregate First Lien Debt Service, less funds on deposit in the First Lien Bond Account and the First Lien Reserve Account.

As defined in the Master Ordinance, "PFC Authority" means the amount of PFCs imposed or to be imposed by the Port at the Airport, pursuant to the Records of Decision as the same may be amended from time to time, and any other records of decision (and amendments) relating to the amount of PFCs imposed or to be imposed by the Port at the Airport. For the purpose of the First Lien Sufficiency Covenant, the amount of PFCs authorized in each Record of Decision may be increased by 15% to the extent the Port is authorized without FAA approval to effect such increase pursuant to the PFC Act and to the extent such authorization has not been used. As of June 30, 2011, the FAA authorized the Port to collect and use $1.065 billion.

"PFC Pay-as-You-Go Improvements" means Costs of Approved PFC Projects other than PFC Bond Projects since the Record of Decision issued on April 8, 1992. "PFC Pay-as-You-Go Contractual Commitments" means contracts which have been duly authorized and executed for any capital costs of PFC-Pay-as-You-Go Improvements. "Projected Aggregate Subordinate Lien Debt Service" means the aggregate amount of Subordinate Lien Annual Debt Service through the scheduled maturities of one or more series of Outstanding Subordinate Lien PFC Obligations or through any optional redemption date, together with premium, if any, applicable to such Subordinate Lien PFC Obligations, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such series of Subordinate Lien PFC Obligations whether at maturity or redemption prior to stated maturity. "Projected Aggregate First Lien Debt Service" means the aggregate amount of First Lien Annual Debt Service through the scheduled maturity(ies) of one or more series of Outstanding First Lien PFC Bonds or through any optional redemption date, together with premium, if any, applicable to such First Lien PFC Bonds, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such series of First Lien PFC Bonds whether at maturity or redemption prior to stated maturity.

Based upon expected enplanements and the current PFC of $4.50, the Port and the FAA estimate that the Port's current PFC Authority will expire in March 2031, prior to the final stated maturity of the Series 2011A PFC Bonds in July 2031. The Port plans to apply for additional PFC approvals in the future. See "THE PFC PROGRAM AT THE PORT."

The Port covenants in the Master Ordinance that if the First Lien Sufficiency Covenant is not met, the Port shall (i) redeem or defease First Lien PFC Bonds and/or Subordinate Lien PFC Obligations in amounts sufficient to permit the Port to comply with the First Lien Sufficiency Covenant; and/or (ii) identify Additional Pledged Revenue sufficient to permit a Consultant to certify compliance with the First Lien Sufficiency Covenant; and/or (iii) obtain an amendment to existing PFC Authority or new PFC Authority; and/or (iv) identify and agree to use other legally available funds of the Port to pay costs of PFC Pay-as-You-Go Improvements not already paid, in an amount sufficient (together with amounts realized as a result of the other options described above) to meet the First Lien Sufficiency Covenant. See Appendix C—"SUMMARY OF PRINCIPAL DOCUMENTS—Summary of Certain Provisions of the Ordinances—Specific Covenants—First Lien Sufficiency Covenant."

The Port covenants that if the First Lien Sufficiency Covenant is not met, and the steps described above have not been taken, the Port will not spend any money on deposit in the PFC Capital Account except to pay debt service on the First Lien PFC Bonds, to make deposits to the First Lien Reserve Account, to pay the debt service on Subordinate Lien PFC Obligations or to make deposits in a reserve account for Subordinate Lien PFC Obligations.

The Master Ordinance provides that any failure of the Port to meet the First Lien Sufficiency Covenant shall not constitute a Default unless, prior to curing such failure, the Port fails to take one of the actions described in (i) through (iv) above and, while such failure continues, the Port disburses money from the PFC Capital Account for purposes other than the payment of debt service on PFC Bonds or required deposits to reserve accounts therefor.

Covenants as to PFCs

The Ordinances include a number of other covenants of the Port, including covenants that the Port will comply with all provisions of the PFC Act, ANCA, the PFC Authority and the PFC Regulations applicable to the Port and that the Port will not take any action or omit to take any action that would cause the termination or reduction of the Port's authority to impose PFCs or that would prevent the collection and application of PFC Revenue as contemplated by the Master Ordinance. In the Master Ordinance, the Port also covenants that it will impose PFCs to the full extent authorized by the FAA in its Records of Decisions and that the Port will not unilaterally decrease the level of the PFCs to be collected from any passenger unless prior to such decrease, the Executive Director (i) certifies that taking into account such decrease in PFCs, the Port reasonably projects that it will continue to meet the First Lien Sufficiency Covenant for as long as the First Lien PFC Bonds are outstanding and (ii) Pledged Revenue earned during the Base Period was not less than 150% of Maximum Annual Debt Service on all outstanding First Lien PFC Bonds.

In preparing such certificate, the Port (i) is required to take into account such decrease in PFCs as if such decrease had been in effect during the entire Base Period and (ii) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the Executive Director's Certificate, that such Additional

Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then outstanding.

The Port also covenants that it will not impose any noise or access restriction at the Airport not in compliance with ANCA, that it will contest any attempt by the FAA to terminate, reduce or suspend the Port's authority to impose, receive or use PFCs at the Airport prior to the charge expiration date or the date total approved passenger facility charge revenue has been collected, that it will begin implementation of the Approved PFC Projects within the time periods set forth in the PFC Regulations and that it will use reasonable efforts to obtain in a timely manner all permits and approvals required to construct and operate the Approved PFC Projects.

Covenants as to Operations and Maintenance

The Port covenants in the Master Ordinance that it will not take any action or omit to take any action that would cause the FAA, the Department of Transportation or any other state or federal agency to suspend or to revoke the Port's operating certificates for the Airport, that it will at all times use reasonable efforts to keep the Airport open for take-offs and landings, that it will keep or cause to be kept all Airport facilities in good repair, working order and condition and that it will keep or cause to be kept all Airport facilities insured, if such insurance is available at reasonable rates and upon reasonable conditions, against such risks, in such amounts and with such deductibles as the Board or the Executive Director deems necessary.

THE PFC PROGRAM

General

The PFC Act, which was first enacted in 1990, originally permitted a public agency that controls a commercial service airport to charge each paying passenger enplaning at the airport, with certain limited exceptions, a PFC of $1.00, $2.00 or $3.00. The Port first began imposing PFCs, at the level of $3.00, in 1992. The proceeds from PFCs are to be used to finance approved eligible airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. "Eligible airport-related projects" include airport development or planning, terminal development, airport noise capability planning and compatibility measures, construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage and certain conversions or acquisitions of vehicles and ground support equipment to use low-emission technology or cleaner burning conventional fuels. The proceeds from PFCs may also be to make payments for debt service for projects that are eligible airport-related projects when there is a financial need at the airport.

The public agency must obtain the FAA's approval before imposing PFCs and before using the proceeds of PFCs. The FAA cannot agree to a PFC approval if the public agency has spent its revenue illegally. FAA approval may be for "impose-only" authority, for "impose-and-use" authority or for "use" authority. Projects for which "impose-and-use" authority is granted must be "implemented" within two years after approval of the use of the PFCs. "Implementation" means that a notice to proceed has been issued to a contractor, in the case of a construction project; that a title search, surveyor appraisal has commenced for a significant part of the property in the case of property acquisition; or that a contractor or public agency has started work in the case of any other non-construction project. "Impose-only" authority permits the public agency to charge PFCs for approved projects but requires another application for authority to "use" such PFC revenue. Projects for which "impose-only" authority is granted must be "implemented" within five years after the effective date of such authority, and a use application (or, if the implementation schedule is delayed, a request for extension) must be submitted within three years after the effective date. As described under "THE PFC PROGRAM AT THE PORT," the FAA has granted the Port "impose-and-use" authority for the 2011 PFC Bond Projects and for the other Approved PFC Projects.

Amendments to the PFC Act enacted in 2000 permit eligible public agencies to impose PFCs of \$4.00 or \$4.50 to finance eligible PFC projects, including the payment of debt service or indebtedness incurred to finance such projects, that cannot be paid for from funds reasonably expected to be available through the federal Airport Improvement Program (the "AIP"). Funding of surface transportation or terminal projects at the \$4.00 or \$4.50 PFC level is conditioned on a finding that the public agency has made adequate provision for financing the airside needs of the airport, including runways, taxiways, aprons and aircraft gates. In addition, at medium and large hub airports, such as the Airport, projects eligible for the \$4.00 or \$4.50 PFC level are required to make significant contributions to improving air safety and security, increasing competition among air carriers, reducing current or anticipated congestion or reducing the impact of aviation on people living near the airport. The Port began imposing PFCs at the level of \$4.50 in 2001.

Funds apportioned under the AIP to medium and large hub airports imposing a PFC are reduced for each fiscal year in which a PFC is imposed (i) for airports imposing a PFC of \$3.00 or less, by 50% of the projected revenues from the PFC in such fiscal year and (ii) for airports imposing a PFC of more than \$3.00, by 75% of the projected revenues from the PFC in such fiscal year. Such reduction may not exceed more than 50% or 75%, respectively, of the AIP apportionment to which such airport would otherwise be entitled.

PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents ("Collecting Carriers"). PFCs may not be collected, however, from a passenger enplaning at the airport if the passenger did not pay for the ticket (for example, because the passenger obtained the ticket with a frequent flier award coupon without monetary payment or because payment was made or arranged by the Department of Defense) or from a passenger flying on an essential air-service route or on certain routes in Alaska and Hawaii. A PFC may be collected from a passenger (i) on a one-way trip, only for the first two enplaning airports on the travel itinerary where PFCs are imposed and (ii) on a roundtrip, only for the first two enplaning airports on the outbound leg and the last two enplaning airports on the inbound leg where PFCs are imposed. Public agencies may request that a class of air carrier not be required to collect PFCs if that class constitutes 1% or less of the total number of passengers enplaned annually at the airport. In connection with approvals of its PFC Authority, the Port requested, and the FAA agreed, that the Port be permitted to continue its exclusion of air taxi and commercial operators from carriers required to collect PFCs. The Port has calculated that these operators served a total of 395 revenue passengers during the calendar year ended December 31, 2010, which is less than 0.01% of total enplaned revenue passengers for that calendar year. To continue such exclusion, the Port is required to confirm on an annual basis, using prior year enplanement data, that the approved class does not exceed 1% of the total enplanements at the Airport.

Without approval of the FAA, but with written notice to the Collecting Carriers and to the FAA, the level of the PFCs imposed or the total amount of approved PFC revenue may be decreased or the total amount of PFC revenue authorized in any Record of Decision to be collected may be increased by an amount not exceeding 15% of the amount of PFC revenue approved in such Record of Decision. Increases in excess of 15% may not be instituted without the approval of the FAA. Any change will be effective as of the first day of a month that is at least 60 days after the date the Collecting Carriers are notified of the change.

Collection of PFCs

General. PFCs are collected by the Collecting Carriers on behalf of a public agency from each eligible passenger enplaning at such agency's airport. The Collecting Carriers are authorized to withhold, as a collection fee (i) 11 cents per enplaning passenger from whom a PFC is collected and (ii) any investment income earned on the amount collected prior to the due date of the remittance. From time to time, the FAA may permit an increase in the amount the Collecting Carriers may retain as a collection fee. The collection fee was increased by three cents in 2004 to its current level of 11 cents.

The PFC Regulations require each Collecting Carrier to remit PFC collections (net of the collection fees and any investment earnings) to the public agency not later than the last day of the calendar month following the month in which the PFC collections are recorded in the carrier's accounting system.

Treatment of PFCs in Airline Bankruptcies. The PFC Act provides that PFC revenue that is held by a Collecting Carrier constitutes a trust fund that is held for the beneficial interest of the eligible public agency imposing the PFC and that the Collecting Carrier holds neither legal nor equitable interest in the PFC revenue, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers are generally permitted to commingle PFC collections with their other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted. The PFC Act provides certain statutory protections to eligible public agencies imposing PFCs with respect to PFC collections. It is unclear, however, whether an eligible public agency would be able to recover the full amount of PFC trust funds collected or accrued with respect to a Collecting Carrier in the event of a liquidation or cessation of business. The PFC Act requires an air carrier that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate PFC revenue in a separate account for the benefit of the eligible public agencies entitled to such revenue. Prior to the addition of such statutory protections to the PFC Act in 2003, at least one bankruptcy court indicated that PFC revenue held by an air carrier in bankruptcy would not be treated as a trust fund and would instead be subject to general claims of the air carrier's unsecured creditors. There is no assurance that a similar finding would not be made by a bankruptcy court in the future. See "CERTAIN RISK FACTORS—Bankruptcy Risks."

PFC Collections and Expenditures at the Port

The Port has instituted accounting and management procedures to maximize collections of PFCs. Under the Port's collection procedures for PFCs, the Collecting Carriers remit checks for their monthly PFC payments directly to the Port lock box. If a Collecting Carrier's PFC payment has not been received within 10 days after the date such Collecting Carrier's PFCs were due, the Port begins charging a late payment fee at a rate of 18% per annum, retroactive to the day the remittance was due. The Port does not charge a late payment fee based on an estimate of PFCs due. The Port does charge a late payment fee that is retroactive to the day the remittance was due after receiving a late payment from a Collecting Carrier. Late payment fees are not counted under the PFC Act as PFC revenue and are not "PFC Revenue" pledged to the payment of the First Lien PFC Bonds.

If a PFC payment has not been received within 30 days after the due date the Port will phone the Collecting Carrier to determine if a PFC payment is expected and when the Port can expect to receive the payment. If a payment is expected, the Port will also send out a letter to the Collecting Carrier stating the original due date and will include an estimate of the delinquency amount based on the Collecting Carrier's estimate of the PFCs due.

If a PFC payment has not been received within 60 days after the due date the Port will send out a second letter to the Collecting Carrier stating the original due date and will include an estimate of the delinquency amount based on the Collecting Carrier's estimate of the PFC payment due.

If the PFC payment has not been received within 90 days after the due date the Port will send a Notice of Default/Notice of Termination Letter by certified mail to the notice address in the Airline Operating and Lease Agreement and will also send a copy of that notification to the FAA. However, many of the Collecting Carriers do not have Airline Operating and Lease Agreements with the Port so the Port has little leverage over these Collecting Carriers.

The Port reserves the right to determine the extent to which a Collecting Carrier's outstanding PFCs are pursued. Each delinquency will be evaluated individually and the decision to pursue the PFC amount due will depend on the Collecting Carrier's remittance history, the amount of PFCs outstanding, and the duration of the delinquency.

Quarterly, the Port compares the amount of PFCs remitted with the quarterly enplanement figures provided by the Collecting Carriers. PFC remittances and enplanements are compared quarterly to ensure that there is a reasonable correlation between the two. If something irregular has occurred, the Port will research it and follow up with that Collecting Carrier. The Port compiles and submits a PFC report to the FAA via the FAA website each quarter. As required by the FAA, the Port requests annual audit reports from Collecting Carriers carrying more than 50,000 PFC passengers. The Port's independent accountants prepare annually a report on federal grant compliance, along with a report on PFCs Collected, Held and Used, which are submitted to the FAA.

The Port has also implemented procedures to monitor expenditures designed to prevent the expenditures of PFC Revenue on costs that do not qualify under the PFC Act and the PFC Regulations. The Port works with the FAA's Seattle Airports District Office to determine in advance eligible and ineligible costs. Corresponding categories are then established within the Port's project accounting system so that only eligible expenditures receive a PFC funding designation. These expenditures are then reviewed periodically by Port staff for accuracy, and quarterly reports are published and provided to the FAA.

Termination of Authority to Impose and Use PFCs

General. The FAA may terminate the Port's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the Port is in violation of certain provisions of ANCA relating to airport noise and access restrictions, (ii) PFC collections and investment income thereon are not being used for Approved PFC Projects in accordance with the FAA's approvals or with the PFC Act and the PFC Regulations, (iii) implementation of the Approved PFC Projects does not commence within the time periods specified in the PFC Act and PFC Regulations or (iv) the Port is otherwise in violation of the PFC Act, the PFC Regulations or the PFC Approvals.

Informal Resolution Process for PFC Act Violations. Pursuant to the provisions of the PFC Act, the PFC Regulations provide for an informal process for resolution of possible violations of the PFC Act, PFC Regulations or PFC Approvals. A public agency may also request that the FAA agree in the PFC approval to a specific, informal resolution process that the FAA will follow if it suspects the public agency has committed such a violation. In connection with the issuance of the Series 1999 PFC Bonds, the Port requested that the FAA agree to follow a specific informal resolution process in the event the FAA suspects that the Port has violated the PFC Act, the PFC Regulations or the PFC Approvals. The FAA agreed to the Port's request in a record of decision issued on June 11, 1999 (the "1999 Supplemental Record of Decision"), which applies only to the bond-financed projects the FAA approves for PFC-secured debt financing and only to alleged violations of the PFC Act, the PFC Regulations and the PFC Approvals. The agreement does not apply to alleged violations of ANCA. See "ANCA Violations" under this heading.

In the 1999 Supplemental Record of Decision, the FAA agreed to notify the Port, the Trustee and the Collecting Carriers, among others, of suspected violations of the PFC Act, to specify corrective actions and to allow the Port 90 days to respond in writing. The FAA agreed that at the time it notifies the Port, the Trustee, the Collecting Carriers and other affected parties of suspected violations of the PFC Act and of the corrective actions to be taken, the FAA will instruct Collecting Carriers to remit PFC Revenue directly to the Trustee and will instruct the Trustee to continue debt service payments on any PFC Bonds then Outstanding, using the PFC Revenue remitted by the Collecting Carriers. After such notice, all other payments from PFC Revenue may be made only at the direction of the FAA. The FAA's agreement with the Port provides that in no case will debt service payments be delayed or suspended during the informal resolution process.

If the Port's response to the FAA's notice of possible violations is not satisfactory to the FAA, the FAA is required to notify the Port that the matter remains unresolved, to explain why the Port's response was unsatisfactory and to allow the Port an additional 90 days to respond in writing. The FAA is also to notify the Port and the Collecting Carriers that if a satisfactory response is not received, the FAA will withhold Airport Improvement Program entitlement grants. If the Port's response to this second notification is not satisfactory, the FAA is to notify the Port and the Collecting Carriers of the FAA's intent to withhold current and future Airport Improvement Program entitlement grants. Should the violations not be resolved, the FAA is required to commence formal proceedings to terminate the Port's authority to impose PFCs. In the fiscal year ended June 30, 2011 ("FY 2011"), the Port received $2,774,590 in FAA entitlement grants. FAA entitlement grant funds could be withheld by the FAA during the informal resolution process until the suspected violation is resolved or as a corrective action. The informal resolution process would last at least 180 days.

Formal Termination Process for PFC Act Violations. Pursuant to the PFC Regulations, formal termination proceedings are authorized only if the FAA determines that efforts to achieve an informal resolution are not successful. The formal termination process prescribed in the PFC Regulations is to be initiated upon the FAA's filing of a notice, followed by a 60-day period during which the Port may submit further comments and take corrective action. The PFC Regulations provide that if corrective action is not taken as prescribed in the notice, the FAA is required to hold a public hearing at least 30 days after notifying the Port and publishing a notice of the hearing in the Federal Register. After the public hearing, the Port would have 10 days after receiving notice of the FAA's decision to advise the FAA in writing that it will complete any corrective action prescribed in the FAA's decision within 30 days or to provide the FAA with a list of Collecting Carriers, after which the FAA would notify the Collecting Carriers to terminate or to modify the PFC accordingly. The formal termination process would last at least 100 days. Although under the PFC Regulations, the FAA is not required to include corrective acts in any final notice to terminate or to reduce the Port's PFC Authority, the FAA agreed in the 1999 Supplemental Record of Decision that if it issues a final notice, it will include in the notice corrective actions the Port could still take that would avoid such termination or reduction.

FAA Agreement with the Port Regarding Termination. The FAA also agreed in the 1999 Supplemental Record of Decision to the following procedures for each "PFC Bond Project." As defined in the 1999 Supplemental Record of Decision, a "PFC Bond Project" is a project (or usable unit thereof) for which the FAA has approved the use of PFCs to pay debt service and financing costs and each project (or usable unit thereof) for which the FAA later approves the use of PFCs to pay debt service and financing costs.

Upon receipt by the FAA of a certificate of the Port certifying that (i) such PFC Bond Project is complete and that proceeds of the PFC Bonds allocable to such PFC Bond Project have been used in accordance with the Ordinances, any supplemental ordinances or agreements, the PFC Act, the PFC Regulations and the 1999 Supplemental Record of Decision to pay costs of such PFC Bond Project (or to pay costs of other Approved PFC Projects) and (ii) all remaining proceeds, if any, of the PFC Bonds allocable to such PFC Bond Project have been transferred to an account to be held by the Trustee to be used to pay debt service on the PFC Bonds or, with the consent of the FAA, to pay costs of other Approved PFC Projects, and if such other Approved PFC Projects were completed prior to any termination or reduction of the Port's PFC Authority, then in the event of a suspected violation by the Port of the PFC Act, the PFC Regulations or any PFC Approval that has not been satisfactorily resolved in the informal resolution process or in any formal termination procedure, the FAA will not terminate the Port's authority to impose a PFC until after the fifth anniversary of the completion of formal termination proceedings, or, if earlier, the first date on which all debt service on the PFC-secured bonds allocable to such completed PFC Bond Project has been paid in full. The 1999 Supplemental Record of Decision provides that the PFC Authority subject to termination under these terms includes all PFC authority, without exception and not considering any prior protected status, in effect at the time the violation is established and thereafter, regardless of the specific PFC approval that applies at any given time.

The 1999 Supplemental Record of Decision provides that during the five-year (or shorter) period, the FAA will, in the worst case, reduce the total amount of the Port's remaining PFC Authority to impose and use a PFC to the amount necessary to pay debt service on any outstanding PFC Bonds to the earliest date on which the Port can redeem such PFC Bonds in accordance with the Ordinances, including the amount necessary to redeem the PFC Bonds on such date. In the event PFC collections during such five-year period exceed the amount required to pay scheduled debt service on the PFC-secured bonds during such five-year period, the FAA, in its notice to the Trustee of a reduction in the Port's PFC authority, is required to direct the Trustee to transfer on a monthly basis (after making provision for the payment of current debt service on all PFC-secured bonds then outstanding) to a separate escrow account held by the Trustee the remaining PFC Revenue received by the Port in that month. The FAA is required to direct the Trustee to invest such PFC Revenue in United States Treasury obligations until, and to redeem outstanding PFC Bonds on, the first date on which all of such PFC-secured bonds are subject to redemption at par, taking into account the required 30-day redemption notice provisions of the Ordinances. Earlier redemption of the PFC-secured bonds may be initiated by the Trustee if, in the opinion of a certified public accountant or another consultant, such earlier redemption would better serve the holders of all of the outstanding PFC-secured bonds.

The 1999 Supplemental Record of Decision provides that if the FAA issues a final notice to terminate or reduce the Port's PFC Authority, the FAA will prescribe in such notice corrective actions that the Port could still take to avoid termination or reduction. If after this notice, the Port completes the prescribed corrective actions or otherwise cures the alleged violation to the satisfaction of the FAA, the FAA is required to rescind the termination or reduction of the Port's PFC authority and to give notice to the Port and the affected parties of the rescission, which is to be effective on the date of the FAA's notice of rescission.

The FAA approved the applicable provisions of the Master Ordinance on August 10, 1999 and provided an opinion to the effect that upon the issuance of the Series 1999 PFC Bonds, all preconditions to the FAA's covenants set forth in the 1999 Supplemental Record of Decision had been satisfied. The procedures agreed to in the 1999 Supplemental Record of Decision apply only to projects for which the FAA approves the use of PFCs to pay debt service and financing costs and only if such Approved PFC Project is completed.

ANCA Violations. The Port's authority to impose PFCs may be terminated as a whole if the Port violates the provisions of ANCA. Although the procedures described above do not apply to alleged violations of ANCA, ANCA and FAA regulations provide procedural safeguards to ensure that the Port's authority to impose PFCs at the Airport will not be summarily terminated because of violations of ANCA. In general, the Port can prevent termination of its PFC Authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the Port's authority to impose PFCs at the Airport, has been determined. The 2005 Approvals by the FAA found that the Port has not been found to be in violation of ANCA and that the FAA is not aware of any proposal at the Airport that would be found to be in violation of ANCA. The Port has covenanted in the Master Ordinance that the Port will not impose any noise or access restriction at the Airport not in compliance with ANCA. See "PORTLAND INTERNATIONAL AIRPORT—Noise Regulation."

THE PFC PROGRAM AT THE PORT

The Port has been receiving revenues from PFC collections since it first imposed PFCs in 1992, pursuant to "impose," "impose-and-use" and "use" authority granted by the FAA. Application #11, the most recent, was approved in April 2011. Including Application #11, the Port has been granted approvals to impose and use up to $1.065 billion of PFCs and investment income thereon through an expected expiration date of March 1, 2031. The PFC Revenue to be collected pursuant to these PFC Approvals and any PFC Revenue authorized pursuant to any approvals obtained in the future, are pledged and assigned to the payment of the PFC Bonds and Parity Port Payments pursuant to the Master Ordinance. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.2, Airport PFC Program."

PFC Authority

The maximum amount of PFCs that the Port is authorized to impose and use is set forth in Table 1.

TABLE 1
PFC AUTHORITY

	Date [(1)]	Pay-As-You-Go Amount	PFC Bond Proceeds Used For Project Costs	PFC Bond Financing Costs [(2)]	Total Approved Use [(3)]	Amount Included In 2011 PFC Bond Projects
Application #1	4/08/1992	$ 22,000,000	–	–	$ 22,000,000	–
Application #2	7/01/1994	23,678,612	–	–	23,678,612	–
Application #4	10/21/1996	179,096	–	–	179,096	–
Application #5	12/03/1997	16,599,377	–	–	16,599,377	–
Application #8 Commingled [(4)]	7/20/2001	135,592,600	$111,421,000	$304,217,000	551,230,600	–
Application #9	12/07/2005	68,207,251	–	–	68,207,251	–
Application #10	2/05/2010	55,895,170	–	–	55,895,170	–
Application #11	4/28/2011	–	123,312,512	204,196,708	327,509,220	$255,218,832
Total		**$322,152,106**	**$234,733,512**	**$508,413,708**	**$1,065,299,326**	**$255,218,832**

(1) Represents the date that the application was originally approved.
(2) Includes bond interest, capitalized interest, debt service coverage (20%), debt service reserve fund deposits and other costs of issuance.
(3) Represents applications as amended. All applications except Applications #9 and #10 and #11 were amended from the original authority. Generally, applications are amended so that the application and the final project costs are aligned.
(4) Application #8 represents the commingling of Applications #3, #6 and #7. These applications were commingled to allow an increase in the PFC to $4.50 from $3.00.

Source: The Port.

Approved PFC Projects

General. The Airport capital improvement program is summarized in Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.2, Summary of Capital Projects." For purposes of the Report of the Airport Consultant, the Airport's current capital program is organized into two categories: (1) the 2011 PFC Bond Projects, which include capital projects to be funded in part with proceeds of the Series 2011A PFC Bonds and (2) Other Capital Projects, which include other Airport capital projects that the Port currently anticipates to be undertaken during the projection period of the Report of the Airport Consultant (through FY 2019). The capital costs associated with the 2011 PFC Bond Projects have been incorporated into the financial analysis included in the Report of the Airport Consultant. The use of PFC Revenue on a pay-as-you-go basis for the 2011 PFC Bond Projects and the Other Capital Projects and PFC revenue expected to be received pursuant to future PFC approvals has also been incorporated into certain of the PFC financial analysis included in the Report of the Airport Consultant. See "REPORT OF THE AIRPORT CONSULTANT."

2011 PFC Bond Projects. The 2011 PFC Bond Projects are estimated to cost approximately $141.3 million (including design, engineering, construction, escalation for inflation and contingency amounts), of which approximately $76.5 million is expected to be paid from proceeds of the Series 2011A PFC Bonds. The 2011 PFC Bond Projects include the south runway rehabilitation project and deicing system improvements project. The Port has spent approximately $92.9 million on the costs of the 2011 PFC Bond Projects. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.3, The Series 2011 PFC Bond Projects."

Other Capital Projects. The Other Capital Projects are expected to cost approximately $751.1 million, of which $98.1 million is expected to be funded with PFC Revenue. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.4, Other Capital Projects." To the extent that PFC Revenue is available, the Port intends to pay PFC-eligible debt service associated with Approved PFC Projects financed in part with the proceeds of Series Nineteen Airport Revenue Bonds.

Future PFC Approvals

The Port does not currently have any pending PFC applications outstanding. The Port does expect to submit additional PFC applications in the future to pay for eligible Airport projects. The earliest the Port expects to submit an application to the FAA is FY 2013.

Historical PFC Revenue, PFC Debt Service and First Lien Sufficiency Covenant

Table 2 sets forth (i) information concerning enplanements at the Airport in FY 1993 through FY 2011, (ii) PFCs collected at the Airport in FY 1993 through FY 2011, (iii) PFC investment income earned in FY 1993 through FY 2011 (derived from the Port's financial records), (iv) debt service paid on the First Lien PFC Bonds in FY 1993 through FY 2011 and (v) debt service coverage for the First Lien PFC Bonds in FY 1993 through FY 2011. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section VI, Financial Analysis for PFC Revenue Bonds."

The Port intends to use PFC Revenue and investment income thereon not required to pay debt service on the Series 2011A PFC Bonds, the Series 1999B PFC Bonds and Series 2009A PFC Bonds to pay or to finance the costs of Approved PFC Projects or to provide for the redemption of the Series 1999B PFC Bonds prior to their stated maturity. The Port may also issue additional First Lien PFC Bonds, enter into additional Derivative Products and issue Subordinate Lien PFC Obligations and may incur indebtedness and costs payable from moneys on deposit from time to time in the PFC Capital Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS" and "THE PFC PROGRAM AT THE PORT."

Table 3 sets forth the calculation of the First Lien Sufficiency Covenant in FY 2000 through FY 2011. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—First Lien Sufficiency Covenant."

For additional information regarding historical and recent developments in enplanement activity, see "PORTLAND INTERNATIONAL AIRPORT—Historical Traffic and Activity."

TABLE 2
HISTORICAL PFC REVENUE AND PFC DEBT SERVICE

Fiscal Year Ended June 30	Total Enplanements	PFC Enplanements [(1)]	PFC Collections [(2)]	Interest Income [(3)]	Total PFC Revenue	PFC Bonds Debt Service [(4)]	Coverage by PFC Revenue [(4) (5)]
1993	3,880,850	3,305,157	$ 9,518,852	$ 28,013	$ 9,546,865	–	–
1994	4,605,766	4,327,722	12,463,840	263,689	12,727,529	–	–
1995	5,297,430	4,856,432	14,180,781	1,042,423	15,223,204	–	–
1996	5,997,252	5,513,795	16,100,281	1,586,041	17,686,322	–	–
1997	6,392,376	5,894,683	17,212,474	1,470,773	18,683,247	–	–
1998	6,355,313	5,729,151	16,729,121	740,960	17,470,081	–	–
1999	6,711,676	6,120,359	17,871,448	254,109	18,125,557	–	–
2000	6,897,073	6,236,270	18,209,908	546,037	18,755,945	$ 3,358,940	5.58
2001	6,778,219	6,295,989	18,384,289	872,135	19,256,424	4,127,025	4.67
2002	6,047,128	4,957,537	21,912,315 [(6)]	575,627	22,487,942	4,127,025	5.45
2003	6,107,968	5,375,605	23,760,175	296,786	24,056,961	7,232,050	3.33
2004	6,336,392	5,730,681	25,329,609	148,899	25,478,508	10,767,050	2.37
2005	6,757,694	6,067,627	26,636,883	362,628	26,999,511	10,765,300	2.51
2006	7,012,004	6,447,857	28,306,094	798,006	29,104,100	10,766,250	2.70
2007	7,144,443	6,589,431	28,927,601	772,965	29,700,566	10,765,500	2.76
2008	7,449,917	6,757,827	29,666,861	1,518,169	31,185,030	10,770,000	2.90
2009	6,654,126	5,801,051	25,466,614	1,345,349	26,811,963	10,626,191	2.52
2010	6,477,286	5,853,466	25,696,717	463,852	26,160,569	10,668,955	2.45
2011 [(7)]	6,750,420	6,168,792	27,080,995	(28,252)	27,052,743	10,666,158	2.54

(1) PFC Enplanements are calculated based on PFC collections divided by the PFC charge level less administrative fee. See "PORTLAND INTERNATIONAL AIRPORT—Historical Traffic and Activity."
(2) Net of airline collection fees.
(3) Includes interest income on the PFC Fund and the PFC Bond Fund. Excludes interest earned on bond proceeds and any interest earnings applied to capitalized interest in FY 2000 through FY 2002.
(4) Assumes payments made on July 1 are made in the previous Fiscal Year. Net of capitalized interest. Interest payments on the Series 2009A PFC Bonds in FY 2010 and FY 2011 include the net payments made by the Port under the PFC Bond Swaps described herein. See "PFC Bond Swaps" under this heading.
(5) This ratio represents the amount of Total PFC Revenue to debt service on the First Lien PFC Bonds, and does not take into account credit for interest income transferred to the First Lien Bond Account from the First Lien Reserve Account and used to pay debt service on the First Lien PFC Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—Flow of Funds" and "—Additional First Lien PFC Bonds."
(6) The Port increased the PFC to $4.50 from $3.00 in 2001.
(7) Unaudited. Preliminary, subject to change.

Source: The Port.

TABLE 3
HISTORICAL FIRST LIEN SUFFICIENCY COVENANT

Fiscal Year Ended June 30	PFC Authority	Less Costs Paid to Date and Contractual Commitments	Remaining PFC Authority [1]	Remaining Aggregate Debt Service [2]	First Lien Sufficiency Covenant [3]
2000	$ 565,555,708	$134,431,088	$431,124,620	$230,841,013	1.87
2001	565,555,708	159,666,753	405,888,955	226,394,406	1.79
2002	615,555,708	180,007,162	435,548,546	222,508,926	1.96
2003	615,555,708	204,614,375	410,941,333	215,354,913	1.91
2004	615,555,708	214,648,722	400,906,986	204,587,863	1.96
2005	613,486,085	236,467,724	377,018,361	193,822,563	1.95
2006	681,793,336	266,483,764	415,309,572	183,056,313	2.27
2007	681,793,336	290,671,261	391,122,075	172,290,813	2.27
2008	681,894,936	303,432,969	378,461,967	161,520,813	2.34
2009	681,894,936	351,766,017	330,128,919	150,751,813	2.19
2010	737,790,106	372,535,592	365,254,514	139,982,238	2.61
2011 [4]	1,065,299,326	405,120,053	660,179,273	138,651,187	4.76

(1) The Port has not issued any Subordinate Lien PFC Obligations or authorized any Additional Pledged Revenue to be included in calculating the First Lien Sufficiency Covenant.
(2) Assumes payments made on July 1 are made in the previous Fiscal Year. Assumes interest on the Series 2009A PFC Bonds is payable at the fixed rates set forth in the PFC Bond Swaps described herein. See “PFC Bond Swaps” under this heading.
(3) Minimum 1.05. See “SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—First Lien Sufficiency Covenant.”
(4) Unaudited. Preliminary, subject to change. Reflects the approval of Application #11 in FY 2011 but not the issuance of the Series 2011A PFC Bonds in FY 2012.

Source: The Port.

PFC Bond Swaps

Pursuant to the Master Ordinance, the Port is authorized to enter into Derivative Products and to make Parity Port Payments out of the First Lien Bond Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—Derivative Products."

The Port entered into certain interest rate swaps (the "PFC Bond Swaps") in 2007 in connection with the expected refunding of the Series 1999A PFC Bonds. Under the PFC Bond Swaps, which commenced July 1, 2009, the Port pays fixed rates of interest per annum on an initial notional amount of $57,985,000, and receives variable rates of interest based on a percentage of one-month LIBOR. The PFC Bond Swaps required the Port's counterparties to make cash payments to the Port totaling $5,453,000. See Appendix B—"AUDITED FINANCIAL STATEMENTS—Note 7—Long-Term Debt." The PFC Bond Swaps are coterminous with the maturity of the Series 2009A PFC Bonds, and their aggregate notional amounts decline each year approximately in accordance with the scheduled mandatory redemption of the Series 2009A PFC Bonds. The Port expects to use the variable interest rate payments the Port receives under the PFC Bond Swaps to make the variable interest rate payments on the Series 2009A PFC Bonds. See "CERTAIN RISK FACTORS—PFC Bond Swaps."

The Parity Port Payments under the PFC Bond Swaps are payable out of the First Lien Bond Account. Termination payments under the PFC Bond Swaps, if any, are Third Lien Obligations payable from the TLO Fund established under the Airport Revenue Bond Ordinances, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established under the Master Ordinance. See "PORTLAND INTERNATIONAL AIRPORT—Airport Revenue Bond Ordinances" and "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—Flow of Funds."

Under certain conditions, each counterparty to the PFC Bond Swaps is required to post collateral equivalent to the termination value of the applicable PFC Bond Swap. Such collateral may be realized upon by the other counterparty upon certain events of default or termination under the applicable PFC Bond Swap. As of June 30, 2011, the PFC Bond Swaps had and can be expected to continue to have a negative fair value, because the Port received cash payments in connection with entering into the PFC Bond Swaps. The Report of the Airport Consultant assumes that the Port will reserve PFC Revenue sufficient to meet expected collateral requirements, although the Port does not currently anticipate that any such collateral will be drawn on. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.6, Application of PFC Revenue."

Debt Service Schedule

The scheduled annual debt service on the First Lien PFC Bonds, rounded to the nearest dollar, is set forth in Table 4.

TABLE 4
PFC BOND DEBT SERVICE SCHEDULE

Fiscal Year Ending June 30 [(2)]	Outstanding PFC Bonds [(1)]			Series 2011A PFC Bonds			Total [(5)]
	Principal [(3)]	Interest [(4)]	Total [(5)]	Principal	Interest	Total [(5)]	
2012	$ 5,440,000	$ 4,858,005	$ 10,298,005	$ 755,000	$ 2,427,682	$ 3,182,682	$ 13,480,687
2013	4,150,000	4,536,674	8,686,674	1,425,000	3,764,525	5,189,525	13,876,199
2014	4,670,000	4,313,545	8,983,545	1,475,000	3,721,775	5,196,775	14,180,320
2015	5,250,000	4,057,228	9,307,228	1,505,000	3,677,525	5,182,525	14,489,753
2016	5,870,000	3,760,765	9,630,765	1,560,000	3,617,325	5,177,325	14,808,090
2017	6,510,000	3,436,529	9,946,529	1,650,000	3,539,325	5,189,325	15,135,854
2018	7,205,000	3,083,701	10,288,701	1,710,000	3,473,325	5,183,325	15,472,026
2019	7,955,000	2,702,296	10,657,296	150,000	3,387,825	3,537,825	14,195,121
2020	8,370,000	2,310,885	10,680,885	135,000	3,383,325	3,518,325	14,199,210
2021	8,805,000	1,888,390	10,693,390	125,000	3,379,275	3,504,275	14,197,665
2022	9,265,000	1,454,089	10,719,089	105,000	3,375,213	3,480,213	14,199,302
2023	9,750,000	993,897	10,743,897	80,000	3,371,800	3,451,800	14,195,697
2024	10,260,000	510,434	10,770,434	60,000	3,369,000	3,429,000	14,199,434
2025	–	–	–	7,955,000	3,366,900	11,321,900	11,321,900
2026	–	–	–	8,350,000	2,969,150	11,319,150	11,319,150
2027	–	–	–	8,795,000	2,528,025	11,323,025	11,323,025
2028	–	–	–	9,275,000	2,044,300	11,319,300	11,319,300
2029	–	–	–	9,645,000	1,673,300	11,318,300	11,318,300
2030	–	–	–	10,180,000	1,142,825	11,322,825	11,322,825
2031	–	–	–	10,735,000	582,925	11,317,925	11,317,925
Total [(5)]	**$93,500,000**	**$37,906,437**	**$131,406,437**	**$75,670,000**	**$58,795,344**	**$134,465,344**	**$265,871,781**

(1) Excludes planned redemptions of certain outstanding Series 1999B PFC Bonds. See "REPORT OF THE AIRPORT CONSULTANT—Projected PFC Bond Debt Service Coverage and First Lien Sufficiency Covenant Coverage."
(2) Assumes payments made on July 1 are made in the previous Fiscal Year.
(3) Includes Mandatory Sinking Account Payments on the Series 2009A PFC Bonds.
(4) Assumes interest on the Series 2009A PFC Bonds is payable at the fixed rates set forth in the PFC Bond Swaps. See "THE PFC PROGRAM AT THE PORT—PFC Bond Swaps."
(5) Totals may not add due to rounding.

Source: The Port.

SOURCES AND USES OF SERIES 2011A PFC BOND PROCEEDS

Sources and Uses

The Series 2011A PFC Bonds are being issued to (i) pay costs of the 2011 PFC Bond Projects, (ii) repay draws on the PFC Credit Facility, (iii) fund a portion of the First Lien Reserve Account Requirement and (iv) pay costs of issuing the Series 2011A PFC Bonds. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 6.3, Series 2010 PFC Refunding Bonds." The estimated sources and uses of Series 2011A PFC Bond proceeds, rounded to the nearest dollar, are set forth in Table 5.

TABLE 5
ESTIMATED SOURCES AND USES OF SERIES 2011A PFC BOND PROCEEDS

Sources	
Principal Amount of Series 2011A PFC Bonds	$ 75,670,000
Net Original Issue Premium	6,117,441
Total Sources	$ 81,787,441
Uses	
Deposit to Project Account-2011A	$ 25,288,074
Repayment of Draws on PFC Credit Facility	51,228,035
Deposit to First Lien Reserve Account	4,701,592
Costs of Issuance (1)	569,740
Total Uses	$ 81,787,441

(1) Includes legal, financial advisory, consulting, accounting, trustee and rating agency fees, printing and other costs of issuance and underwriters' discount.

Source: The Port.

THE PORT OF PORTLAND

General

The Port was established by an act of the Oregon Legislative Assembly in 1891 and is located in the northwest region of the State. The Port is charged with operating aviation, maritime, commercial and industrial facilities within Clackamas, Multnomah and Washington Counties (including the City of Portland). Pursuant to this authority, the Port owns and operates three airports: Portland International Airport (PDX), which provides the region's scheduled passenger, cargo and charter air services; and the Troutdale (TTD) and Hillsboro (HIO) general aviation airports (collectively, the "General Aviation Airports"), which provide facilities for other air services, including recreational and private business uses. In addition to its aviation operations, the Port also owns marine terminals business and industrial parks and other properties. The Port also owns and operates Dredge Oregon to help maintain the navigation channel on the lower Columbia and Willamette rivers. The Port leases land on its marine and industrial properties and in February 2011 signed a 25-year lease for a tenant to operate the Port's Terminal 6 container facility. The Port's main office is in Portland, Oregon. The Port has representation in Seoul, Korea; Tokyo, Japan; Taipei, Taiwan; and Hong Kong and Shanghai, China. The Airport is operated by the Port as an independent enterprise, separate from the General Aviation Airports and from the Port's other enterprises.

Board of Commissioners

The Port is governed by a nine-member Board that establishes and controls policy for the Port. The Commissioners serve without compensation but are reimbursed for certain expenses. The Commissioners are appointed by the Governor of the State, and such appointments are confirmed by the State Senate. Commissioners serve for four years or until their successors have been appointed, confirmed and qualified.

The Board is headed by a President who is appointed by the Governor. The President designates the other officers of the Board, including the Vice President, Secretary and Treasurer. The current Board members and their terms of office are set forth in Table 6.

TABLE 6
THE PORT OF PORTLAND
BOARD OF COMMISSIONERS

Name and Office	Principal Occupation	Expiration of Term of Appointment
Judi Johansen, President	President, Marylhurst University	September 2013
Steven H. Corey, Vice President	Attorney, Corey, Byler, Rew, Lorenzen & Hojem, LLP	March 2013
Diana Daggett, Secretary	America Region Director of Corporate Affairs, Intel Corporation	September 2011(1)
Paul A. Rosenbaum, Treasurer	CEO and Chairman, SWR Corporation	June 2011(1)
Ken Allen, Commissioner	Executive Director, AFSCME Counsel 75	September 2012
Peter Bragdon, Commissioner	Vice President and General Counsel, Columbia Sportswear Company	September 2011(1)
James C. Carter, Commissioner	Retired; Formerly, General Counsel, NIKE Inc.	November 2013
Tom Chamberlain, Commissioner	President, Oregon AFL-CIO	May 2015
Bruce A. Holte, Commissioner	Secretary-Treasurer, International Longshore and Warehouse Union, Local 8	July 2011(1)

(1) Serves until reappointed or a successor is appointment and confirmed.

Source: The Port.

Port Management

General. The Port employs an Executive Director and other officers, agents, employees and advisors. The Executive Director and his staff implement the policies established by the Board. In addition to the Executive Director, the senior management team of the Port is composed of the Chief Financial Officer and Director of Financial & Administrative Services, the General Counsel and the Directors of Aviation, Marine & Industrial Development, Public Affairs, Development Services & Information Technology and Human Resources. The following individuals are directly responsible for the executive administration of the Airport, its finances or its legal affairs:

Bill Wyatt, **Executive Director**, joined the Port as Executive Director in September 2001. Prior to joining the Port, Mr. Wyatt served as Chief of Staff to former Oregon Governor John Kitzhaber from 1994 to 2001, preceded by six years as President of the Oregon Business Council and five years as Executive Director of the Association for Portland Progress. Mr. Wyatt served as a State Representative from the Astoria, Oregon area from 1974 to 1977.

Vincent Granato, **Chief Financial Officer and Director of Financial & Administrative Services**, joined the Port in 1987 and was appointed to his current position in April 2009. From 2005 to 2009 he was General Manager, Financial Services for the Port. From 2000 until 2005, Mr. Granato served as Senior Manager, Aviation Finance. Mr. Granato has over 20 years of experience in financial and operational management at the Port.

Steven H. Schreiber, **Director of Aviation**, joined the Port in 1981 and was appointed to his current position in April 2009. He served as Director of Operation Services and Chief Financial Officer from December 2004 to April 2009. Prior to that time he was Director of Aviation from 2000 until 2004 and Senior Manager, Aviation Finance from 1991 to 2000.

Carla Kelley, **General Counsel**, joined the Port in 2002 and has overall responsibility for the legal affairs of the Port. Ms. Kelley has been a practicing attorney in Oregon since 1987.

Aviation Department. The Airport is managed by the Port's Aviation Department, which is headed by the Director of Aviation. The following aviation General Manager positions report to the Director of Aviation: Noise and Long Range Planning; Environmental and Safety; Business and Properties; Airports Operations; Facilities, Maintenance and Project Development; and Air Service Development. The Chief Public Safety Officer also reports to the Director of Aviation.

The General Manager, Noise and Long Range Planning, is responsible for long-range master planning and noise management issues. The General Manager, Environmental and Safety, is responsible for environmental and safety compliance and wildlife. The General Manager, Business and Properties, is responsible for the Airport's contractual relationships with the various airlines and with other tenants providing service at the Airport and for the commercial development and management of the Airport properties. The General Manager, Airports Operations, is responsible for the daily operations of the Airport, including airside and landside operations for both the Airport and the General Aviation Airports. This position is also responsible for customer service issues both inside and outside the terminal building, including aspects of tenant relations as well as the general public who use the facility. The General Manager, Facilities, Maintenance and Project Development, is responsible for the planning, development, management and implementation of projects and maintenance activities and long-term facilities planning. The General Manager, Air Service Development, is responsible for the Port's commercial air service development and implementation. The Chief Public Safety Officer is responsible for airport police, fire and Port-wide emergency management communications.

PORTLAND INTERNATIONAL AIRPORT

General

The Port has owned and operated the Airport since 1940. The Airport is located approximately 12 miles northeast of the Portland city center. The Airport is the only commercial air service facility within the Air Trade Area (defined below) and is relatively isolated from competing air service facilities. Seattle-Tacoma International Airport, which is the closest airport with comparable facilities, is approximately 170 miles (driving distance) away from downtown Portland. The only other commercial service airports in the State are much smaller than the Airport in terms of air service provided.

The Airport principally serves origin and destination passengers, which are estimated by the Port to have accounted for about 84% of total Airport passengers in FY 2011, with the remaining 16% of Airport passengers having connected between flights.

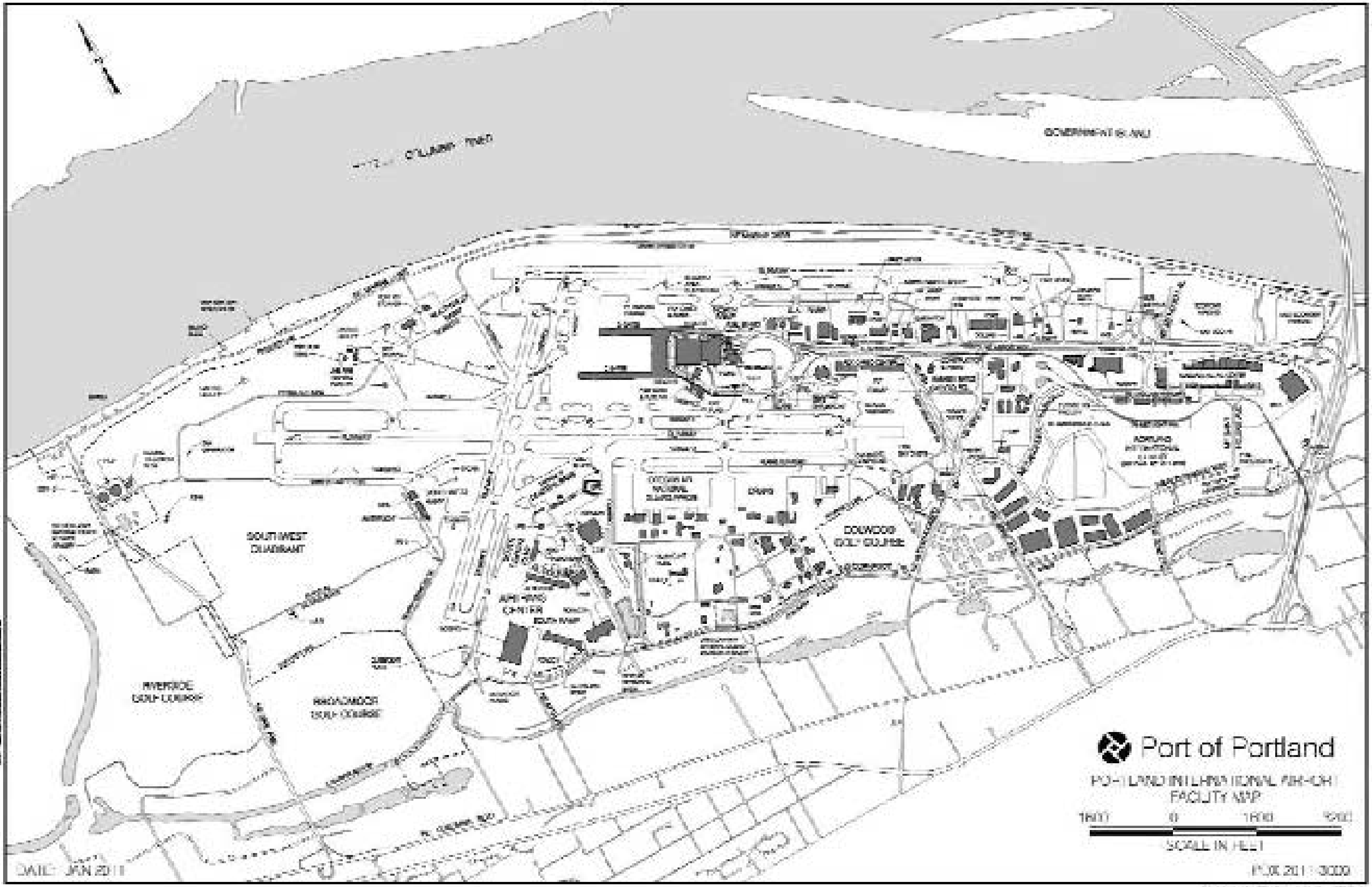
According to preliminary calendar year 2010 data provided by the Federal Aviation Administration (the "FAA"), the Airport was the 30th busiest airport in the United States in terms of enplaned passengers. The Airport is designated as a medium-hub airport by the FAA (i.e., enplaning more than 0.25% and less than 1.0% of nationwide enplaned passengers during a calendar year), and according to preliminary calendar year 2010 data provided by the FAA, was the busiest medium-hub airport in calendar year 2010 in terms of enplaned passengers.

Air Trade Area

The Airport's general service area consists of Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in the State of Oregon and Clark and Skamania Counties in the State of Washington (the "Air Trade Area"). From 2000 to 2010, the compounded annual growth rate of the population of the Air Trade Area was 1.4%, compared with 1.1% for the State. In 2010, Multnomah County (where the City of Portland and the Airport are located), was the most populated county in the State, accounting for approximately 19.2% of the population of the State and approximately 33% of the population of the Air Trade Area. In 2010, the Oregon counties in the Air Trade Area accounted for approximately 46.7% of the population of the State.

Per capita personal income for the Air Trade Area increased at a compounded annual growth rate of 1.7% between 2003 and 2010, compared with 2.1% for the State and 2.8% for the United States. In 2010, 39.6% of households in the Air Trade Area had household incomes of $60,000 or more, compared with 34.1% in the State and 37.2% in the United States. From 2000 to 2010, the compounded annual growth rate of the Air Trade Area civilian labor force was 1.0%, compared with 0.9% for the State and 0.8% for the United States. In July 2011, the unemployment rate in the Air Trade Area was 9.1%, compared with 9.4% in the State and 9.3% in the United States.

See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section II, Economic Base for Air Transportation."


Port of Portland
FACILITY MAP
SCALE IN FEET
DATE: JAN 2011

Existing Facilities

General. The Airport occupies approximately 3,200 acres of land on the southern edge of the Columbia River in Multnomah County, approximately 12 miles northeast of downtown Portland. The existing airfield consists of two parallel east/west runways (a south runway and a north runway) and one northeast/southwest crosswind runway, all fully lighted. The south runway (Runway 10R-28L, which is 11,000 feet long) and the north runway (Runway 10L-28R, which has been extended to 9,800 feet long) are fully instrumented. Runway 3-21, the northeast/southwest crosswind runway, is 6,000 feet long and is not instrumented.

Passenger Terminal. The passenger terminal complex (the "Terminal") includes a main terminal building with five attached concourses and a federal inspection station for international arrivals. The existing terminal apron provides 67 independent gate positions and related passenger waiting areas and security screening facilities. Of the 67 gates, 6 are Federal Inspection Services gates that can accommodate international arrivals, and 61 are used exclusively for domestic operations. Except for the 14 commuter gates at Concourse A and 7 commuter gates at Concourse E, all gates are equipped with loading bridges.

The primary public areas in the Terminal are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides direct access to the five concourses. Ticket counters and concession areas, including a food court, cafes, pubs, full service restaurants, full service spa, barber, full service bank, newsstands and retail shops, are located on the departure level. The arrival level is accessible to ground level roadways for departing vehicles and contains baggage claim facilities. The upper-level and lower-level access roadways have been widened and the ticket and baggage claim lobbies have been extended as part of the Port's capital improvement program.

After the completion of a state of the art in-line baggage screening system in July 2011, all checked bags are screened in an area beyond public spaces. This new system allows the Transportation Security Administration to more efficiently screen bags for banned substances and has also allowed removal of screening machines in the ticket lobby, thus increasing circulation.

Parking. Port-owned parking facilities consist of a seven-story short-term public parking garage, a new seven-story long-term parking garage that opened in March 2010 and an economy surface parking lot. The short-term parking garage has nearly 3,300 public parking spaces and is located adjacent to the Terminal. The first two floors of the short-term garage are utilized by rental car companies. The long-term parking garage has nearly 3,000 public parking spaces and is located adjacent to the short-term parking garage. The first floor of the long-term garage is reserved for rental car companies. Tunnels and moving sidewalks connect the long-term parking garage to the Terminal. Approximately 7,800 surface parking spaces are available in the economy lot, which is located near Interstate 205 off NE Airport Way. Free parking shuttles operate regularly between the economy lot and the Terminal. To help reduce vehicle traffic congestion in the Terminal area, a 30-space cell phone waiting lot is available approximately three minutes away from the Terminal where motorists meeting arriving passengers can wait for free until passengers call to indicate they are ready to be picked up along the Terminal curbside.

Ground Transportation. A TriMet MAX Light Rail station located at the southern end of the Terminal connects the Airport to Portland, Gresham, Clackamas, Beaverton and Hillsboro. Ground transportation to and from the Airport is also provided by private passenger vehicles, taxis, private bus and shuttle services and limousine services. Nine rental car companies provide service at the Airport: five provide on-Airport service counters and vehicles, three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport and one provides only passenger pick-up and drop-off to facilities located off-Airport.

Cargo and Airline Maintenance Facilities. Air cargo facilities are located in three main areas at the Airport: the North Cargo Complex, the PDX Cargo Center and the AirTrans Center. The North Cargo Complex consists of six buildings totaling approximately 146,700 square feet; the PDX Cargo Center consists of two buildings totaling approximately 130,000 square feet. The Port leases these buildings to various passenger airlines for their belly cargo and ground support equipment maintenance operations. Other ground support equipment operators and freight forwarders also lease space in these buildings. The United States Postal Service also has a ground lease adjacent to the PDX Cargo Center. In the AirTrans Center, third party developers, including Aero Portland, AMB Property, LLC, PDACC1, and PDACC2, lease land upon which they have constructed cargo facilities. These developers also manage the aircraft ramps associated with each of their cargo facilities. Subtenants of these cargo facilities include Federal Express, DHL Worldwide Express, DB Schenker and Evergreen Ground Logistics. In addition, the AirTrans Center hosts Boeing Corporation's paint operation hangars, United Parcel Service's northwest regional hub, and Horizon Air's 150,000 square-foot regional headquarters and maintenance facility.

Military and General Aviation Facilities. The Oregon Air National Guard leases an approximately 240-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center. Corporate and general aviation facilities are located on approximately 25 acres along the north side of the Airport. This area includes paved aircraft parking areas, aircraft hangars and fixed base operator facilities. The Port owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. Atlantic Aviation also manages hangars on behalf of the Port through a hangar management agreement. The Port also receives ground lease rent from the owners of several corporate aircraft maintenance hangars. Other general aviation services are provided by the Port at the General Aviation Airports, all of which are located within 35 highway miles of the Airport. The General Aviation Airports are not currently part of the Airport, and their revenues and expenses of operation are accounted for separately from those of the Airport.

Commercial Facilities. On the eastern side of the Airport, next to Interstate 205 and NE Airport Way, is the 463-acre Portland International Center, which is being developed as a commercial and industrial development complex. The facilities located at the Portland International Center were constructed and are operated by private parties on Airport land that is leased from the Port (except for roads, which are owned by the City of Portland). Parcel B is closest to the Terminal and NE 82nd Avenue and consists of approximately 318 acres. Developed areas in Parcel B include 105 acres for an Embassy Suites Hotel, warehouse/distribution buildings, office/warehouse buildings, manufacturing facilities, a bank and a United States Customs headquarters building. Another 24 acres were developed into Airport employee parking. Future developable areas include approximately 52 acres for aviation reserve and 64 acres for future industrial development. This parcel includes another 73 acres of land designated as permanently open. Parcel A includes 145 acres of the Portland International Center and is being developed by Cascade Station Development Company, LLC for retail, office and hotel development. Of the 145 acres, approximately 120 are currently in development and 25 are undevelopable (and will comprise street rights of way and park blocks). The development was negotiated as part of a development and financing package to extend the regional light rail system through the Portland International Center to the Terminal. Two hotels, the Sheraton and the Hampton Inn, are also located on the north side of the Airport on land leased from the Port.

See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.1, Existing Airport Facilities."

Airport Futures Process

Airport Futures was a collaborative planning process involving the Port, the City of Portland and the Portland-Vancouver metropolitan community, working with a 30-member Planning Advisory Group. The planning process began in the fall of 2007 and concluded in April 2011. As part of the process, the Port updated its master plan for the Airport. Among the significant findings were that a third parallel runway will not be required during the planning period (beyond 2035) and that the existing Terminal and roads can meet the demand forecasted in the next 25 years, with modest improvements. Concurrently, the City of Portland developed a land use plan for the Airport recognizing the Airport's role in the regional economy while managing the infrastructure and livability of the City of Portland. The newly adopted airport plan district zoning designation for the Airport will provide the Airport the flexibility it needs to respond to changing conditions without requiring significant additional zoning reviews.

Airport Capital Improvement Program

The Airport capital improvement program summarized in Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.2, Summary of Capital Projects." For purposes of the Report of the Airport Consultant, the Airport's current capital program is organized into two categories: (1) the 2011 PFC Bond Projects, which include capital projects to be funded in part with proceeds of the Series 2011A PFC Bonds and (2) Other Capital Projects, which include other Airport capital projects that the Port currently anticipates to be undertaken during the projection period of the Report of the Airport Consultant (through FY 2019). The 2011 PFC Bond Projects are estimated to cost approximately $141.3 million (including design, engineering, construction, escalation for inflation and contingency amounts), of which approximately $76.5 million is expected to be paid from proceeds of the Series 2011A PFC Bonds. The 2011 PFC Bond Projects include the south runway rehabilitation project and deicing system improvements project. The Port has spent approximately $92.9 million on the costs of the 2011 PFC Bond Projects. The Other Capital Projects are expected to cost approximately $751.1 million, of which $98.1 million is expected to be funded with PFC Revenue.

Airlines Serving the Airport

As shown in Table 7, as of September 2011, 14 United States-flag and two foreign-flag passenger airlines provided scheduled passenger service at the Airport. In addition, eight airlines provided all-cargo service. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 3.1, Airlines Serving the Airport."

TABLE 7
AIRLINES SERVING THE AIRPORT
(as of September 2011)

Scheduled passenger service	All-cargo service
United States-flag airlines	
Alaska (1)	ABX
American	Airpac
Continental (2)	Ameriflight
Delta	Asiana Cargo
Frontier	Empire
Hawaiian	FedEx
Horizon Air (1)	MartinAire Aviation
JetBlue	United Parcel Service
Seaport	
SkyWest (Delta Connection/United Express/Alaska)	
Southwest (3)	
Spirit	
United (2)	
US Airways	
Foreign-flag airlines	
Air Canada	
Air Canada Jazz	

(1) Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by Alaska Airlines by the beginning of 2011. All ticket revenue is to go to Alaska Airlines, while the operating costs of Horizon Air would be covered by Alaska Airlines. In January 2011, Alaska Airlines announced that it will be retiring the Horizon Air brand.
(2) United and Continental merged effective October 1, 2010.
(3) Southwest acquired AirTran Airways effective May 2, 2011.

Source: Port records.

Historical Traffic and Activity

The Airport has historically served primarily origin and destination passengers. The Port estimates origin and destination passengers to have accounted for about 84% of total Airport passengers in FY 2011, with the remaining 16% of Airport passengers having connected between flights. Historical data on enplaned passengers at the Airport since FY 1998 is set forth in Table 8. In FY 2011, approximately 96.7% of passengers were enplaned on domestic flights at the Airport, and the remaining 3.3% were enplaned on international flights.

The impact of the global recession has been felt at the Airport. While the mix of airlines serving the Airport has not changed substantially, the recession has resulted in fewer people flying. In addition, cargo volumes are down as a result of reduced demand for goods as well as a result of shippers moving to slower but less expensive ground transportation for products that are less time sensitive.

TABLE 8
HISTORICAL ENPLANED PASSENGERS
FY 1998–2011

Fiscal Year Ended June 30	Total Enplaned Passengers	Increase (Decrease)
1998	6,355,313	–
1999	6,711,676	5.6%
2000	6,897,073	2.8
2001	6,778,219	(1.7)
2002	6,047,128	(10.8)
2003	6,107,968	1.0
2004	6,336,392	3.7
2005	6,757,694	6.6
2006	7,012,004	3.8
2007	7,144,443	1.9
2008	7,449,917	4.3
2009	6,654,126	(10.7)
2010	6,477,286	(2.7)
2011	6,750,420	4.2
First 3 Months		
2011	1,879,032	–
2012	1,929,687	2.7%
	Compounded annual growth rate	
1998-2011		0.5%

Source: The Port, as reported by airlines.

Enplaned passengers by airline at the Airport for FY 2011 are set forth in Table 9.

TABLE 9
ENPLANED PASSENGERS BY AIRLINE
FY 2011

Airline	Enplanements	Share
Horizon Air [(1)]	1,291,328	19.1%
Southwest [(2)]	1,275,700	18.9
Alaska [(1)]	1,134,018	16.8
Delta	760,011	11.3
United [(3)]	567,140	8.4
SkyWest	362,274	5.4
Continental [(3)]	280,428	4.2
US Airways	272,377	4.0
Frontier	213,741	3.2
American	198,712	2.9
Hawaiian	169,334	2.5
JetBlue	137,915	2.0
Air Canada [(4)]	70,769	1.0
Seaport	11,717	0.2
Other	4,956	0.1
Total	**6,750,420**	**100.0%**

(1) Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by Alaska Airlines by the beginning of 2011. All ticket revenue is to go to Alaska Airlines, while the operating costs of Horizon Air would be covered by Alaska Airlines. In January 2011, Alaska Airlines announced that it will be retiring the Horizon Air brand.
(2) Southwest acquired AirTran Airways effective May 2, 2011.
(3) United and Continental merged effective October 1, 2010.
(4) Includes activity for Air Canada Jazz.

Source: Port records.

Air Cargo Operations

Total cargo tonnage at the Airport since FY 1998 is set forth in Table 10. The movement of air cargo is an important part of the services provided at the Airport for several reasons. At the Airport, it is possible for cargo service to influence numbers of enplaned passengers because, on some routes flown by the passenger airlines, revenue from carrying cargo in the belly compartment of passenger aircraft contributes to total airline profits and can improve the viability of otherwise financially marginal routes.

TABLE 10
HISTORICAL TOTAL CARGO TONNAGE
FY 1998–2011

Fiscal Year Ended June 30	Volume (tons)	Increase (Decrease)
1998	323,327	–
1999	332,866	3.0%
2000	332,601	(0.1)
2001	292,415	(12.1)
2002	264,867	(9.4)
2003	262,991	(0.7)
2004	266,472	1.3
2005	283,475	6.4
2006	291,639	2.9
2007	285,983	(1.9)
2008	265,300	(7.2)
2009	211,613	(20.2)
2010	199,905	(5.5)
2011	212,894	6.5
First 3 Months		
2011	52,756	–
2012	53,889	2.1%
	Compounded annual growth rate	
1998-2011		(3.2)%

Source: Port records.

Airport Cost Centers

The Port has used a cost center structure for the Airport since FY 1992. The Port has 13 cost centers; six are direct, revenue-producing cost centers and seven are indirect cost centers. The indirect cost centers are allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portion of the indirect cost centers, comprise the Airline Cost Center. The Ground Transportation, Non-Aviation, Other Aviation and Air Cargo direct cost centers, plus their allocated portion of the indirect cost centers, comprise the Port Cost Center.

Airline and Cargo Agreements

For the Airline Cost Center, the Port has entered into two types of agreements that establish procedures for setting and annually adjusting rentals, rates, fees and charges collected for the use of Airport facilities: Passenger Airline Lease and Operating Agreements (the "Signatory Airline Agreements") and Cargo Carrier Operating Agreements (together with the Signatory Airline Agreements, the "Airline Agreements"). Ordinance No. 433 (an ordinance relating to rents, fees, and other charges for use of facilities and services at the Airport imposes rates and charges for use of Airport facilities on airlines other than Signatory Airlines. The Airline Agreements and Ordinance No. 433 became effective July 1, 2010, and the Airline Agreements are scheduled to expire on June 30, 2015.

Airline Agreements. Airlines that have executed the Signatory Airline Agreements ("Signatory Airlines") accounted for over 99% of enplaned passengers at the Airport in FY 2011. The Port has also entered into Cargo Carrier Operating Agreements with cargo airlines serving the Airport. The Airline Agreements (1) permit airlines to land at the Airport and (2) govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas. Airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Ordinance No. 433, which reflect a premium over the rates and charges established in the Signatory Airline Agreements.

Residual Rate-Setting Methodology in the Airline Cost Center. Under the residual rate-setting methodology as it applies to the Airline Cost Center, airline rentals, fees and charges are reviewed at least annually and adjusted as necessary to produce an amount such that Revenues of the Airport revenues are sufficient in each Fiscal Year to pay the costs of operation and maintenance of the Airport, 130% of the debt service on Airport revenue bonds, and any required deposits to the SLB Reserve Account of the SLB Fund. See "Airport Revenue Bond Ordinances" under this heading. The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each Fiscal Year, using budgeted costs of operation and maintenance of the Airport and Revenues of the Airport for the coming Fiscal Year. In addition, the Port may adjust rental rates to maintain compliance with the Airport Revenue Bond Ordinances, with respect to the Airfield and Terminal cost centers.

Facilities Control. The Airline Agreements allow airlines to lease exclusive, preferential and shared space. Terminal space leased to airlines as exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space and baggage service area space. Holdrooms and gate areas are leased on a joint-use basis. In addition, common use areas (for example, ticket counter, ticket office and gates) may be rented in hourly increments, on a daily basis or on a monthly basis.

Revenue Sharing. The Signatory Airline Agreements include a formula for sharing non-airline revenues, subject to certain conditions, with the Signatory Airlines during the term of the Signatory Airline Agreements (through FY 2015). Over the five-year term of the Signatory Airline Agreements, the Port has agreed to share non-airline revenues totaling $30 million (up to $6 million per Fiscal Year), subject to certain conditions, with the Signatory Airlines. The Signatory Airline Agreements also allow for additional revenue sharing if the Airport coverage ratio exceeds certain levels.

Airline Disapproval of Capital Improvement Projects. In the Signatory Airline Agreements, the Signatory Airlines agreed to a Majority-in-Interest ("MII") disapproval process for Airport capital improvement projects. Except as restricted by the Airline Agreements, the Port is able to incur indebtedness and make expenditures for capital improvements at the Airport, and all costs associated with capital improvements in the Airline Cost Center, including finance charges, can be included in the calculations of airline rates. Other than certain capital improvements identified in the Signatory Airline

Agreements, any capital improvement with a total cost in excess of $1 million and funded in a manner that will directly impact the airline rate base is subject to the MII disapproval process. In general, Signatory Airlines can vote to disapprove a capital improvement with an MII disapproval of 75% of eligible Signatory Airlines. In the event of an MII disapproval, the Port has the option to convene a meeting with the Airport and Airline Affairs Committee and address questions, ask that the disapproval be withdrawn, or request that another approval vote be taken. If an MII of impacted Signatory Airlines agree in writing to withdrawal of the disapproval, the Port may proceed with the capital improvement. In addition, the Port may not commence construction on any capital improvement project that received Signatory Airline approval under the MII process if, at a later date, the estimated project cost exceeds 110% of the initial estimate. Instead, the Port is required to subject the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate.

The Port may implement, at any time, certain types of projects that are not subject to the MII process, including projects required by a federal or State agency for public safety, projects not covered by insurance that repair casualty damage to Airport property which must be replaced to satisfy Port obligations or to maintain required Revenues and projects necessary to insure compliance with lawful orders or requirements of other authorities with jurisdiction over Airport operations or that are required under the terms of federal or State grants.

Ratemaking Authority. The Port has authority under State law to fix, levy and collect rates, rentals, fees and other charges for the use and services of all or any of its facilities, such as through Ordinance No. 433. See "Other Airport Matters—Rates and Charges Regulation" under this heading.

Airport Revenue Bond Ordinances

Pursuant to Port Ordinance No. 155, enacted by the Board on November 10, 1971, as amended, restated and supplemented, and Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented (together, the "Airport Revenue Bond Ordinances"), as of July 1, 2011, the Port had outstanding $482,990,000 in aggregate principal amount of Airport revenue bonds, to the payment of which the Revenues of the Airport have been pledged. **Revenues of the Airport do not include PFC Revenue, and the Revenues of the Airport are not pledged to the payment of the PFC Bonds or the Parity Port Payments.**

Under the Airport Revenue Bond Ordinances, all Revenues of the Airport are required to be deposited into the Airport Fund, which is held and administered by the Port. Revenues credited to the Airport Fund must first be used and applied by the Port to the payment of the costs of operation and maintenance of the Airport. On the first business day of each month, after paying the costs of operation and maintenance of the Airport, the Port is required to credit the balance of the Revenues in the Airport Fund to the General Account in the Airport Fund. The Port is required to credit net revenues in the General Account to the SLB Fund and the JLO Fund (which are both held by the trustee under the Airport Revenue Bond Ordinances) and the Third Lien Obligation Fund (the "TLO Fund") (which is held by the Port), in that order of priority. Amounts remaining in the General Account after these credits have been made may be used by the Port for any other lawful use or purpose pertaining to the Airport or the aviation or air transport interests of the Port, including without limitation General Aviation Airports.

The Port is required to set aside and pay into the TLO Fund from the first money available in the General Account after required payments to the SLB Fund and the JLO Fund: (1) an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. The Port currently has no bonds that are Third Lien Obligations outstanding, but Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are currently payable from the TLO Fund, subject to the future ability and election of the Port to make such Other TLO Swap Obligations from the Subordinate Lien Obligations Account established under the Master Ordinance. See "Interest Rate Swaps" under this heading.

Interest Rate Swaps

The Port is authorized under State law to enter into interest rate swaps. The Board adopted a policy on Interest Rate Exchange Agreements (the "Swap Policy") in 2004. Under the Swap Policy, the Port may use interest rate exchange agreements to manage payment, interest rate spread or similar exposure undertaken in connection with existing or anticipated obligations made in the exercise of the borrowing powers of the Port. Permitted interest rate exchange agreements are a contract, an option or a forward commitment to enter into a contract that provides for payments based on levels of or changes in interest rates, or provisions to hedge payment, rate, spread or similar exposure, including an interest rate floor, cap, or an option, put or call. Under the Swap Policy, the Executive Director or the Chief Financial Officer, in consultation with the Port's general counsel, is required to ensure that the risks inherent in each agreement are evaluated and understood before entering into the agreement and that strategies are formulated to minimize the risks, including counterparty risk, rollover risk, basis risk, tax event risk, amortization risk and termination risk. Under the Swap Policy, the Port may enter into interest rate exchange agreements only with counterparties that have demonstrated experience in such financial instruments and are (1) rated in one of the top three rating categories by at least two nationally recognized rating agencies or (2) will collateralize the agreement in accordance with all statutory requirements. The current statutory collateralization requirement are as follows: cash or obligations rated in one of the top three rating categories by at least two nationally recognized rating agencies; collateral is deposited with the Port or the State Treasurer, on behalf of the Port, or an agent of the Port; collateral has a market value to fully collateralize the agreement; and collateral is marked to market at least quarterly.

Pursuant to the Master Ordinance, the Port is authorized to enter into Derivative Products and to make Parity Port Payments out of the First Lien Bond Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—Derivative Products." The Port entered into the PFC Bond Swaps in 2006 in connection with the expected refunding of the Series 1999A PFC Bonds. See "THE PFC PROGRAM AT THE PORT—PFC Bond Swaps." Termination payments under the PFC Bond Swaps, if any, are Third Lien Obligations payable from the TLO Fund established under the Airport Revenue Bond Ordinances, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established under the Master Ordinance. See "Airport Revenue Bond Ordinances" under this heading.

Pursuant to the Airport Revenue Bond Ordinances, the Port is authorized to pay Scheduled Swap Obligations out of the SLB Fund. Other Swap Obligations (including termination payments) are payable out of the JLO Fund, and Other TLO Swap Obligations (including termination payments) are payable out of the TLO Fund. See "Airport Revenue Bond Ordinances" under this heading. The Port has entered into certain interest rate swaps in connection with the issuance of certain Airport revenue bonds. See Appendix B—"AUDITED FINANCIAL STATEMENTS—Note 7—Long-Term Debt."

Investment of Funds

The Port has adopted an investment policy (the "Investment Policy") that governs investment of funds including those which relate to the Airport. The Investment Policy may be changed at any time by the Board. Among other items, the Investment Policy establishes limits on maturity, investment types and diversification and generally establishes the parameters of investment practices so that the Port's investments are consistent with State law and the Port's primary investment objective of preservation of capital.

The Port's current Investment Policy, which is reviewed annually and was approved by the Board on October 13, 2010, permits investments in U.S. Treasury bills and notes, general obligations of U.S. agencies and instrumentalities and of U.S. sponsored enterprises, corporate indebtedness, certain time certificates of deposit and bankers acceptances and certain repurchase agreements that have terms of 30 days or less. Yield-restricted funds may be invested in certain municipal bonds, and Port funds may be invested in the Oregon Short Term Fund up to limits established by State statute. Among other restrictions, the maximum maturity of any investment is five years, and at least 55% of the par value of all of the Port's investments must mature within two years and 75% within three years. Port staff is required to provide the Board with portfolio reports quarterly. See Note 3 to Appendix B—"AUDITED FINANCIAL STATEMENTS."

Other Airport Matters

Labor Relations. During FY 2010, the Port employed approximately 745 full-time-equivalent employees ("FTEs") in a variety of work categories. An FTE represents 2,080 hours of work annually. Of the total number of FTEs at the Port, approximately 346 are employed at the Airport. At the Airport, four unions collectively represent approximately 206 of the Port's Airport employees. There have not been any significant work stoppages at the Port since a strike at the Portland Ship Yard in 1981, and to date, there have been no strikes against the Port at the Airport.

Pension Plans. Most employees of the Port, after six months of employment, are participants in the State of Oregon Public Employees Retirement System ("PERS" or the "System"). Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit pension model and provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program participant contributions fund individual retirement accounts under a separate defined contribution program that is a component of the Oregon Public Service Retirement Plan ("OPSRP"). Employees hired on or after August 29, 2003 participate in OPSRP unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

State statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuations as of December 31 of odd-numbered years, the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers must pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA"). Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the Port. Valuations are released approximately one year after the valuation date. The current PERS actuary is Mercer (US), Inc. ("Mercer").

The 2007 System Valuation indicated that the System as a whole was 112% funded and had an actuarial surplus of approximately $6.2 billion as of December 31, 2007. The 2008 System Valuation indicated that the System as a whole was approximately 80% funded and had an unfunded actuarial accrued liability ("UAL") of approximately $11.0 billion as of December 31, 2008. The 2009 System Valuation indicated that the System as a whole was approximately 86% funded and had a UAL of approximately $8.1 billion as of December 31, 2009.

At the September 30, 2011 PERS Board meeting, Mercer presented the actuarial valuation of assets and liabilities for the System as of December 31, 2010 (the "2010 Mercer Presentation"). The official actuarial valuation report for the System as of December 31, 2010 (the "2010 System Valuation") is expected to be released in late November 2011. The Port cannot predict what the Port's UAL will be as of December 31, 2010; however, the 2010 Mercer Presentation reports that the System-wide funded status increased from approximately 86% at December 31, 2009 to 87% at December 31, 2010. The 2010 System Valuation will contain advisory employer contribution rates as of December 31, 2010 for the 2013-2015 biennium; these rates are advisory only. Although the Port cannot predict what the advisory rates will be, the 2010 Mercer Presentation reports that as of December 31, 2010, advisory base employer contribution rates are 3.6% of payroll above current rates, primarily due to spreading rate increases to restore funded status across multiple periods.

For the T1/T2 Pension Programs, the Port is pooled with the State of Oregon and other local government and community college district public employers (the "State and Local Government Rate Pool" or "SLGRP"). The Port's allocated share of the T1/T2 Pension Programs UAL (the "Port Allocated T1/T2 UAL") is based on the Port's proportionate share of the SLGRP payroll.

The Port issued limited tax pension bonds in the approximate principal amounts of $55 million in 2002 and $20 million in 2005. The proceeds of the pension bonds were used to make lump-sum payments to PERS. The payments were deposited in an account for the Port (the "UAL Side Account") and used to finance a portion of the estimated Port Allocated T1/T2 UAL. Those payments reduced the Port's employer contribution rates to the T1/T2 Pension Programs.

The assets and liabilities of OPSRP are pooled on a program-wide basis and are not calculated on an employer basis. The Port's allocated share of the OPSRP UAL is based on the Port's proportionate share of the total OPSRP payroll (the "Port Allocated OPSRP UAL").

Changes in the Port's relative share in payroll will cause, and other pool participants' failure to pay their full employer contributions may cause, the Port Allocated T1/T2 UAL and Port Allocated OPSRP UAL to shift.

The Port's aggregate UAL is the sum of the Port Allocated T1/T2 UAL, the Port Allocated OPSRP UAL, the Port allocated pre-SLGRP surplus, the transition surplus and the Port's UAL Side Account. The Port's aggregate UAL as of December 31, 2007 (the "2007 Port Valuation") and as of December 31, 2009 (the "2009 Port Valuation") are set forth in Table 11. Actuarial determinations are not made solely as to the Airport.

TABLE 11
PORT UNFUNDED ACTUARIAL ACCRUED LIABILITY

	2007 Port Valuation	2009 Port Valuation
Port Allocated T1/T2 UAL	$ 2,640,988	$ 74,070,812
Port allocated pre-SLGRP pooled liability/(surplus) (1)	(13,134,957)	(11,752,220)
Transition liability/(surplus) (2)	(939,154)	(929,052)
Port Allocated OPSRP UAL	(503,123)	580,255
UAL Side Account	46,356,492	33,144,320
Aggregate UAL	**(58,292,738)**	**28,825,475**

(1) The Port allocated pre-SLGRP pooled liability or surplus represents the allocation to the Port of the surplus that remained when the local government rate pool (the "LGRP") was disbanded and the SLGRP was created. The Port shares this liability or surplus with other former participants in the LGRP, and it is allocated based on the Port's proportionate share of the former participants' payroll.

(2) The transition liability or surplus represents the liability or surplus that was created when the Port joined the LGRP.

Source: 2007 Port Valuation and 2009 Port Valuation.

Employer contribution rates are calculated as a percent of covered payroll and are based on the biennial actuarial valuations as of December 31 of odd-numbered years; the rates become effective 18 months later at the start of the next odd-numbered year. Employer contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations and changes in benefits resulting from legislative modifications, and will also be affected a rate collar established by the PERB. Employees are required to contribute 6% of their annual salary to the respective PERS programs; the Port has elected to make the employee contribution.

The Port's T1/T2 Pension Programs employer net contribution rate is 3.41% of annual payroll for FY 2010 and FY 2011, which is based on the 2007 Port Valuation. According to the 2009 Port Valuation, the Port's T1/T2 Pension Programs employer net contribution rate will be 9.32% of annual payroll for FY 2012 and FY 2013.

The Port's annual contributions to the T1/T2 Pension Programs for FY 2010 and FY 2009 were $3,633,617 and $5,431,144, respectively (including the employee contribution), which were based on the Port's T1/T2 Pension Programs employer net contribution rate for FY 2010 of 3.41% of annual payroll, which was established pursuant to the 2007 Port Valuation, and rate of 6.05% of annual payroll for FY 2009, which was established pursuant to the 2005 Port valuation. Contributions of $1,713,699 and $2,504,858 for FY 2010 and FY 2009, respectively, were applicable to the Airport.

The Port's OPSRP employer contribution rate is 2.57% of annual payroll for general service members and 5.28% for police and fire members for FY 2010 and FY 2011, which is based on the 2007 Port Valuation. According to the 2009 Port Valuation, the Port's OPSRP employer contribution rate will be 6.19% of annual payroll for general service members and 8.90% for police and fire members for FY 2012 and FY 2013.

The Port's annual contributions to OPSRP for FY 2010 and FY 2009 were $1,510,905 and $1,537,527, respectively (including the employee contribution), which were based on the Port's OPSRP employer contribution rates for FY 2010 of 2.57% of annual payroll for general service members and 5.28% for police and fire members, which were established pursuant to the 2007 Port Valuation, and rates for FY 2009 of 7.31% of annual payroll for general service members and 10.58% for police and fire members, which were established pursuant to the 2005 Port valuation. Contributions of $560,845 and $586,698 for FY 2010 and FY 2009, respectively, were applicable to the Airport.

See Note 9 to Appendix B—"AUDITED FINANCIAL STATEMENTS."

Other Post-Employment Benefits. The Port administers a single-employer defined-benefit healthcare plan (the "OPEB Plan") that provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. The OPEB Plan is being phased out, and will not be offered to any employees not meeting eligibility requirements by December 31, 2011. Contributions to the OPEB Plan are made on a pay-as-you-go basis.

Under State law, employees retiring under PERS or OPSRP may continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, the employee's spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an "implicit subsidy" paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port. According to the Port's most recent actuarial valuation, prepared by AON Consulting, as of July 1, 2009, the total UAL of the OPEB Plan and the implicit subsidy was $6,576,000, of which $3,182,000 is allocable to the Airport.

PERS retirees who receive benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may receive a subsidy towards the payment of health insurance premiums under the RHIA program. The assets and liabilities of the RHIA program are pooled on a program-wide basis and are not calculated on an employer basis. The RHIA program UAL is a component of the System UAL described above. The Port's allocated share of the RHIA program UAL is based on the Port's proportionate share of the RHIA program payroll. According to the 2009 Port Valuation, the Port's allocated share of the RHIA program UAL is $1,913,129. Actuarial determinations are not made solely as to the Airport. The employer contribution rate attributable to the RHIA program are incorporated into the Port's T1/T2 Pension Programs and OPSRP employer contribution rates described above.

See Note 10 to Appendix B—" AUDITED FINANCIAL STATEMENTS."

Risk Management Program. The Port has a comprehensive, professionally administered risk management program. This program uses a combination of self-insurance and commercial insurance to provide protection from losses involving property, liability, personnel and financial/net income. Property is insured up to a policy limit of $1 billion per occurrence and includes flood coverage up to $220 million per occurrence and earthquake coverage up to $250 million per occurrence. Airport liability insurance is maintained at $200 million per occurrence.

Exposure to loss is reduced both contractually and by State law. Substantially all of the Port's Airport agreements contain an indemnification clause, requiring contractors, lessees and any other entity that has an agreement with the Port for services or is permitted to use Port facilities to hold the Port harmless for any claims and damages arising out of the activities, services or operations of such entity. The indemnification agreement is secured by various insurance requirements.

The State limits tort claim liability by statute. Under the Oregon Tort Claims Act (the "OTCA"), the State's common law sovereign immunity from suit is waived and claims may be brought against a public body in Oregon, including the Port. In 2007, the Oregon Supreme Court upheld a challenge to the constitutionality of portions of the OTCA, which ultimately led to the 2009 Legislative Assembly increasing the liability limits for public bodies and imposing an annual cost of living increase on the limits.

Effective July 1, 2010, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $533,300. From July 1, 2010, through June 30, 2015, this cap increases incrementally to $666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from $1,066,700 incrementally to $1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015. For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided by statutory formula. The adjustment may not exceed 3% for any year.

The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties for covered claims for damage and destruction of property is limited as follows: (a) $100,100, adjusted as described below, to any single claimant, and (b) $500,600, adjusted as described below, to all claimants. These liability limits are subject to adjustment based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided by statutory formula. The adjustment may not exceed 3% for any year.

Under the OTCA, the Port indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, the Port may be subject to claims up to the levels described above when required to indemnify its employees. At this time, the Port believes that its current airport liability insurance is sufficient to adequately cover the Port from any additional exposure resulting from the increased limits.

Regulation. The Port operates the Airport pursuant to an Airport Operating Certificate issued annually by the FAA after an on-site review. In addition to this Operating Certificate, the Airport is subject to other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants from the FAA's grant program. For example, all long-term planning is subject to the FAA's approval, outside audits of the Airport's financial statements are subject to periodic audits by the FAA, the Port's use of Revenues generated at the Airport, which is limited to aviation-related purposes, is subject to review by the FAA and the Port's use of PFC revenue and grant proceeds is also subject to audit and review.

The Airport is also regulated by the federal Environmental Protection Agency (the "EPA") and by the State Department of Environmental Quality (the "DEQ") in connection with various environmental matters, including handling of airline fuels and lubricants, disposing of stormwater and construction wastewater runoff and overseeing noise abatement programs. See "Airport Environmental Matters" under this heading.

Noise Regulation. State statutes and DEQ administrative regulations require all airports in the State to institute noise abatement programs in circumstances in which the Environmental Quality Commission has reasonable cause to believe that an abatement program is necessary to protect the health, safety or welfare of the public. The Port instituted a noise abatement program, which has been in effect for more than 28 years. A Citizen Noise Advisory Committee made up of resident representatives from communities impacted by Airport operations acts in an advisory capacity recommending certain changes in aircraft and airport operations to comply with State law and administrative regulations as well as federal aviation regulations. The Airport noise program was originally established under Federal Aviation Regulation Part 150 and has been updated three times with the latest update being completed and approved by the Federal Aviation Administration in June 2007. The program has proven effective at minimizing non-compatible land uses around the Airport and in establishing operating procedures that minimize the impacts of aircraft noise on the surrounding communities.

The United States Congress enacted ANCA to balance local needs for airport noise abatement with the needs of the national air transportation system. ANCA established criteria and standards that are intended to ensure an airport operator does not impose local restrictions that negatively affect the national air transportation system. Port management believes that the Port is in material compliance with ANCA, and there is no pending litigation known to the Port challenging noise levels of airborne aircraft.

In addition to complaints from the community concerning airborne aircraft, the Port has received complaints from neighbors of the Airport concerning engine run-ups conducted on the ground. Following a citizen complaint, FAA personnel in the Seattle regional office, which oversees Airport noise issues, took the position that engine run-up noise is not protected by ANCA and may be subject to local or State regulations governing noise levels for industrial uses. State laws enforced by DEQ require the Airport to develop a comprehensive program to abate engine noise associated with ground maintenance activities (not associated with flight operations) at the Airport. A facility called a Ground Run-up Enclosure was constructed at the Airport and has been in operation since 2001. Based on feedback from the community, the Port believes it has adequately addressed the issue of aircraft engine testing.

Rates and Charges Regulation. The Federal Aviation Administration Authorization Act of 1994, as amended (the "FAA Act"), and FAA regulations require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. The FAA Act and regulations provide that for all airports, with certain exceptions, the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

The FAA Act and FAA regulations also include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be "reasonable," and the FAA Act authorizes the Secretary of Transportation to review rates and charges complaints brought by air carriers. During the pendency of a complaint, an airport is required to provide a surety bond or letter of credit or other form of security to ensure that the disputed portion of the fee is reimbursed to air carriers should the rates and charges be found to be unreasonable. The Secretary's order is subject to judicial review. Existing or new federal guidelines or standards promulgated by a court in connection with a dispute could limit the amounts and allocation of costs payable by airlines serving the Airport. The FAA Act excludes certain fees from the airport fee-challenge process, including a fee imposed pursuant to a written agreement with air carriers using the airport facilities. To date, no rate complaints have been filed against the Airport. It is the understanding of Port management that so long as the Airline Agreements are in effect and for carriers that sign any new agreements, the fee-challenge provisions of the FAA Act under most circumstances will not affect the airline rates, fees and charges set by the Port. The provisions would apply, however, in the case of fees and charges set by the Board. Airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Ordinance No. 433, which reflect a premium over the rates and charges established in the Signatory Airline Agreements.

Airport Environmental Matters

In the course of its normal business operations, the Port faces a variety of ongoing environmental matters. The following is a list of current matters under investigation or being remediated at the Airport that may, based on current information, require a payment from Airport Revenues in excess of $500,000. Statement 49 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Pollution Remediation Obligations" ("GASB 49"), which became effective for the Fiscal Year ended June 30, 2009, identifies the circumstances under which the Port is required to report a liability related to pollution remediation. Under GASB 49, liabilities and expenses are estimated using an "expected cash flows" measurement technique. GASB 49 also requires the Port to disclose information about its pollution obligations associated with clean up efforts in the notes to its financial statements. See Note 12 to Appendix B—"AUDITED FINANCIAL STATEMENTS."

Deicing. The Port has constructed and operates a system designed to collect, monitor and control the releases of stormwater containing anti-icing and deicing chemicals. The Port is currently completing the construction of system enhancements intended to improve compliance with the water quality permit that controls discharge of stormwater to local water bodies. It is anticipated that system enhancements (which include construction of additional collection, conveyance and storage features, as well as a water treatment facility and an additional outfall) will be implemented by May 2012, at a cost of less than $80 million, depending upon regulatory requirements. The operating and capital costs of the system are expected to be allocated to the Airline Cost Center rather than the Port Cost Center. The 2011 PFC Bond Projects include the deicing system improvements project.

Columbia Slough. All drainage from the Airport ultimately flows and has historically flowed to the Columbia Slough, which borders the Airport on the south. Investigations performed by DEQ and others have identified contaminants in Columbia Slough sediments. DEQ has identified Airport sites along the Columbia Slough that potentially may have contributed to sediment contamination. It is likely that the Port will be asked by DEQ at some future time to investigate portions of the Columbia Slough adjacent to the Airport property. It is unknown what the likely costs would be to respond to DEQ's assumption that Port activities impacted the Columbia Slough or to perform an investigation.

McBride Slough. Stormwater from the Terminal and surrounding areas has historically drained to the McBride Slough, which is located at the southeast corner of the Airport. The McBride Slough drains to the Columbia Slough. Contaminants carried in the stormwater have, over time, been deposited in slough sediments. The Airport will likely, at some future time, be required to investigate and clean up the slough. The anticipated cost to perform the investigation and cleanup is currently estimated to be up to $2,500,000 without taking into account reimbursements or recoveries from third parties.

Natural Resources Mitigation. Planned maintenance, development and redevelopment activities at the Airport occasionally impact protected natural resource features such as wetlands, upland grasslands and other sensitive ecosystems. Environmental and land use regulations sometimes require mitigating these impacts by avoiding, minimizing or reducing the impacts, or by replacing the impacted resources and ecosystem functions in another location. The Airport recently concluded a multi-year effort called "Airport Futures" that resulted in an update to the Airport master plan and land use zoning. See "Airport Futures Process" under this heading. This process resulted in more flexibility for the Airport to manage and develop its land in exchange for enhancing and mitigating natural resource features. The obligations of the Airport are documented in a 25-year agreement dated March 2011 adopted by the Port and the City of Portland. Those obligations include zoning and mitigation of upland grasslands and watershed enhancement measures. The total estimated costs to Airport over the 25-year period range from $2.6 million to $5.1 million.

Other Matters. Other less significant environmental matters exist at the Airport, and such conditions are expected to periodically develop or be discovered in the ordinary course of ongoing Airport and related operations. Taken individually, it is the opinion of Port management and Port environmental staff that none of these matters will have a material adverse effect on the financial condition of the Airport.

Non-Airport Environmental Matters

The following environmental matters affect the Port, but are not expected to result in liabilities that will be paid from Airport revenues.

The Port has been notified by federal and State environmental agencies of its potential liability for contamination at, from and to the Portland Harbor, both in-water and upland, in connection with the Portland Harbor Superfund Site (the "Site") listed on the National Priorities List. Natural resource trustees representing tribal, federal and State governments have also notified the Port and others of their potential liability for natural resources damages associated with the Site. The current area under investigation includes in-water sediments from approximately River Mile (RM) 1.0 to RM 12.2. In addition, DEQ is overseeing uplands investigations and cleanups adjacent to the river sediments Site. The Port and multiple other potentially responsible parties ("PRPs") have executed and are implementing an EPA Settlement and Administrative Order on Consent for a remedial investigation and feasibility study of the Site. The Port is also implementing a Settlement and Administrative Order on Consent for a Removal Action at Marine Terminal 4.

The tribal, federal and State natural resource trustees have invited multiple Site PRPs, including the Port, to participate in funding certain future natural resource damages studies. The Port and other PRPs agreed to fund the first phase of certain natural resources damages assessment activities in respect of the Site. The Port and certain other PRPs are funding a portion of the second phase of natural resource damage assessment activities.

Upland contamination at current and former Port facilities adjacent to the Site is concurrently being investigated and source control is being performed under several consent orders, one consent judgment and one voluntary arrangement between the Port and DEQ.

Two of these Portland Harbor cleanup sites—Cascade General Portland Ship Repair Yard and Willamette Cove—are also covered by settlement agreements with current property owners that require the Port to complete investigation of the uplands and adjacent sediments to the extent required by law. At the Cascade General Portland Ship Repair Yard, investigation and cleanup is being performed by the Port pursuant to the 2000 purchase and sale agreement. At Willamette Cove, investigation and cleanup is being performed by the Port under a 2000 interim settlement with another public agency, METRO. Partial insurance recovery has been received.

The Port is pursuing other PRPs' contribution to and participation in the investigation, cleanup and natural resources damages assessment and restoration of Portland Harbor, primarily thorough alternative dispute resolution processes.

In 2005, along with 13 other parties, the Port received a special notice letter for the performance of a remedial investigation and feasibility study ("RI/FS") for a National Priorities List site known as Harbor Oil. The EPA has estimated cleanup will cost up to $10 million. Since the contamination has also impacted an adjacent lake, a natural resource damage claim is likely to be made by federal trustees. The Port is investigating its connection to the Harbor Oil site, but suspects that materials were taken to the site from both marine terminals and the Airport. The Port chose not to participate in funding the RI/FS.

While the Port may ultimately have some liability at this site, the Port currently believes it is not expected to be material.

No Litigation Relating to the Series 2011A PFC Bonds

As of the date of this Official Statement, there is no litigation, to the knowledge of the Port, pending or threatened, challenging the authority of the Port to issue the Series 2011A PFC Bonds or seeking to enjoin the issuance of the Series 2011A PFC Bonds.

Other Litigation

In addition to the litigation, potential litigation and environmental matters described in this Official Statement, the Port is a named defendant in various legal actions and claims that arise during the normal course of business. Some of these are covered by insurance and some are in amounts the Port does not consider material to the Airport. An unfavorable outcome in these matters, taken individually or in the aggregate, in the opinion of Port management will not have a material adverse effect on the operations or financial position of the Airport. In addition, the Port is occasionally a named defendant in legal actions the Port believes to be frivolous.

REPORT OF THE AIRPORT CONSULTANT

General

Ricondo & Associates, Inc. (the "Airport Consultant") has delivered a report to the Port regarding the Airport, the Series 2011A PFC Bonds and related matters (the "Report of the Airport Consultant"), which is attached to this Official Statement as Appendix A and is part of this Official Statement. The information in the body of this Official Statement that is taken from the Report of the Airport Consultant summarizes or excerpts portions of the Report of the Airport Consultant. Potential purchasers of the Series 2011A PFC Bonds should read the Report of the Airport Consultant in its entirety.

The Report of the Airport Consultant discusses the economic base for air transportation (Appendix A—Section II), air traffic (Appendix A—Section III), Airport facilities and capital program (Appendix A—Section IV), and presents a financial analysis for PFC Bonds (Appendix A—Section V).

Projected PFC Bond Debt Service Coverage and First Lien Sufficiency Covenant Coverage

The Airport Consultant reviewed activity and financial forecasts for the PFC Bonds that were prepared by the Port and summarized those forecasts in the Report of the Airport Consultant. Actual, unaudited and projected debt service coverage on the PFC Bonds, as shown in the Report of the Airport Consultant, is set forth in Table 12. Projected First Lien Sufficiency Covenant coverage, as shown in the Report of the Airport Consultant, is set forth in Table 13. Debt service on the Series 2011A PFC Bonds set forth in the Report of the Airport Consultant and in Tables 12 and 13 was estimated as of the date of the Report of the Airport Consultant based on then-existing comparable prevailing interest rates plus 50 basis points (0.50%).

The use of PFC Revenue on a pay-as-you-go basis for 2011 PFC Bond Projects and the Other Capital Projects and PFC revenue expected to be received pursuant to future PFC approvals is reflected in the projected debt service coverage on the PFC Bonds set forth in Table 12 but is not reflected in the projected First Lien Sufficiency Covenant coverage set forth in Table 13.

In addition to using PFC Revenue to pay debt service on the Series 1999B PFC Bonds, the Series 2009A PFC Bonds and Series 2011A PFC Bonds, the Port plans to use available PFC Revenue in FY 2012, FY 2013 and FY 2014 (totaling approximately $30.3 million) to redeem certain outstanding Series 1999B PFC Bonds. The projected debt service coverage on the PFC Bonds set forth in Table 12 is shown both including and excluding such redemptions. The projected First Lien Sufficiency Covenant coverage set forth in Table 13 excludes such redemptions.

To the extent that PFC Revenue is available, the Port intends to pay PFC-eligible debt service associated with Approved PFC Projects financed in part with the proceeds of Series Nineteen Airport Revenue Bonds. The Port is not obligated to make such payments, and no such payments are reflected in the Report of the Airline Consultant.

In the opinion of the Airport Consultant, the Port's air traffic assumptions and projections of aviation activity at the Airport provide a reasonable basis from which to prepare the financial projections reflected in the Report of the Airport Consultant. However, any forecast is subject to uncertainties, some assumptions will not be realized, unanticipated events and circumstances may occur, there are likely to be differences between the forecast and actual results, and those differences may be material. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and underlying assumptions contained therein. The Airport Consultant has no responsibility to update the Report of the Airport Consultant because of events and transactions occurring after the date of that report.

The Airport Consultant has registered with the Municipal Securities Rulemaking Board and the Securities and Exchange Commission as a "municipal advisor" under Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was passed by Congress in 2010. That act provides that a municipal advisor such as the Airport Consultant is deemed to have a fiduciary duty to any municipal entity, such as the Port, for which the municipal advisor acts as a municipal advisor. The Municipal Securities Rulemaking Board has filed a proposed rule with the Securities and Exchange Commission that the fiduciary duty to which a municipal advisor such as the Airport Consultant is subject includes a duty of loyalty and a duty of care to the municipal entity client. Under the proposed rule, the Airport Consultant is subject to a duty of loyalty and a duty of care to the Port and not to owners or beneficial owners of the Series 2011A PFC Bonds.

The Report of the Airport Consultant attached to this Official Statement as Appendix A was prepared by the Airport Consultant and contains prospective financial information. The Port and its management believe that the Report of the Airport Consultant has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Port's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. This prospective financial information was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation, presentation of prospective financial information.

PricewaterhouseCoopers LLP, independent accountants, which audited the Port's financial statements attached to this Official Statement as Appendix B, has neither examined, compiled nor performed any procedures with respect to the prospective financial information contained in Appendix A and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information and any other information derived therefrom included elsewhere in this Official Statement. The PricewaterhouseCoopers LLP report included Appendix B of this Official Statement refers exclusively to the Port's historical financial information, does not cover any other information in this Official Statement and should not be read to do so.

TABLE 12
ACTUAL, UNAUDITED AND PROJECTED PFC BOND DEBT SERVICE COVERAGE
FY 2010–2019

($000s, except coverage ratios)

		Actual	Unaudited	Projected							
Fiscal Year Ending June 30,		**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
PFC Collections	[A]	25,697	27,081	27,157	27,754	28,364	28,987	29,624	30,278	30,945	31,626
PFC Fund Interest Income (1)	[B]	464	(50)	–	–	–	–	–	–	-	
PFC Revenue	[C]=[A]+[B]	26,161	27,031	27,157	27,754	28,364	28,987	29,624	30,278	30,945	31,626
First Lien PFC Reserve Account Interest Income	[D]	–	–	–	–	–	–	–	–	–	–
Additional Pledged Revenue	[E]	–	–	–	–	–	–	–	–	–	–
Pledged Revenue	[F]= [C]+[D]+[E]	26,161	27,031	27,157	27,754	28,364	28,987	29,624	30,278	30,945	31,626
PFC Bond Debt Service (including planned redemptions) (2)	[G]	10,669	10,666	13,578	9,538	8,775	8,145	8,147	8,152	10,811	14,650
PFC Bond Debt Service (excluding planned redemptions) (3)	[H]	10,669	10,666	13,578	13,873	14,182	14,490	14,811	15,136	15,469	14,650
PFC Bond Debt Service Coverage											
Including planned redemptions (2)	[A]/[G]	2.41	2.54	2.00	2.91	3.23	3.56	3.64	3.71	2.86	2.16
Excluding planned redemptions (3)	[A]/[H]	2.41	2.54	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.16

(1) The Port expects to receive interest income on amounts in the PFC Fund and the First Lien PFC Reserve Account, but projected interest income is not included in the Report of the Airport Consultant.

(2) Includes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds. Debt service on the Series 2011A PFC Bonds was estimated as of the date of the Report of the Airport Consultant based on then-existing comparable prevailing interest rates plus 50 basis points (0.50%).

(3) Excludes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds. Debt service on the Series 2011A PFC Bonds was estimated as of the date of the Report of the Airport Consultant based on then-existing comparable prevailing interest rates plus 50 basis points (0.50%).

Source: Report of the Airport Consultant.

TABLE 13
PROJECTED FIRST LIEN SUFFICIENCY COVENANT
FY 2012–2019
($000s, except coverage ratios)

		Unaudited	Projected							
Fiscal Year Ending June 30,		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Existing PFC Authority			1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299
Future PFC Authority (assumed 0)			–	–	–	–	–	–	–	–
Total PFC Authority	[A]		1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299	1,065,299
Annual PFC Expenditures										
Pay-As-You-Go Costs (1)			4,011	–	–	–	–	–	–	–
PFC Bond Debt Service (2)			13,578	13,873	14,182	14,490	14,811	15,136	15,469	14,650
Total Annual PFC Expenditures			17,590	13,873	14,182	14,490	14,811	15,136	15,469	14,650
Cumulative Costs Paid to Date and Contractual Commitments	[B]	401,109	418,698	432,571	446,753	461,243	476,053	491,189	506,658	521,308
Remaining PFC Authority	[C]=[A]-[B]		646,601	632,728	618,546	604,057	589,246	574,110	558,641	543,991
Plus Funds on Deposit in Subordinate Lien Obligation Account and Reserve Account			–	–	–	–	–	–	–	–
Plus Additional Pledged Revenue			–	–	–	–	–	–	–	–
Adjusted Remaining PFC Authority	[D]		646,601	632,728	618,546	604,057	589,246	574,110	558,641	543,991
Remaining Aggregate First Lien Debt Service (2)	[E]	271,345	257,766	243,893	229,712	215,222	200,412	185,276	169,807	155,157
Less Funds on Deposit in First Lien Bond Account and Reserve Account	[F]		29,342	29,650	29,958	30,279	30,605	30,119	29,299	29,297
Less Additional Pledged Revenue	[G]		–	–	–	–	–	–	–	–
Adjusted Remaining Aggregate First Lien Debt Service	[H]=[E]-[F]-[G]		228,424	214,243	199,753	184,943	169,807	155,157	140,508	125,860
First Lien Sufficiency Covenant Coverage Ratio	[D]/[H]		2.83	2.95	3.10	3.27	3.47	3.70	3.98	4.32

(1) Includes only those project costs for which PFC Authority has been received. The Port expects to receive future PFC Authority, which is not included in the Report of the Airport Consultant, to fund PFC-eligible costs of Other Capital Improvements on a pay-as-you-go-basis.

(2) Excludes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds. Debt service on the Series 2011A PFC Bonds was estimated as of the date of the Report of the Airport Consultant based on then-existing comparable prevailing interest rates plus 50 basis points (0.50%).

Source: Report of the Airport Consultant.

CERTAIN RISK FACTORS

The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2011A PFC Bonds and does not necessarily reflect the relative importance of the various risks. Potential purchasers of the Series 2011A PFC Bonds are advised to consider the following factors, among others, and to review the other information in this Official Statement in evaluating the Series 2011A PFC Bonds. Any one or more of the risks discussed, and others, could lead to a decrease in the market value and/or in the liquidity of the Series 2011A PFC Bonds There can be no assurance that other risk factors will not become material in the future.

Termination of PFCs

The Port's authority to impose and use PFCs is subject to certain terms and conditions provided in the PFC Act, the PFC Regulations and the PFC Approvals. If the Port fails to comply with these requirements, the FAA may take action to terminate or to reduce the Port's authority to impose or to use PFCs. Some of the events that could cause the Port to violate these provisions are not within the Port's control. In addition, failure to comply with the provisions of ANCA may lead to termination of the Port's authority to impose PFCs. The FAA's agreement not to terminate the Port's rights to collect PFCs for up to five years after unremedied violations is applicable only for violations of the PFC Act, PFC Regulations and PFC Approvals, not for violations of ANCA. In addition, the FAA agreement is applicable only for a limited period of time, not to exceed five years. The five-year period applies for all PFC Bonds, including any PFC Bonds that may be issued in the future. There can be no assurance that PFC Revenue collected during such limited period would be sufficient to pay the Series 2011A PFC Bonds in such event. If the FAA terminates the Port's authority to impose and use PFCs, the Port's ability to pay when due the principal of and interest on the Series 2011A PFC Bonds may be materially and adversely affected. See "THE PFC PROGRAM."

Amendments to the PFC Act

There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the Port's approvals from the FAA will not be amended in a manner that would adversely affect the Port's ability to collect and use PFC Revenue in amounts sufficient to make timely payments of principal and interest on the Series 2011A PFC Bonds. From time to time, legislation is introduced in the United States Congress that would permit the Port to charge a higher rate of PFCs. A higher PFC charge would result in the Port's collecting PFC Revenue faster than initially forecast. In such event, the Port would have to manage its PFC expenditures carefully to meet its First Lien Sufficiency Covenant and have sufficient PFC Revenue to pay debt service on the PFC Bonds in the later years. See "THE PFC PROGRAM—General."

Collection of the PFCs

The ability of the Port to collect annually sufficient PFCs depends upon a number of factors, including general economic conditions, the operation of the Airport by the Port, the number of enplanements at the Airport, the use of the Airport by Collecting Carriers, and the efficiency and ability of the Collecting Carriers to collect and remit PFC moneys to the Port. The Port relies upon the Collecting Carriers' collection and remittance of PFCs, and both the Port and the FAA rely upon the airlines' reports of enplanements and collections.

If the numbers of enplaned passengers at the Airport are significantly below the numbers forecasted by the Port in projecting annual PFC Revenue, if the collection fees retained by the Collecting Carriers are increased or if the PFC Act is amended, the amount of PFC Revenue actually collected by the

Port each year may be less than the amount projected and may be less than the amount required to enable the Port to pay the principal of and interest on the Series 2011A PFC Bonds. On the other hand, if the number of annual enplanements is higher than initially projected or if the rate of PFCs is increased above $4.50, the Port may collect PFC Revenue faster than initially forecast. In any event, the FAA estimates that based upon the Port's current PFC Authority, the Port's authority to collect PFCs will expire in March 2031, prior to the final stated maturity of the Series 2011A PFC Bonds in July 2031. Although the Port expects that it will obtain new PFC approvals before its current authority expires, no assurance can be given that the Port will be able to do so. The Master Ordinance requires the Port to take steps to ensure that sufficient moneys will be available in later years to pay debt service on the PFC Bonds and that the First Lien Sufficiency Covenant will be met in each of such years. See "SECURITY AND SOURCES OF PAYMENT FOR THE FIRST LIEN PFC BONDS—First Lien Sufficiency Covenant," "THE PFC PROGRAM" and "THE PFC PROGRAM AT THE PORT."

Bankruptcy Risks

The rights of the owners of the Series 2011A PFC Bonds and the enforceability of the Port's obligation to make payments on the Series 2011A PFC Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the Port's obligations will be qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Port.

Collecting Carrier Bankruptcies. In a bankruptcy proceeding involving a Collecting Carrier, it is possible that any PFCs held by the Collecting Carrier on behalf of the Port could become subject to the general claims of the Collecting Carrier's unsecured creditors. It is not possible to predict whether, or to what extent, a bankruptcy court would approve the transfer of such PFCs to the Port. See "THE PFC PROGRAM—Collection of the PFCs—Treatment of PFCs in Airline Bankruptcies."

Port Bankruptcy. The enforceability of the rights and remedies of the Series 2011A PFC Bondholders and of the obligations of the Port under the Ordinances are subject to the United States Bankruptcy Code (the "Bankruptcy Code") and to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under State law of certain remedies and to exercise by the United States of America of powers delegated to it by the United States Constitution.

The Port may be able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. Should the Port become the debtor in a bankruptcy case, the Series 2011A PFC Bondholders may not have a lien on PFCs received by the Port or the Trustee after the commencement of the bankruptcy case unless either (a) the pledge of PFCs by the Port constitutes a "statutory lien" within the meaning of the Bankruptcy Code or (b) the PFCs constitute "special revenues" within the meaning of the Bankruptcy Code. If PFCs are not special revenues or if the Series 2011A PFC Bondholders do not have a statutory lien on post-bankruptcy PFCs, delays or reductions in payments to the Series 2011A PFC Bondholders may result. There may also be delays in payments to the Series 2011A PFC Bondholders while a court considers these issues. Even if a court determines that PFCs are special revenues or that the Series 2011A PFC Bondholders do have a lien on post-bankruptcy PFCs, the court may permit the Port to spend such PFCs to pay costs of operation and maintenance of the Airport, notwithstanding any provision of the Ordinances or of the Airport Revenue Bond Ordinances to the contrary.

Demand for Air Travel

The Port's ability to derive PFC Revenue from its operation of the Airport depends in large part on the demand for air travel at the Airport. The level of aviation activity and enplaned passenger traffic at the Airport, in turn, depend upon a number of factors including local, regional, national and international economic and political conditions; international hostilities such as those presently occurring in Iraq, Afghanistan and elsewhere in the Middle East; world health concerns such as the 2002-2003 Severe Acute Respiratory Syndrome (or SARS) outbreak; aviation security concerns; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed in more detail in "Financial Condition of the Airlines" under this heading; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports; reliability of air service; and the availability and convenience of service at the Airport, among others. Many of these factors are outside the Port's control. Decreases in aviation activity and enplaned passenger traffic at the Airport would result in reduced PFC Revenue. A number of these factors are discussed in Appendix A—"REPORT OF THE AIRPORT CONSULTANT."

Economic Conditions

Historically, the level of air travel has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the United States to sustain growth in economic output and income. The United States recently experienced the longest recession in the post-World War II era. Since 2008, significant and dramatic changes have occurred in the financial markets. Several United States commercial and investment banks have become have become insolvent, were acquired by other financial institutions, combined with other financial institutions or sought massive infusions of capital. The volatility in the United States capital markets led the United States government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for greater regulation over certain institutions to restore confidence in the nation's financial markets. The short- and long-term effects of these developments on the broader economy cannot be predicted. There can be no assurance that such developments will not have an adverse effect on air travel.

Financial Condition of the Airlines

The Port's ability to derive PFC Revenue from its operation of the Airport depends in part upon the financial health of the airline industry. Since 2001, the global airline industry has undergone substantial structural changes and has sustained significant financial losses. After a period of improved cash flow beginning in 2005, airlines are again facing significant challenges. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the state of the United States economy, other regional and world economies, corporate profitability, security concerns and other factors. Structural changes to the industry are the result of a number of factors including the impact of low cost carriers, internet travel web sites and carriers reorganizing under the Bankruptcy Code. Since the events of September 11, 2001, a number of airlines filed for bankruptcy reorganization. See "Bankruptcy Risks" under this heading.

Faced with the growth of lower-cost airlines and evolving business technology, legacy airlines (American, Delta, United and US Airways) have been forced to change their business practices, including reducing or eliminating service on unprofitable routes, reducing their work forces, implementing pay cuts, reducing fares to compete with low-cost carriers, deferring aircraft deliveries, streamlining operations and significantly increasing the use of smaller, regional jets.

The price of fuel is one of the most significant factors impacting the airline industry. While some airlines have hedged fuel prices through the purchase of futures contracts, the substantial increase in fuel prices over the past decade has had a significant impact on profitability, and future fuel price increases or sustained higher prices could affect the financial condition of airlines and the level of service they provide. High fuel prices also have an adverse impact on air cargo volumes.

The aviation industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to a number of factors described in "Demand for Air Travel" under this heading. Further, airline debt levels remain high, many airlines have large unfunded pension obligations and many airlines have an aging aircraft fleet and/or aging computer systems. The airlines are vulnerable to fuel price spikes, labor activity, recession and external shocks (such as terrorism, pandemics. military conflicts and natural disasters). As a result, financial performance can fluctuate dramatically from one reporting period to the next. In addition, no assurance can be given that adverse events similar to the terrorist attacks on September 11, 2001 and related subsequent events will not happen in the future. The Port makes no representation with respect to the continued viability of any of the carriers serving the Airport, airline service patterns or the impact of any airline failures on PFC Revenue.

Consolidation of Airlines

Delta Air Lines and Northwest Airlines merged effective January 31, 2010. United Airlines and Continental Airlines merged effective October 1, 2010. Southwest acquired AirTran Airways effective May 2, 2011. Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by Alaska Airlines by the beginning of 2011. All ticket revenue is to go to Alaska Airlines, while the operating costs of Horizon Air would be covered by Alaska Airlines. In January 2011, Alaska Airlines announced that it will be retiring the Horizon Air brand. Such consolidations may result in fewer future enplanements.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in Iraq and Afghanistan and elsewhere in the Middle East) and terrorist attacks, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes. Intensified security precautions have been instituted by government agencies, airlines and airport operators, including the strengthening of aircraft cockpit doors, the federal program to allow and train domestic commercial airline pilots to carry firearms during flights, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed air marshals, federalization of airport security functions under the Transportation Security Administration, revised procedures and techniques for the screening of baggage for weapons and explosives and technology for the screening of passengers. No assurance can be given that these precautions will be successful. In addition, the possibility of international hostilities and/or further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior hostilities and/or further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

FAA Reauthorization

Congressional authorization for the FAA's operating authority, including various aviation programs and excise taxes, expired in 2007 and has been subsequently extended by Congress for short periods. The 20th such extension expired on July 22, 2011, and when Congress failed to enact another extension, FAA authorization lapsed. During this time, nonessential FAA employees were furloughed. Although air traffic controllers and other essential FAA employees continued to work, the taxing and spending powers of the FAA lapsed, and the FAA was unable to collect certain excise taxes and award grants, disrupting approximately $2.5 billion of airport construction projects nationwide. On August 5, 2011, Congress enacted a 21st extension that expired on September 16, 2011. On the day before the expiration of the 21st extension, Congress enacted a 22nd extension that will expire on January 31, 2012. The Port cannot predict the term and conditions of any future Congressional extension or reauthorization. Although the Port was not adversely affected by the lapse in FAA authorization in July 2011, failure of Congress to reauthorize the operating authority of the FAA in the future, or adverse changes in the conditions placed on such authority, could have an adverse impact on Airport operations.

PFC Bond Swaps

The Port has committed to pay a fixed rate and receive a variable rate under the PFC Bond Swaps. The Port generally expects that the variable rates it receives under the PFC Bond Swaps will be roughly equal to the variable rates payable on the Series 2011A PFC Bonds. However, disruptions in the bond or swap markets may cause the variable rates the Port receives to be lower than the variable rates the Port pays, increasing debt service costs to the Port above the level the Port currently anticipates. In addition, as of June 30, 2011, the PFC Bond Swaps had and can be expected to continue to have a negative fair value, because the Port received cash payments in connection with entering into the PFC Bond Swaps. As a result, the Port would likely be required to pay substantial amounts if the PFC Bond Swaps were terminated prior to their scheduled termination dates. The PFC Bond Swaps may be terminated for a variety of reasons beyond the Port's control, including adverse changes in the credit quality of the Port's counterparties. See "PORTLAND INTERNATIONAL AIRPORT—Interest Rate Swaps" and "THE PFC PROGRAM AT THE PORT—PFC Bond Swaps."

Uncertainties of Forecasts and Assumptions

This Official Statement, and particularly the information in "REPORT OF THE AIRPORT CONSULTANT—Projected PFC Bond Debt Service Coverage and First Lien Sufficiency Covenant Coverage" and in Appendix A—"REPORT OF THE AIRPORT CONSULTANT," contains statements relating to future results that are "forward looking statements." When used in this Official Statement and its appendices, the words "estimate," "forecast," "intend," "expect," "projected" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among many factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed interest rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general or specific airlines, federal, State or local legislation and/or regulations, changes in the Port's operational plans and procedures and regulatory and other restrictions, including those that may affect the ability to undertake, the timing or the costs of certain projects or operations. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limitation of Remedies

The Ordinances provide limited remedies upon the occurrence of a Default. The availability of those remedies may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; the application of equitable principles and the exercise of judicial discretion in appropriate cases; common law and statutes affecting the enforceability of contractual obligations generally; and principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Port. The Port cannot assure that the remedies provided in the Ordinances will be available or effective if a Default occurs.

Risk of Tax Audit of Municipal Issuers

The Internal Revenue Service (the "IRS") has established an ongoing program to audit tax-exempt obligations (such as the Series 2011A PFC Bonds) to determine whether interest on those obligations is includable in gross income for federal income tax purposes. Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") cannot predict whether the IRS will commence an audit of the Series 2011A PFC Bonds. Beneficial Owners of the Series 2011A PFC Bonds are advised that, if the IRS does audit the Series 2011A PFC Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Port as the taxpayer, and the Beneficial Owners of the Series 2011A PFC Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series 2011A PFC Bonds until the audit is concluded, regardless of the ultimate outcome.

Future Legislation and Regulations

The operation of the Airport and the ability of the Port to generate PFC Revenue sufficient to pay the Series 2011A PFC Bonds may be adversely affected by future federal, state or local legislation or regulations that affect the Airport directly or affect activities at the Airport. Legislation or regulations that could adversely affect the PFC Revenue includes legislation or regulations limiting the use of Airport properties, legislation or regulations imposing additional liabilities or restrictions on the operation of the Airport or the airlines and other persons using the Airport, changes in environmental laws or regulations, reductions in federal funding for the Airport and elimination or reduction of the ability of the Port to impose PFCs or other fees and charges for use of Airport products or services. State laws may be enacted by citizen initiative, in addition to laws enacted by the Oregon Legislative Assembly.

In addition, the United States Congress could enact legislation making interest on the Series 2011A PFC Bonds includable in gross income, and the Oregon Legislative Assembly could enact legislation subjecting interest on the Series 2011A PFC Bonds to State personal income taxation. The Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2011A PFC Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2011A PFC Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A PFC Bonds. Prospective purchasers of the Series 2011A PFC Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation.

CONTINUING DISCLOSURE

The Port has covenanted for the benefit of registered and beneficial holders of the Series 2011A PFC Bonds to provide certain financial information and operating data relating to the Airport (the "Annual Report") no later than nine months after the end of the preceding Fiscal Year, beginning with the Port's Fiscal Year ended June 30, 2011, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events are to be filed by the Port with the Municipal

Securities Rulemaking Board (the "MSRB") through the electronic municipal market access system ("EMMA") established by the MSRB. The specific nature of the information to be contained in the Annual Report and in the notices of material events is set forth in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Port has always complied in all material respects with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 relating to the provision of Annual Reports or notices of material events.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A PFC Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2011A PFC Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Series 2011A PFC Bonds is exempt from personal income taxation by the State of Oregon. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F.

To the extent that the issue price of any maturity of the Series 2011A PFC Bonds is less than the amount to be paid at maturity of such Series 2011A PFC Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A PFC Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A PFC Bonds which is excluded from gross income for federal income tax purposes and State of Oregon personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2011A PFC Bonds is the first price at which a substantial amount of such maturity of the Series 2011A PFC Bonds is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A PFC Bonds accrues daily over the term to maturity of such Series 2011A PFC Bonds on the basis of a constant interest rate compounded semiannually (with straight line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011A PFC Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Series 2011A PFC Bonds. Beneficial Owners of the Series 2011A PFC Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series 2011A PFC Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A PFC Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A PFC Bonds is sold to the public.

The Series 2011A PFC Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Series 2011A PFC Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2011A PFC Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a Beneficial Owner's basis in a Premium Series 2011A PFC Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2011A PFC Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A PFC Bonds. The Port has made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A PFC Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A PFC Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A PFC Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2011A PFC Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A PFC Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011A PFC Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A PFC Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A PFC Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2011A PFC Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2011A PFC Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A PFC Bonds. Prospective purchasers of the Series 2011A PFC Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A PFC Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Port, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Port has covenanted, however, to comply with the requirements of the Code.

Bond Counsel is not obligated to defend the Port or the Beneficial Owners regarding the tax exempt status of the Series 2011A PFC Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Port and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax exempt bonds is difficult, obtaining an independent review of IRS positions with which the Port legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A PFC Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2011A PFC Bonds, and may cause the Port or the Beneficial Owners to incur significant expense.

APPROVAL OF LEGAL MATTERS

Issuance of the Series 2011A PFC Bonds is subject to receipt of the approving opinions of Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Bond Counsel to the Port. The form of the opinion of Bond Counsel with respect to the Series 2011A PFC Bonds is attached as Appendix F. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time Bond Counsel serves as counsel to the Underwriters on matters that do not relate to the Port or the Series 2011A PFC Bonds.

Certain legal matters will be passed upon for the Port by Carla Kelley, Esq., General Counsel to the Port. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. Neither Ms. Kelley nor Foster Pepper PLLC is rendering an opinion as to the validity or tax status of the Series 2011A PFC Bonds. Any opinion of Foster Pepper PLLC will be rendered solely to the Underwriters, will be limited in scope and cannot be relied upon by investors.

TRUSTEE

The information under this heading has been provided solely by the Trustee and is believed to be reliable, but has not been verified independently by the Port. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Port.

Wells Fargo Bank, National Association, Portland, Oregon, serves as trustee, paying agent and registrar for the Series 2011A PFC Bonds. The corporate trust office of the Trustee is presently located at: 1300 S.W. Fifth Avenue, 11th Floor, Portland, Oregon 97201.

The Trustee's duties are as set forth in the Ordinances, which provide that the Trustee is undertaking no duties except in accordance with the terms of the Ordinances. In negotiating the terms of the Ordinances, the Trustee is not acting in any fiduciary capacity; the Trustee acts only for itself and its own interest, rather than on behalf of the owners or prospective owners of the Series 2011A PFC Bonds. After issuance of the Series 2011A PFC Bonds, the Trustee acts only pursuant to the specific terms of the Ordinances. In so doing, the Trustee is a fiduciary only for the purposes of carrying out those responsibilities specifically described in the Ordinances. The Trustee does not at any time assume any other duties or become or agree to act as a general fiduciary with respect to the owners of the Series 2011A PFC Bonds.

Except for the contents of this section relating to the Trustee, Wells Fargo Bank, National Association, as Trustee, assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Ordinances or the Series 2011A PFC Bonds, or for the validity, sufficiency or legal effect of any such documents. The Trustee has no oversight responsibility and is not accountable for the use or application by the Port of any of the proceeds of the Series 2011A PFC Bonds, except as provided in the Ordinances. Wells Fargo Bank, National Association has not evaluated the risks, benefits or propriety of any investment in the Series 2011A PFC Bonds and makes no representations, and has reached no conclusions, regarding the value or condition of the assets pledged or assigned as security for the payment of the Series 2011A PFC

Bonds or the investment quality of the Series 2011A PFC Bonds, about all of which Wells Fargo Bank, National Association expresses no opinion and disclaims the expertise to evaluate.

INDEPENDENT ACCOUNTANTS

The financial statements for the Port, including information for the Airport, for the year ended June 30, 2010, with comparative totals for the year ended June 30, 2009, attached as Appendix B, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

RATING

Standard & Poor's Ratings Services ("Standard & Poor's") has assigned its rating of "A" to the Series 2011A PFC Bonds. Such rating reflects only the views of the rating agency, and any desired explanation of the significance of such rating should be obtained from Standard & Poor's at the following address: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price or the availability of a secondary market for the Series 2011A PFC Bonds.

UNDERWRITING

The Series 2011A PFC Bonds are to be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on its own behalf and as representative of Goldman, Sachs & Co. (collectively, the "Underwriters"), at a price of $81,545,873.17 (representing the aggregate principal amount of the Series 2011A PFC Bonds, plus a net original issue premium of $6,117,441.00, less an underwriters' discount of $241,567.83). The Bond Purchase Agreement between the Port and the Underwriters provides that the Underwriters will purchase all of the Series 2011A PFC Bonds if any are purchased and that the purchase of the Series 2011A PFC Bonds is subject to the conditions set forth in that Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2011A PFC Bonds to certain dealers or unit investment trusts and money market or other funds and others at lower prices than the initial offering prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed from time to time by the Underwriters without notice.

MISCELLANEOUS

The descriptions herein and in the appendices of the Ordinances, the Supplemental Action and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are on file with the Port, for full and complete statements of their provisions. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement.

All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

This Official Statement should not be construed as a contract or agreement between the Port or the Board and the purchasers or holders of any of the Series 2011A PFC Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Port.

THE PORT OF PORTLAND

By /s/ Vincent Granato

Chief Financial Officer
and Director of Financial & Administrative Services

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APPENDIX A

The Port of Portland
Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A

Report of the Airport Consultant

Ricondo & Associates, Inc.
105 East Fourth Street, Suite 1700
Cincinnati, OH 45202
513.651.4700 telephone
513.412.3570 facsimile

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RICONDO
& ASSOCIATES

October 12, 2011

Mr. Bill Wyatt
Executive Director
The Port of Portland
7200 NE Airport Way
Portland, Oregon 97218

RE: The Port of Portland
Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A
Appendix A: Report of the Airport Consultant

Dear Mr. Wyatt:

This report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by the Port of Portland (the Port) and reviewed by Ricondo & Associates, Inc. (R&A), in conjunction with the Port's planned issuance of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (the Series 2011 PFC Bonds), for Portland International Airport (the Airport). This report is intended for inclusion in the Official Statement for the Series 2011 PFC Bonds as Appendix A: Report of the Airport Consultant.

The Port, a port district of the State of Oregon (the State), owns and operates the Airport. The Port also owns and operates two general aviation airports. In addition, the Port owns, operates, develops or maintains public maritime terminals, a dredge, business and industrial parks, and other properties. The Airport is operated by the Port as an independent enterprise and is separate from all other Port enterprises. The Port is governed by a nine-member Board of Commissioners appointed by the Governor of Oregon and confirmed by the Oregon State Senate.

Planned Series 2011 PFC Bonds

Proceeds of the Series 2011 PFC Bonds will be used to (1) fund a portion of the costs of certain Airport improvements including the South Runway Rehabilitation Project and the Deicing System Improvements Project (each described in Section 4.3 of this report and collectively referred to as the Series 2011 PFC Bond Projects); (2) repay draws on a non-revolving letter of credit, the proceeds of which were used to finance a portion of the costs of the Series 2011 PFC Bond Projects; (3) fund required debt service reserve amounts; and (4) pay the costs of issuance of the Series 2011 PFC Bonds, all as more fully described in Chapter V (PFC Financial Analysis) of this report. Estimated debt service for the planned Series 2011 PFC Bonds is incorporated in tables included in Chapter V of this report.

In addition to using PFC Revenue to make debt service payments on Series 1999B PFC Bonds, Series 2009A PFC Bonds, and Series 2011 PFC Bonds, the Port plans to use available PFC Revenue in Fiscal Year[1] (FY) 2012, FY 2013, and FY 2014 (totaling approximately $30.3 million) to redeem certain outstanding Series 1999B Bonds. These redemptions are expected to decrease annual Series 1999B PFC Bond debt service by approximately $4.3 million to $7.0 million in FY 2013 through FY 2018. The planned redemptions are incorporated in the PFC cash flow projections presented in this report (see Table V-5). Projections of PFC Bond debt service coverage ratios reflected in this report (see Table V-6) are shown both with and without the planned redemptions of Series 1999B Bonds. For the purposes of calculating the First Lien Sufficiency Covenant coverage ratio (see Table V-7), the estimated debt service reductions resulting from the planned redemptions of Series 1999B Bonds are not assumed.

Additional PFC Bonds

The Port estimates that additional PFC Bonds will not be required to complete the Series 2011 PFC Bonds Projects. Currently, the Port does not anticipate issuing any other PFC Bonds (after the issuance of Series 2011 PFC Bonds) between FY 2012 and FY 2019 (the Projection Period), although the Port reserves the right to do so.

PFC Bond Ordinances

Port Ordinance No. 395-B (as amended and supplemented by Ordinance No. 422-B), referred to in this report as the Master PFC Bond Ordinance, authorizes the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC Bonds). The Series 2011 PFC Bonds are being issued pursuant to various provisions in the Master PFC Bond Ordinance and Port Ordinance No. 442-B (the Series 2011 PFC Bond Ordinance) enacted by the Port on September 14, 2011. The Master PFC Bond Ordinance and the Series 2011 PFC Bond Ordinance are referred to collectively in this report as the PFC Bond Ordinances. Except as defined otherwise, the capitalized terms used in this letter and in Chapter V of this report are as defined in the PFC Bond Ordinances. All of the Port's currently outstanding PFC Bonds are First Lien PFC Bonds. The PFC Bond Ordinances allow for the issuance of Subordinate Lien PFC Obligations but none have been issued to date. The Series 2011 PFC Bonds are planned to be issued as First Lien PFC Bonds. For the purposes of this report, any reference to PFC Bonds, unless otherwise stated, refers to First Lien PFC Bonds.

The PFC Bond Ordinances provide that PFC Bonds are payable solely from and secured solely by PFC Revenue and Additional Pledged Revenue, if any; provided, however, that any Series of PFC Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for such Series of PFC Bonds. PFC Revenue means all revenue received by the Port from time to time from PFCs authorized by the Federal Aviation Administration (FAA) and imposed by the Port

[1] The Port's fiscal year is the 12-month period ending June 30.

on eligible enplaning passengers at the Airport, and investment income therefrom. No additional approvals are required from the FAA for PFC Revenue to be used to pay debt service on the Series 2011 PFC Bonds. Additional Pledged Revenue means any income, receipt, or revenue of the Port (other than PFC Revenue) legally available and pledged irrevocably to the payment of debt service on PFC Bonds. The financial projections reflected in this report (1) do not assume any Additional Pledged Revenue during the Projection Period and (2) assume the PFC level at the Airport remains at $4.50 throughout the Projection Period.

The PFC Bond Ordinances require that certain covenants be met while PFC Bonds are outstanding and that certain financial tests be met before additional PFC Bonds can be issued. This report presents estimates of debt service coverage for each year of the Projection Period to demonstrate the Port's ability to meet certain requirements of the PFC Bond Ordinances.

Given PFC Revenue collected to date and projections of future PFC Revenue, the FAA and the Port estimate that the Port's current PFC Authority will result in an anticipated PFC expiration date of March 1, 2031 (prior to the expected final maturity of the Series 2011 PFC Bonds in July 1, 2031). The Port may only use PFC Revenue for projects and amounts specified in PFC approvals (including debt service) received from the FAA. The First Lien Sufficiency Covenant generally requires that remaining PFC Authority be equal to or exceed remaining PFC Bond debt service obligations at all times. If the Port collects cumulative PFC Revenue equal to its PFC Authority prior to the final maturity date of any outstanding PFC Bonds, the Port will be required to reserve PFC Revenue, along with Additional Pledged Revenue, if any, sufficient to meet the then-remaining PFC Bond debt service obligations. The First Lien Sufficiency Covenant projections presented in this report (see Section 5.8) demonstrate the Port's ability to meet the First Lien Sufficiency Covenant, assuming, for the purposes of those calculations, that the Port does not receive any future PFC approvals from the FAA. The Port expects to submit future PFC applications and expects to receive future FAA approvals for such applications that would extend the PFC expiration date. The use of PFC Revenue on a pay-as-you-go basis for projects and PFC funding expected to be included in future PFC applications is reflected in this report for purposes of PFC cashflow projections, but as stated above, is not incorporated in First Lien Sufficiency Covenant calculations.

Review of Port Projections and Findings

The Port prepared the aviation activity projections for the Airport. Ricondo & Associates, Inc. reviewed the Port's aviation activity projections, prepared the PFC Bond financial projections, and developed the findings and conclusions contained herein.

It is the opinion of Ricondo & Associates, Inc. that the Port's aviation activity projections and underlying assumptions provide a reasonable basis from which to prepare the financial projections reflected in this report. Based on the assumptions, information, and analyses described in this report, we provide the following findings and opinions:

1. PFC Revenue is projected to be sufficient to meet deposits required (including principal and interest payments) under the PFC Bond Ordinances in each year of the Projection Period.
2. Debt Service coverage for First Lien PFC Bonds is projected to be at least 2.00 times in each year of the Projection Period.
3. Unspent PFC Authority is projected to be sufficient to meet the First Lien Sufficiency Covenant in each year FY 2012 to FY 2031 (the final maturity date of the Series 2011 PFC Bonds).

Additional findings and opinions include:

Economic Base

- The Air Trade Area (i.e., the geographical area primarily served by the Airport) has a broad and diverse economic base. The State of Oregon's Office of Economic Analysis is projecting significant job growth in the Air Trade Area and the State of Oregon over the Projection Period. Oregon's Gross State Product, a measurement of the economic output of the Air Trade Area and the State of Oregon, is projected to have the second highest growth rate in the nation over the coming years.
- Demand for air service is highly correlated to demographic trends and economic activity within the Air Trade Area.
  - There is typically a direct relationship between population growth and long-term air travel demand. Air Trade Area population is projected to grow at a compound annual growth rate (CAGR) of 1.5 percent during the Projection Period, significantly higher than projected growth rates for the State of Oregon (1.2 percent) and the United States (1.0 percent) for the same period.
  - People between the ages of 35 and 54 tend to travel the most, and individuals with a college degree are more likely to travel by air. In 2009, Air Trade Area residents between the ages of 35 and 54 made up 29.2 percent of the population, a greater percentage than in the State of Oregon (27.5 percent) and the United States (28.1 percent). Approximately 33.9 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree), significantly higher than in both the State (29.1 percent) and the United States (27.9 percent).

- As household income increases, air travel becomes more affordable and, therefore, is used more frequently. In 2010, 39.5 percent of households in the Air Trade Area had household incomes of $60,000 or more, higher than the percentage of households in this income category for the State of Oregon (34.0 percent) and the United States (37.3 percent).
- Annual unemployment rates for the Air Trade Area from 2000-2010 were typically below those for the State of Oregon but higher than those experienced by the United States. The Air Trade Area's unemployment rate (non-seasonally adjusted) was 9.1 percent in July 2011. This rate was lower than the unemployment rate experienced by the State of Oregon (9.4 percent) and the unemployment rate experienced by the United States during the same period (9.3 percent).
- Nonagricultural employment in the Air Trade Area decreased at a compounded annual rate of 0.1 percent between 2000 and 2010, compared to decreases of 0.1 percent and 0.2 percent for the State of Oregon and the United States, respectively, during this same period. Between 2000 and 2010, Air Trade Area employment growth occurred in the government (CAGR of 1.3 percent) and services (CAGR of 1.1 percent) sectors.
- Although Air Trade Area housing prices are down 27.7 percent from their mid-2007 peak (compared with a 31.6 percent decrease from peak nationally) the Air Trade Area housing market is expected to bottom shortly with Air Trade Area housing prices anticipated to return to their 2007 peak in 2018.
- Fortune 500 employers are well represented in the Air Trade Area through companies such as Intel, Nike (headquartered in the Air Trade Area), Wells Fargo, U.S. Bancorp, Xerox and Precision Castparts. The Air Trade Area has established notable industry clusters in semiconductor manufacturing, creative services, the footwear and outdoor industries and wind energy.

• As evidenced by the Air Trade Area's projected population growth, the significant percentage of households in higher income categories and the presence of prominent Fortune 500 companies in the Air Trade Area, the economic base of the Air Trade Area is capable of supporting increased demand for air travel at the Airport during the Projection Period.

Air Traffic

• Based on a review of historical growth trends in passenger traffic at the Airport, analysis of scheduled airline service and recent announcements, and linear regression modeling of key socioeconomic variables, it is our opinion that the Port's projections of enplaned passenger traffic at the Airport, reflecting a CAGR of 2.2 percent between FY 2011 and FY 2019, can realistically be attained during the Projection Period and provide a reasonable basis from which to prepare financial projections.

- After four straight quarters of decline, the U.S. economy resumed growth in the fourth quarter of 2009, driven in part by government stimulus packages. While enplaned passengers decreased 10.7 percent at the Airport in FY 2009 from FY 2008 levels, the subsequent modest 2.4 percent decrease in FY 2010 indicated a recovery was occurring. Reflecting the return of economic growth, Airport enplanements increased 4.2 percent in FY 2011 and the Port expects a continuation of modest growth in enplaned passenger activity at the Airport to occur in FY 2012 (a 1.8 percent growth in FY 2012 from FY 2011 levels).
- The 2.2 percent enplaned passenger growth rate assumed by the Port for FY 2013 to FY 2019 is significantly lower than the CAGR of 3.5 percent for enplaned passengers at the Airport between FY 2002 and FY 2008. The period FY 2002 to FY 2008 (following the significant decrease in enplaned passengers as a result of September 11 and the nationwide economic slowdown, and prior to the significant decrease in FY 2009) could generally be characterized as a period of normal growth for the Airport, or as a period that was not adversely affected by significant nationwide events.
- Following the events of September 11, 2001 and the economic slowdown between 2000 to 2003, enplaned passengers at the Airport returned to the peak 2000 level within five years, as was the case for domestic enplaned passengers nationwide. The Port's current projection of enplaned passengers reflects a return to the FY 2008 level (7.4 million) in FY 2016.

• The Port's projection of enplaned passengers at the Airport for the longer-term (FY 2013 through FY 2019) reflects a lower CAGR at 2.2 percent relative to the growth rates the Federal Aviation Administration (FAA) is projecting for nationwide domestic enplaned passengers at a CAGR of 3.1 percent for federal fiscal years 2013 to 2019, even though passenger growth at the Airport has generally been similar to passenger growth for the nation. In addition, the FAA is projecting the Airport to increase at a CAGR of 3.1 percent during this same period in its latest Terminal Area Forecast (TAF).

  - For the 12-month periods ending September 30, 1998 to 2008, enplaned passengers at the Airport grew at a CAGR of 1.5 percent, compared to a CAGR of 1.4 percent for domestic U.S. enplaned passengers for the same period.
  - Enplaned passengers at the Airport (and nationwide) decreased substantially in FY 2009 as fuel costs escalated, airlines raised prices and reduced capacity, and the nationwide economic recession (which began in December 2007) continued.

- The Airport has had the benefit of a diverse and stable air carrier base, which has helped promote competitive pricing and scheduling diversity. As of September 2011, the Airport had scheduled passenger service provided by 14 U.S. airlines and two foreign flag carriers. In addition, scheduled cargo service is provided by eight all-cargo carriers. Scheduled passenger service at the Airport is provided by 11 of the 13 major U.S. passenger airlines (which are the largest U.S. passenger airlines in terms of their total annual revenues).
- The Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements (it is the busiest medium hub nationwide); and ranked 30th nationwide based on total passengers in CY 2010 with 13.2 million enplaned and deplaned passengers.[2]
- Based on FY 2011 data, the Port estimates that origin-destination (O&D) passengers (i.e., passengers either beginning or ending their trips at the Airport) account for approximately 84 percent of total passengers at the Airport. As of September 2011, daily nonstop service was provided to 47 cities with a total of 233 daily flights, with 10 daily nonstop flights to Las Vegas, the Airport's top O&D market, and 37 daily nonstop flights to Seattle. Each of the Airport's primary (i.e., top 20) O&D markets is provided nonstop service.
- New passenger and all-cargo service at the Airport was initiated in September 2011. Asiana Cargo initiated nonstop service from the Airport to its Incheon, Korea hub on September 2, 2011, connecting Oregon and southwest Washington businesses with Asia. In addition, Spirit Airlines initiated nonstop service to the Airport's top-ranked O&D market (Las Vegas), with two daily flights beginning on September 22, 2011.
- With the exception of Seattle and Spokane, each of the Airport's top 20 O&D markets in FY 2010 is located 300 miles or more from the Airport, with six of the top 20 O&D markets located 1,000 miles or more from the Airport. Given the distance to these top markets, for most passengers driving is generally not a reasonable alternative to taking a flight from the Airport.

The techniques used in this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes the approach and assumptions utilized by the Port and R&A are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of the Port's projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material. R&A has no responsibility to update this report for events or circumstances occurring after the date of this report.

R&A complies with the recently enacted regulations related to Municipal Advisors, as they pertain to consulting firms such as R&A. Based on the definition of "Municipal Advisor" put forth in the

2 *Traffic Data 2010*, Airports Council International.

Securities and Exchange Commission's (SEC) proposed rule implementing Section 975 of Title IX of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which includes firms providing feasibility studies for inclusion in an official statement for a municipal bond transaction, R&A has registered with both the SEC and the Municipal Securities Rulemaking Board as a Municipal Advisor.

Sincerely,

RICONDO & ASSOCIATES, INC.

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LIST OF EXHIBITS

Exhibit No.

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I. Introduction

1.1 Background

The Port of Portland (the Port) was created in 1891 as a political subdivision of the State of Oregon (the State) and established by an act of the Oregon Legislative Assembly. The Port is responsible for aviation and marine trade within the Port District (consisting of Clackamas, Multnomah, and Washington counties, including the City of Portland). The Port owns and operates Portland International Airport, and also owns and operates two general aviation airports. In addition, the Port owns, operates, develops or maintains public maritime terminals, a dredge, business and industrial parks, and other properties. The Airport is operated as an independent enterprise by the Port and is separate from other Port enterprises, including the general aviation airports (although, from an operational perspective, the general aviation airports serve as reliever airports for the Airport). Under Ordinance No. 323 (one of the Port's existing ordinances authorizing the issuance of Airport Revenue Bonds), Revenues from the Airport, after meeting all other required obligations, can be used to fund projects at the general aviation airports. The Port's general overhead attributable to the Airport is charged to the Airport.

The Port is governed by a nine-member Board of Commissioners appointed by the Governor of Oregon and confirmed by the Oregon State Senate. Commissioners serve a 4-year term and can be reappointed. The Board appoints an Executive Director, who is responsible for the day-to-day management of the Port.

The Port funds operations at the Airport with revenues generated from Airport rentals, fees and charges. Capital improvements at the Airport are funded by the Port with: (1) revenues generated from Airport rentals, fees and charges; (2) Airport Revenue Bond proceeds, (3) federal and state grants-in-aid, (4) passenger facility charge (PFC) revenues (on a pay-as-you-go basis), and (5) PFC Bond proceeds. The Port maintains its financial records in accordance with generally accepted accounting principles as they apply to governmental entities.

The Port's PFC Bonds are not currently (and are not expected to be) secured by a pledge of any revenue, other than PFC Revenue, derived by the Port from the general operation of the Airport. Therefore, detailed information, including projected operating revenue and expenses, related to the general operation of the Airport is not included in this report.

1.2 Planned Series 2011 PFC Bonds

The Port plans to issue its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (the Series 2011 PFC Bonds) to (1) fund a portion of the costs of certain Airport improvements including the South Runway Rehabilitation Project and the Deicing Project (each described in Section 4.3 of this report and collectively referred to as the Series 2011 PFC Bond Projects); (2) repay draws on a non-revolving credit facility, the proceeds of which were used to finance a portion of the costs of the Series 2011 PFC Bond Projects; (3) fund required debt service reserve amounts; and (4) pay the costs of issuance of the Series 2011 PFC Bonds, all as more fully described in Chapter V (PFC Financial Analysis) of this report. Estimated debt service for the planned Series 2011 PFC Bonds is incorporated in tables included in Chapter V of this report.

In addition to using PFC Revenue to make debt service payments on Series 1999B PFC Bonds, Series 2009A PFC Bonds, and Series 2011 PFC Bonds, the Port plans to use available PFC funds in FY 2012, FY 2013, and FY 2014 (totaling approximately $30.3 million) to redeem certain outstanding Series 1999B Bonds. These redemptions are expected to decrease annual Series 1999B

PFC Bond debt service by approximately $4.3 million to $7.0 million in FY 2013 through FY 2018. The planned redemptions are incorporated in the PFC cash flow projections presented in this report (see Table V-5). Projections of PFC Bond debt service coverage ratios reflected in this report (see Table V-6) are shown both with and without the planned redemptions of Series 1999B Bonds. For the purposes of calculating the First Lien Sufficiency Covenant coverage ratio (see Table V-7), the estimated debt service reductions resulting from the planned redemptions of Series 1999B Bonds are not incorporated.

Port Ordinance No. 395-B (as amended and supplemented by Ordinance No. 422-B), referred to in this report as the Master PFC Bond Ordinance, authorizes the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC Bonds). The Series 2011 PFC Bonds are being issued pursuant to various provisions in the Master PFC Bond Ordinance and Port Ordinance No. 442-B (the Series 2011 PFC Bond Ordinance) enacted by the Port on September 14, 2011. The Master PFC Bond Ordinance and the Series 2011 PFC Bond Ordinance are referred to collectively in this report as the PFC Bond Ordinances. Except as defined otherwise, the capitalized terms used in this chapter and in Chapter V of this report are as defined in the PFC Bond Ordinances.

All of the Port's currently outstanding PFC Bonds are First Lien PFC Bonds. The PFC Bond Ordinances allow for the issuance of Subordinate Lien PFC Obligations but none have been issued to date. The Series 2011 PFC Bonds are planned to be issued as First Lien PFC Bonds. For the purposes of this report, any reference to PFC Bonds, unless otherwise stated, refers to First Lien PFC Bonds.

The PFC Bond Ordinances provide that PFC Bonds are payable solely from and secured solely by PFC Revenue and Additional Pledged Revenue, if any; provided, however, that any Series of PFC Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for such Series of PFC Bonds. PFC Revenue means all revenue received by the Port from time to time from PFCs authorized by the Federal Aviation Administration (FAA) and imposed by the Port on eligible enplaning passengers at the Airport, and investment income therefrom. No additional approvals are required from the FAA for PFC Revenue to be used to pay debt service on the Series 2011 PFC Bonds. Additional Pledged Revenue means any income, receipt, or revenue of the Port (other than PFC Revenue) legally available and pledged irrevocably to the payment of debt service on PFC Bonds. The financial projections reflected in this report (1) do not assume any Additional Pledged Revenue during the Projection Period and (2) assume the PFC level at the Airport remains at $4.50 throughout the Projection Period.

The PFC Bond Ordinances require that certain covenants be met while PFC Bonds are outstanding and that certain financial tests be met before additional PFC Bonds can be issued. As discussed below, this report presents estimates of debt service coverage for each year of the Projection Period to demonstrate the Port's ability to meet certain requirements of the PFC Bond Ordinances.

As stated in Section 1.1 above, First Lien PFC Bonds are not currently (and are not expected to be) secured by a pledge of any revenues, other than PFC Revenue, derived by the Port from the general operation of the Airport. Therefore, detailed information, including projected operating revenues and expenses, related to the general operation of the Airport is not included in this report.

1.3 General Description of the Airport

The Airport is located approximately 12 miles northeast of downtown Portland. The Airport's general air trade area (the Air Trade Area) consists of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in the State of Oregon and Clark and Skamania counties in the State of Washington.

The Airport is the only commercial air service facility within the Air Trade Area and is relatively isolated from competing air service facilities. Seattle-Tacoma International Airport, which is the closest airport with comparable facilities, is approximately 170 miles (driving distance) away from downtown Portland. The only other commercial service airports in the State are much smaller than the Airport in terms of air service provided.

The Airport principally serves origin-destination passengers, which are estimated by the Port to account for approximately 84 percent of total Airport passengers (based on FY 2011 data), with the remaining 16 percent of Airport passengers connecting between flights. The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplaned passengers;[1] and ranked 30th nationwide in total passengers in CY 2010 with 13.2 million enplaned and deplaned passengers (the busiest U.S. medium hub facility).[2]

1.4 Report Summary

This Report of the Airport Consultant is organized as follows:

- **Chapter I—Introduction.** Provides an overview of the Port and its governance; a summary of the planned issuance of Series 2011 PFC Bonds; and a general description of the Airport.
- **Chapter II—Economic Base for Air Transportation.** Provides a description of the general economy of the Air Trade Area and relevant economic and demographic trends.
- **Chapter III—Air Traffic.** Presents historical and projected aviation activity at the Airport.
- **Chapter IV—Airport Facilities and Capital Program.** Provides a description of the projects being funded with the proceeds of the Series 2011 PFC Bonds and associated project costs. Chapter IV also provides descriptions and associated costs for other future capital projects planned at the Airport. Estimated debt service for the planned Series 2011 PFC Bond Projects is incorporated in Chapter V of this report.
- **Chapter V—PFC Financial Analysis.** Presents a review of the PFC Bond Ordinances; the PFC program at the Airport; the Series 2011 PFC Bonds; historical and projected PFC Revenue; projected PFC Bond debt service coverage; and projected First Lien Sufficiency Covenant coverage.

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1 As defined by the FAA, a medium hub airport enplanes more than 0.25 percent and less than 1.0 percent of nationwide enplaned passengers during a calendar year. This definition equates to an airport enplaning between 1,778,160 and 7,112,641 passengers in CY 2010, the latest year for determining airport hub size. Based on Airport records, the Airport had 6,594,269 enplaned passengers in CY 2010.

2 *Traffic Data 2010*, Airports Council International.

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II. Economic Base for Air Transportation

The demand for air transportation at a particular airport is, to a large degree, a function of the demographic and economic characteristics of the airport's air trade area (i.e., the geographical area served by an airport). The correlation between demand at the Airport and the economic vitality of its air trade area is particularly strong as most of the Airport's passenger activity is origin and destination (O&D) in nature, indicating that passengers either begin or end their trips at the Airport (whether they reside, work, or commute for work in the Portland area, or travel to the Portland area for business or vacation), as opposed to connecting through the Airport to reach another destination. Based on FY 2011 data, the Port estimates that O&D passengers account for approximately 84 percent of total passengers at the Airport. Therefore, passenger activity at the airport reflects demand generated through local, national, and international economic conditions and the airlines' ability to serve this demand, rather than the operational and scheduling decisions of a particular airline or airlines.

This chapter profiles the Portland regional economy, including current conditions and trends. This chapter presents data that indicates that the economic base of the Airport's air trade area is capable of generating increased demand for air travel at the Airport during the Projection Period.

2.1 Air Trade Area

The borders of an air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. The Portland air trade area (hereinafter referred to as the Air Trade Area) represents the region around the Airport that captures the majority of the Airport's O&D passengers. For purposes of this Report, the Air Trade Area is defined as the Portland-Vancouver-Beaverton, OR-WA Metropolitan Statistical Area (MSA), which consists of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in the State of Oregon, and Clark and Skamania counties in the State of Washington.

Exhibit II-1 depicts the geographical location of the Airport's Air Trade Area as well as the Airport's proximity to alternative commercial service airports. The Airport is the only commercial service airport within the Air Trade Area and is relatively isolated from other competing facilities. Seattle-Tacoma International Airport, the closest airport with comparable facilities, is located almost 170 highway miles from downtown Portland. The only other competing commercial service airports are smaller airports located at least 100 highway miles from downtown Portland.

2.2 Demographic Profile

2.2.1 Population Growth

Actual and projected population growth in a region is a key indicator for assessing demand for air travel. **Table II-1** presents historical and projected population for the Air Trade Area, the State of Oregon, and the entire United States. Based on 2010 population counts from the new 2010 Census data, Multnomah County (where the City of Portland is located) was the most populated county in the Air Trade Area, accounting for 33.0 percent of the total Air Trade Area's population in 2010, with 735,334 of the 2,226,009 inhabitants in the Air Trade Area. The Air Trade Area's share of population within the State of Oregon was approximately 58.1 percent in 2010 (up from 56.3 percent in 2000). Clark and Skamania Counties (in the State of Washington), which represented approximately 19.6 percent of the Air Trade Area's population in 2010, accounted for only 6.5

LEGEND

Commercial Service Airport

Air Trade Area

Driving Distance from Downtown Portland	
Portland International Airport	12 mi.
Eugene Airport	116 mi.
Redmond Municipal Airport	148 mi.
Yakima Air Terminal	186 mi.
Seattle-Tacoma Int'l Airport	167 mi.

Source: Map Resources, 2007.
Prepared by: Ricondo & Associates, Inc., July 2011.

Exhibit II-1

Air Trade Area

Table II-1

Historical & Projected Population

	Historical			Projected	Compounded Annual Growth Rate			
					Historical			Projected
Area	1990	2000	2010	2019	1990-2000	2000-2010	1990-2010	2010-2019
Clackamas County, OR	278,850	338,391	375,992	441,867	2.0%	1.1%	1.5%	1.8%
Columbia County, OR	37,557	43,560	49,351	54,560	1.5%	1.3%	1.4%	1.1%
Multnomah County, OR	583,887	660,486	735,334	748,968	1.2%	1.1%	1.2%	0.2%
Washington County, OR	311,554	445,342	529,710	645,467	3.6%	1.8%	2.7%	2.2%
Yamhill County, OR	65,551	84,992	99,193	116,456	2.6%	1.6%	2.1%	1.8%
Clark County, WA	238,053	345,238	425,363	532,487	3.8%	2.1%	2.9%	2.5%
Skamania County, WA	8,289	9,872	11,066	12,050	1.8%	1.1%	1.5%	1.0%
Air Trade Area	1,523,741	1,927,881	2,226,009	2,551,855	2.4%	1.4%	1.9%	1.5%
Oregon	2,842,321	3,421,399	3,831,074	4,263,728	1.9%	1.1%	1.5%	1.2%
United States	248,709,873	281,421,906	308,745,538	338,042,200	1.2%	0.9%	1.1%	1.0%

Sources: U.S. Department of Commerce, Bureau of the Census, *Population Estimates and 2010 Census Demographic Profiles,* July 2011 (historical) and Woods and Poole Economics, Inc., *2011 Complete Economic and Demographic Data Source (CEDDS),* 2010 (projected).

Prepared by: Ricondo & Associates, Inc., August 2011.

percent of the population of the entire State of Washington in 2010; therefore, statistics for the entire State of Washington are not reflected on tables in this chapter.

As shown in Table II-1, the Air Trade Area's population increased at a compounded annual growth rate (CAGR) of 1.9 percent between 1990 and 2010, reflecting faster growth compared to the State of Oregon and the United States (at 1.5 and 1.1 percent, respectively). Within the Air Trade Area, the highest growth in population during this period occurred in Clark, Washington, and Yamhill counties, with 2.9 percent, 2.7 percent, and 2.1 percent CAGRs, respectively.

As reflected in Table II-1, based on Woods and Poole Economics, Inc.'s estimated population counts for 2019, the Air Trade Area's population is projected to grow at a CAGR of 1.5 percent between 2010 and 2019 (compared to 1.2 percent for the State of Oregon and 1.0 percent for the United States). A number of counties in the Air Trade Area are projected to experience above-trend growth over the period of 2010 to 2019, as the population of Clark County is projected to grow at a CAGR of 2.5 percent, followed by Washington County at 2.2 percent, Clackamas County at 1.8 percent and Yamhill County at 1.8 percent.

2.2.2 Age Distribution

Table II-2 shows that the median age in the Air Trade Area in 2009 (36.4 years) was lower than in both the State of Oregon (38.0 years) and the United States (36.8 years).

According to survey data from the Travel Industry Association (currently known as the U.S. Travel Association), air travel frequency in the United States varies by age group, and people between the ages of 35 and 54 tend to travel the most. This data shows that people between the ages of 35 and 54 account for 46 percent of air trips, while persons between the ages of 18 and 34 account for 26 percent of air trips, and persons 55 years and older account for 27 percent of air trips.[1]

Data in Table II-2 shows that in 2009, Air Trade Area residents between the ages of 35 and 54 made up approximately 29.2 percent of the population, compared with 27.5 percent of the population of the State of Oregon and 28.1 percent of the population of the United States. The Air Trade Area's greater percentage of the population in the age category that travels most frequently nationwide represents an important source of demand for air service at the Airport.

2.2.3 Education

Educational attainment of residents can also be a key indicator of an area's demand for air service, as evidenced by a 2007 study by Arbitron, Inc. that found that individuals with a college degree are more likely to travel by air.[2]

In relative terms, the Air Trade Area is home to a large number of highly educated adults. According to 2009 data shown in **Table II-3**, approximately 33.9 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree). This percentage is significantly higher than that of both the State of Oregon and the United

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[1] Source: Travel Industry Association, "2006 Domestic Travel Market Report."
[2] Source: Arbitron, Inc., "The Arbitron Airport Television Study: Getting TV Commercials Out of the House and in Front of Affluent Consumers," June 2007.

Table II-2

Age Distribution (2009)

	Air Trade Area	Oregon	United States
Total Population	2,241,913	3,825,657	307,006,556
By Age Group			
Under 18	23.8%	22.8%	24.3%
18 - 34	24.3%	23.3%	23.5%
35 - 54[1/]	29.2%	27.5%	28.1%
55+	22.7%	26.4%	24.1%
Total	100.0%	100.0%	100.0%
Median Age	36.4 years	38.0 years	36.8 years

Note:

1/ Data from the US Travel Association shows that this age group travels more frequently by air than other age groups.

Source: U.S. Department of Commerce, Bureau of the Census, *American Community Survey 2009.*

Prepared by: Ricondo & Associates, Inc., July 2011.

Table II-3

Educational Attainment (2009)

Population 25 years and over	Air Trade Area 1,515,971	Oregon 2,586,798	United States 201,952,383
Less Than High School Diploma	9.9%	10.9%	14.8%
High School Graduate	22.3%	24.2%	28.5%
Some College or Associate's Degree	33.9%	35.8%	28.8%
Bachelor's Degree 1/	21.9%	18.7%	17.6%
Graduate or Professional Degree 1/	12.0%	10.4%	10.3%
Total	100%	100.0%	100%

Note:
1/ Data from Arbitron, Inc. shows that individuals with a bachelor's degree or higher travel by air more frequently than individuals with lower levels of educational attainment.

Source: U.S. Department of Commerce, Bureau of the Census, *American Community Survey 2009.*

Prepared by: Ricondo & Associates, Inc., July 2011.

States where, respectively, 29.1 percent and 27.9 percent of the population over the age of 25 hold a bachelor's degree or higher advanced degree.

2.3 Income

Another key indicator regarding demand for air travel is air trade area wealth, which can be measured by assessing levels of personal income. Personal income is the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for government social insurance. Personal income is a composite measurement of market potential and indicates the general level of affluence of local residents, which corresponds to an area's ability to afford air travel, as well as an area's attractiveness to business and leisure travelers (lower income areas often have weaker business ties to the rest of the nation and a less developed tourism infrastructure).

Table II-4 presents historical per capita personal income between 2003 and 2010 for the Air Trade Area, the State of Oregon and the United States. As shown, per capita personal income was higher, on an absolute basis, than equivalent measures for the State of Oregon and the United States for most years between 2003 and 2010 (with the exception of the United States between 2008-2010). Per capita personal income for the Air Trade Area increased at a CAGR of 1.7 percent between 2003 and 2010, compared with CAGRs of 2.1 percent for the State of Oregon and 2.8 percent for the United States during this same period.

Table II-4 also presents projections of per capita personal income for 2019. According to data from Woods and Poole Economics, Inc. per capita personal income for the Air Trade Area is projected to increase at a CAGR of 4.3 percent, from $37,780 in 2010 to $55,223 in 2019. The 2010-2019 CAGR projection for the Air Trade Area is slightly lower than projections for both the State of Oregon, which is projected to grow at a 4.4 percent CAGR, and the United States as a whole, which is projected to grow at a 4.5 percent CAGR. The slower projected growth in per capita personal income in the Air Trade Area between 2010 and 2019 is primarily due to the higher projected population growth in the Air Trade Area relative to the State of Oregon and the nation as a whole.

An additional indicator of wealth, and thus a market's potential to generate demand for air transportation, is the percentage of households in the higher income categories. An examination of this indicator is important in that as household income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table II-4 presents percentages of households in selected household income categories for 2010. As shown, 39.5 percent of households in the Air Trade Area had household incomes of $60,000 or more in 2010, which was higher than the 34.0 percent of households in this income category for the State of Oregon and the 37.3 percent of households in this income category nationwide.

2.4 Employment

2.4.1 Labor Force Trends and Unemployment Rates

A growing labor force and low unemployment rates are indicators of demand for air travel in an air trade area. A growing labor force and low unemployment rates are also indicative of more potential opportunities for business travel and higher disposable income levels that facilitate leisure travel.

As shown in **Table II-5**, the Air Trade Area's civilian labor force experienced moderate growth between 2000 and 2010, ranging from approximately 1,076,000 workers in 2000 to approximately

Table II-4

Per Capita Personal Income

Year	Per Capita Personal Income (in current dollars)			Per Capita Personal Income Differential	
	Air Trade Area	Oregon	United States	Between Air Trade Area and Oregon	Between Air Trade Area and United States
Historical					
2003	$33,542	$30,565	$32,271	$2,977	$1,271
2004	$34,553	$31,622	$33,881	$2,931	$672
2005	$35,869	$32,526	$35,424	$3,343	$445
2006	$38,040	$34,656	$37,699	$3,384	$341
2007	$39,443	$35,738	$39,392	$3,705	$51
2008	$39,942	$36,366	$40,166	$3,576	($224)
2009	$38,522	$35,666	$39,138	$2,856	($616)
2010	$37,780	$35,430	$39,063	$2,350	($1,283)
Projected					
2019	$55,223	$52,191	$57,953	$3,032	($2,730)
Compounded Annual Growth Rate					
2003-2010	1.7%	2.1%	2.8%		
2010-2019	4.3%	4.4%	4.5%		

Income Category (in 2000 $)	Percentage of Households in Income Categories (2010)		
	Air Trade Area	Oregon	United States
Less than $29,999	26.9%	31.1%	30.3%
$30,000 to $59,999	33.5%	34.9%	32.4%
$60,000 to $74,999	12.9%	12.0%	11.8%
$75,000 to $99,999	12.7%	10.9%	11.6%
$100,000 or More	14.0%	11.2%	13.8%

Source: Woods and Poole Economics, Inc., *2011 Complete Economic and Demographic Data* Source (CEDDS), 2010.

Prepared by: Ricondo & Associates, Inc., August 2011.

Table II-5

Civilian Labor Force & Unemployment Rates

	Civilian Labor Force (000's)		
Year	Air Trade Area	Oregon	United States
2000	1,076	1,810	142,583
2001	1,087	1,828	143,734
2002	1,094	1,844	144,863
2003	1,090	1,850	146,510
2004	1,089	1,850	147,401
2005	1,098	1,856	149,320
2006	1,121	1,893	151,428
2007	1,143	1,921	153,124
2008	1,170	1,955	154,287
2009	1,186	1,980	154,142
2010	1,190	1,985	153,889
Compounded Annual Growth Rate			
2000-2010	1.0%	0.9%	0.8%
2000-2003	0.4%	0.7%	0.9%
2003-2007	1.2%	0.9%	1.1%
2007-2010	1.4%	1.1%	0.2%

	Unemployment Rates		
Year	Air Trade Area	Oregon	United States
2000	4.4%	5.1%	4.0%
2001	6.0%	6.4%	4.7%
2002	7.8%	7.6%	5.8%
2003	8.3%	8.1%	6.0%
2004	7.0%	7.3%	5.5%
2005	5.9%	6.2%	5.1%
2006	5.0%	5.3%	4.6%
2007	4.8%	5.2%	4.6%
2008	6.0%	6.5%	5.8%
2009	10.8%	11.1%	9.3%
2010	10.6%	10.8%	9.6%
July 2011	9.1%	9.4%	9.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2011.
Prepared by: Ricondo & Associates, Inc., September 2011.

1,190,000 workers in 2010. Over the 10-year period from 2000 to 2010, the CAGR for the Air Trade Area civilian labor force was 1.0 percent, compared to 0.9 percent and 0.8 percent for the State of Oregon and the United States, respectively, during this same period. The period from 2007 to 2010 showed signs of faster growth in the Air Trade Area's civilian labor force, with a CAGR of 1.4 percent outpacing the State of Oregon and the United States during this period.

As also shown in Table II-5, annual non-seasonally adjusted unemployment rates for the Air Trade Area during the 2000-2010 period were typically below those for the State of Oregon but typically higher than what was experienced by the United States. The Air Trade Area's non-seasonally adjusted unemployment rate was 9.1 percent in July 2011. This rate was lower than the unemployment rate experienced by the State of Oregon (9.4 percent) and the unemployment rate experienced by the United States during the same period (9.3 percent).

Analysis conducted by the Port indicates that over the past decade the Air Trade Area has had a continuously growing labor force as the region's quality of life often attracted workers who sought out employment once arriving in the Air Trade Area rather than relocating after already securing a job. This trend resulted in a higher unemployment rate at some points during this time period, while at the same time contributing to the vibrancy of the economy. As the number of jobs grew the work force grew at an even faster rate, yet more jobs were created and the cycle continued.

2.4.2 Major Employers in the Air Trade Area

Major employers in the Air Trade Area, as measured by the number of employees, are presented in **Table II-6**. As shown, there are over 25 employers in the Air Trade Area with approximately 2,400 or more employees. The largest employer in the Air Trade Area is the State of Oregon with approximately 18,400 employees; followed by Intel (15,636 employees); Providence Health & Services (14,089 employees); the U.S. Federal Government (13,900 employees); and the Oregon Health & Science University (13,636 employees).

Two Fortune 500 companies are headquartered in the Air Trade Area: the sports and fitness products company Nike (ranked 135th in 2010 revenues) and the metal component manufacturer Precision Castparts (ranked 409th in 2010 revenues). Other Fortune 500 companies, in addition to Intel, with a significant presence in the Air Trade Area include: Wells Fargo (4,748 employees); U.S. Bancorp (3,899 employees) and Xerox (3,300 employees).

2.5 Economic Base

This section reviews the local economy in greater detail to examine more clearly the basis for the economic strength of the Air Trade Area, and in particular, assess the strength of industry sectors and subsectors which are significant generators of air travel demand (e.g., professional and business services, financial and manufacturing).

An analysis of nonagricultural employment trends by major industry sector is presented in **Table II-7** which compares the Air Trade Area's employment trends to those for the State of Oregon and the United States for 2000, 2009 and 2010. As shown, nonagricultural employment in the Air Trade Area decreased slightly from approximately 973,300 workers in 2000 to approximately 965,600 workers in 2010. This represents a compounded annual decrease of 0.1 percent during this period, compared to 0.1 percent and 0.2 percent decreases for the State of Oregon and the United States, respectively, during this same period. Between 2009 and 2010, as the slow recovery from the recent

Table II-6

Major Employers in the Air Trade Area

Rank	Employer	Product or Service	Employees	Headquartered in Air Trade Area	Rank in 2011 Fortune 500
1	State of Oregon	Government	18,400		
2	Intel Corp.	Computer products	15,636		56
3	Providence Health & Services	Health care	14,089		
4	U.S. Federal Government	Government	13,900		
5	Oregon Health and Science University	Education/health care	13,636	X	
6	Fred Meyer Stores[1/]	Retail grocery stores	9,858	X	(see note 1)
7	Legacy Health System	Health care	9,732	X	
8	Kaiser Foundation Health Plan of the Northwest	Health care	9,039	X	
9	City of Portland	Government	8,876	X	
10	Nike Inc.	Sports and fitness products	7,000	X	135
11	Portland School District	Education	6,855	X	
12	Evergreen School District	Education	6,448	X	
13	Multnomah County	Government	5,797	X	
14	Wells Fargo	Financial services	4,748		23
15	Portland Community College	Education	4,390	X	
16	Beaverton School District	Education	4,247	X	
17	Portland State University	Education	4,066	X	
18	U.S. Bancorp	Financial services	3,899		126
19	Southwest Washington Medical Center	Health care	3,345	X	
20	Xerox Corp.	Document management technology	3,300		121
21	Vancouver School District	Education	3,224	X	
22	Portland General Electric	Utility provider	2,708	X	
23	Standard Insurance Co.	Insurance	2,500	X	
24	Daimler Trucks North America	Truck manufacturer	2,450	X	
25	TriMet	Public transit	2,431	X	

Note:
1/ Fred Meyer Stores is a subsidiary of The Kroger Co. Kroger is ranked 25th in the 2011 Fortune 500.

Sources: Portland Business Journal, Portland Metro's Largest Employers, May 2011 (ranked by 2010 employees), 2011 Fortune 500 and Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc., August 2011.

Table II-7

Employment Trends by Major Industry Sector

Air Trade Area
Nonagricultural Employment (000's)

Industry	2000	2009	2010	Compounded Annual Growth Rate 2000-2010	Annual Growth Rate 2009-2010
Services	352.6	389.9	394.5	1.1%	1.2%
Trade	162.4	155.5	153.6	(0.6%)	(1.2%)
Government	130.5	148.1	147.8	1.3%	(0.2%)
Manufacturing	143.3	109.1	106.7	(2.9%)	(2.2%)
Financial	64.8	63.8	61.8	(0.5%)	(3.1%)
Construction [1/]	55.1	50.6	45.8	(1.8%)	(9.5%)
Transportation/Utilities	38.6	34.2	33.1	(1.5%)	(3.2%)
Information [2/]	26.0	22.9	22.3	(1.5%)	(2.6%)
Total	973.3	974.1	965.6	(0.1%)	(0.9%)

Oregon
Nonagricultural Employment (000's)

Industry	2000	2009	2010	Compounded Annual Growth Rate 2000-2010	Annual Growth Rate 2009-2010
Services	559.3	624.2	629.0	1.2%	0.8%
Trade	268.8	258.7	256.2	(0.5%)	(1.0%)
Government	278.6	299.5	299.5	0.7%	(0.0%)
Manufacturing	225.0	167.2	163.8	(3.1%)	(2.0%)
Financial	95.3	95.7	92.7	(0.3%)	(3.1%)
Construction [1/]	93.4	80.8	74.5	(2.2%)	(7.8%)
Transportation/Utilities	57.6	53.5	52.1	(1.0%)	(2.6%)
Information [2/]	39.8	33.1	32.2	(2.1%)	(2.7%)
Total	1,617.8	1,612.7	1,600.0	(0.1%)	(0.8%)

United States
Nonagricultural Employment (000's)

Industry	2000	2009	2010	Compounded Annual Growth Rate 2000-2010	Annual Growth Rate 2009-2010
Services	48,805	54,216	54,636	1.1%	0.8%
Trade	21,213	20,109	19,870	(0.7%)	(1.2%)
Government	20,790	22,555	22,482	0.8%	(0.3%)
Manufacturing	17,263	11,847	11,524	(4.0%)	(2.7%)
Financial	7,687	7,769	7,630	(0.1%)	(1.8%)
Construction [1/]	7,386	6,710	6,231	(1.7%)	(7.1%)
Transportation/Utilities	5,012	4,796	4,735	(0.6%)	(1.3%)
Information [2/]	3,630	2,804	2,711	(2.9%)	(3.3%)
Total	131,786	130,806	129,819	(0.2%)	(0.8%)

Notes:
1/ Includes mining employment.
2/ The information sector includes communications, publishing, motion picture and sound recording, and online services.

Source: U.S. Department of Labor, Bureau of Labor Statistics, July 2011.
Prepared by: Ricondo & Associates, Inc., July 2011.

economic recession began after June 2009, nonagricultural employment in the Air Trade Area decreased at a rate of 0.9 percent, a rate that was approximately equal to the 0.8 percent decreases experienced by the State of Oregon and the United States during this period. Similar to the State of Oregon and the United States, the Air Trade Area industry sector experiencing the greatest percentage decrease in employment between 2009 and 2010 was construction.

Two major industry sectors in the Air Trade Area experienced positive employment growth between 2000 and 2010, with growth occurring in the government (CAGR of 1.3 percent) and services (1.1 percent) sectors. The 2.9 percent compounded annual rate of decrease in manufacturing employment between 2000 and 2010 was not unique to the Air Trade Area as manufacturing employment nationwide decreased at an even faster compounded annual rate of 4.0 percent during this period. In 2010, as shown in **Exhibit II-2**, with the exception of government and, to a lesser extent manufacturing and services, the percentage of individuals in specific sectors of nonagricultural employment are generally in concert with those of the State of Oregon and the United States on a percentage basis in 2010.

A shifting of the Air Trade Area's employment base occurred between 2000 and 2010, as manufacturing employment decreased from 14.7 percent of total employment in 2000 to 11.1 percent in 2010 (-3.6 percentage points); and services employment increased from 36.2 percent of total employment in 2000 to 40.9 percent in 2010 (+4.7 percentage points). These trends in the Air Trade Area's employment base were consistent with changes in the employment base in the State of Oregon and the United States, as manufacturing employment decreased by 3.7 percentage points and 4.2 percentage points respectively and services employment increased by 4.7 and 5.1 percentage points respectively during this same period.

2.5.1 Services

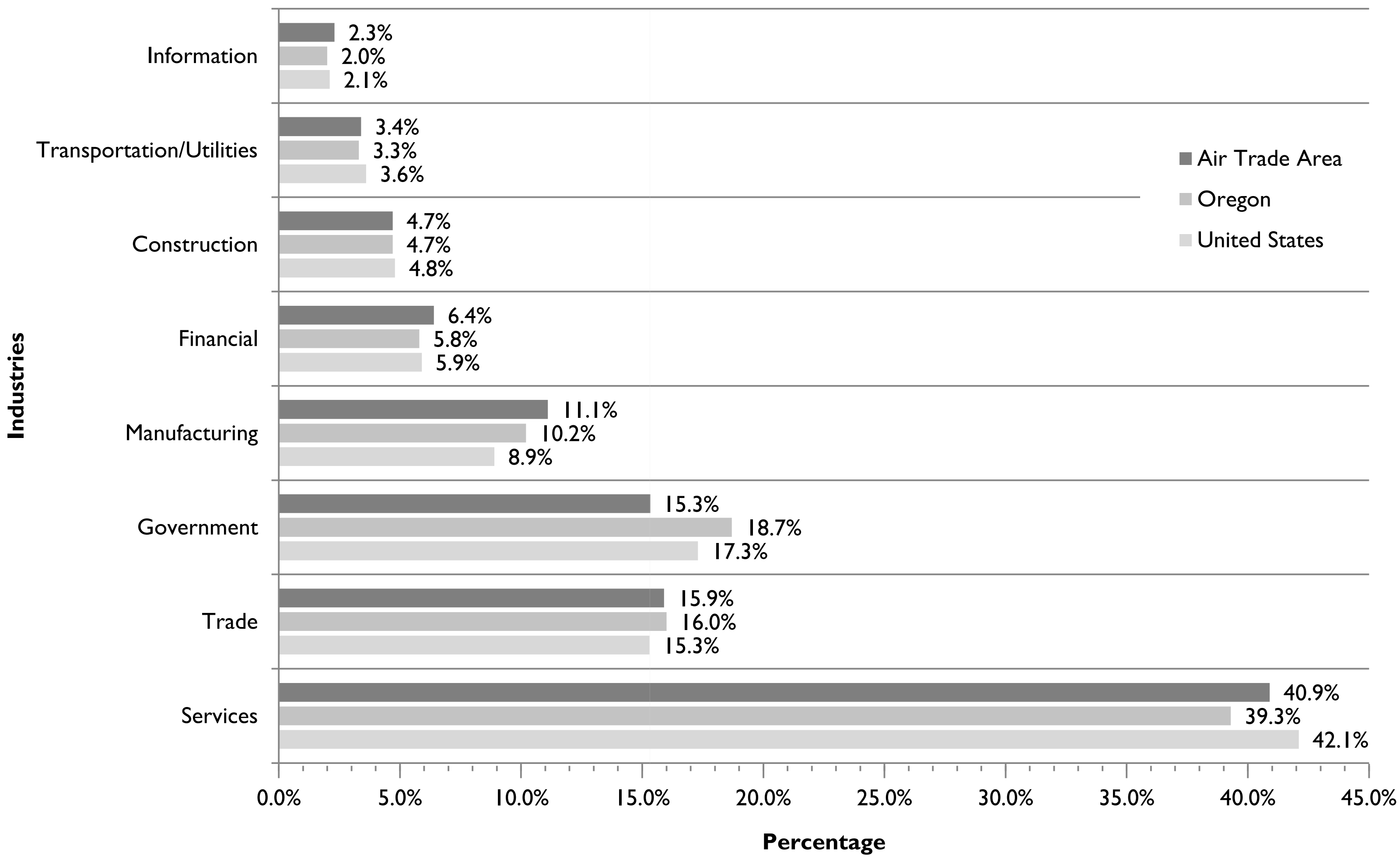
Employment in the services sector in the Air Trade Area increased at a CAGR of 1.1 percent between 2000 and 2010, compared with a 1.2 percent increase for the State of Oregon and an identical 1.1 percent increase for the United States. In 2010, the services sector in the Air Trade Area employed approximately 394,500 workers, representing 40.9 percent of the total nonagricultural workforce. This percentage is less than in the United States where services jobs accounted for 42.1 percent of nonagricultural employment in 2010.

The following services represented slightly over 90 percent of the Air Trade Area's total services industry workforce in 2010: education and health (35.2 percent); professional and business (32.1 percent); and leisure and hospitality (23.8 percent). The professional and business services sector generated the highest amount of travel spending, including demand for air travel services, of any industry sector in 2009 (the latest data available) according to the National Business Travel Association.

2.5.1.1 Healthcare

The Air Trade Area has six principal health care systems: Adventist Medical Center, Kaiser Permanente, Legacy Health System, Oregon Health & Science University (OHSU), Providence Health & Services and Southwest Washington Medical Center. Many of these health care systems are among the largest employers in the Air Trade Area as shown in Table II-6.

Providence Health & Services, Oregon's largest healthcare system, is represented in the Air Trade Area through Providence St. Vincent Medical Center (523 licensed beds), Providence Portland



Source: U.S. Department of Labor, Bureau of Labor Statistics, July 2011.
Prepared by: Ricondo & Associates, Inc., July 2011.

Exhibit II-2

Percentage of 2010 Nonagricultural Employment by Industry

Medical Center (483 licensed beds), Providence Milwaukie Hospital (64 licensed beds) and Providence Newberg Medical Center (40 licensed beds). Providence's Centers of Excellence, including Providence Cancer Center, Providence Heart and Vascular Institute and Providence Brain Institute, are leading the trend in the Air Trade Area towards increased medical research.

Legacy Health System's Legacy Emanuel Medical Center (554 licensed beds), is one of the Air Trade Area's two Level 1 trauma centers. Legacy's Good Samaritan Medical Center (539 licensed beds), one of Portland's oldest hospitals, has been rated one of the top 100 cardiovascular hospitals in the country. Legacy's Research Institute, one of the largest non-academic, hospital-based research programs in the United States, is housed in a 65,000 sq. ft. state-of-the-art research facility where a wide range of clinical, laboratory-based and preclinical research activity is concentrated.

OHSU Hospital (560 licensed beds), the other Level 1 trauma center in the Air Trade Area, is the Air Trade Area's most prominent teaching hospital and is affiliated with OHSU's School of Medicine.

In June 2009, Kaiser Permanente began construction on a new 126 bed, 412,000 sq. ft. hospital in Washington County that will be completed in 2013. In addition to creating 2,000 construction jobs during the construction process, the facility is projected to create 1,100 jobs when it is completed.[3]

2.5.1.2 Higher Education

The Air Trade Area has more than 40 private and public universities and colleges presenting a wide choice of higher education opportunities, including advanced training in law, medicine, engineering, dentistry, business and science. According to Greater Portland Inc., a regional economic development organization, approximately 175,000 students are enrolled in the top 25 colleges and universities within 125 miles of Portland. Notable undergraduate and graduate programs in the Air Trade Area are offered at Portland State University (PSU), Lewis & Clark College, Reed College, the University of Oregon's Portland center, and Washington State University Vancouver's campus. The State of Oregon's two largest universities, Oregon State University and the University of Oregon, are also both located within 125 miles of Portland.

Regional science and technology education is centered around Oregon's only health and research university, OHSU. OHSU has also historically been one of the region's major employers, employing approximately 13,636 workers in 2010, making it the Air Trade Area's fifth-largest employer.

OHSU's education and groundbreaking research programs are recognized worldwide and the University is home to numerous specialized research centers and institutes. There are 1,100 principal investigators at OHSU, working on 4,500 research projects that brought in approximately $392 million in grants in fiscal year 2010. OHSU also serves the region by providing training in health care, biomedical science, environmental engineering and computer science. OHSU typically provides educational opportunities for more than 3,000 students, interns, residents, fellows and clinical trainees each year.

PSU's Maseeh College of Engineering and Computer Science also contributes to science and technology education and innovation in the region. Washington State University Vancouver's School

3 Source: KGW.com, "Kaiser Permanente Building New Hospital," May 7, 2010.

of Engineering and Computer Science and Portland State University's School of Extended Studies offer the Air Trade Area additional science and technology educational programs.

2.5.1.3 Creative Services

The Air Trade Area's creative services industry cluster is made up of highly specialized industries whose primary focus is to design, produce and deliver creative content in various forms of media and communication. The cluster includes companies and self-employed individuals engaged in advertising, public relations, marketing and branding, graphic design, film, video and audio production, multimedia, performing and visual arts, software publishing and custom computer programming services.

Many Air Trade Area creative services firms are generating revenues from a national and international clientele. An informal survey of more than 30 local creative services firms indicates that more than half have client rosters that span the country. According to the Portland Development Commission, the cluster comprises over 1,500 creative firms employing approximately 14,000 workers, generates $2 billion in annual revenues and $976 million in payroll, and has average annual wages of $66,663. Prominent firms in the Air Trade Area include: Wieden+Kennedy (an advertising firm which has doubled in size since 2006[4]), Waggener Edstrom Worldwide, Laika, Ziba Design, R2C Group, Sandstrom Partners, Second Story Interactive Studios and CMD Agency. In addition, several additional worldwide agencies maintain Air Trade Area offices, including Edelman and Fleishman-Hillard. Portland competes successfully with other regions, such as San Francisco, Seattle, Chicago, Minneapolis, Los Angeles and New York, to attract firms and talent to the region.

2.5.1.4 Footwear and Outdoor Industry

The Air Trade Area is also home to many of the world's leading companies in the footwear, activewear, outdoor gear and cycling industries. The Air Trade Area's industry cluster includes more than 20 footwear companies that constitute nearly 50% of the U.S. athletic footwear market, more than 20 outdoor gear and activewear companies, and established networks of designers, distributors and materials suppliers. According to an October 2010 study, the cluster comprises approximately 300 firms employing approximately 14,000 workers at an average wage of $80,000 per year and includes leading firms such as Keen, Nautilus, Lacrosse Footwear, Columbia Sportswear, Adidas America, and Nike.[5] While these firms have helped establish the Air Trade Area's reputation as an industry leader nationally and internationally, growth is also fueled by emerging and mid-sized companies including more than 2,700 one and two-person gear and apparel businesses.[6]

2.5.1.5 Recreation and Tourism

According to a report commissioned for Travel Portland, travel spending in the Portland Metro Area reached $3.8 billion in 2010.[7] From 2002-2010, the CAGR in travel spending was 5.0 percent.

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[4] Source: Portland Business Journal, "Wieden+Kennedy: The Underdog," August 5, 2011.

[5] Source: Impresa Economics, "The Athletics and Outdoor Industry Cluster – A White Paper," October 2010.

[6] Source: Greater Portland Inc., "The Outdoor Apparel, Footwear and Gear Industry in Greater Portland – Vancouver," 2010.

[7] Source: Dean Runyan Associates, "Economic Impacts of Travel 2010: Portland Oregon," May 2011. The Portland Metro Area as defined in the document includes Clackamas, Multnomah, and Washington counties in the State of Oregon.

Travel spending generated approximately 28,530 jobs in the Portland Metro Area in 2010 and generated total direct industry earnings of $824 million.

The Air Trade Area enjoys a wide range of cultural and recreational resources that contribute to its high quality of life (in recent years, Portland has been rated the sixth-best place in the United States to live and launch a new business[8] as well as one of the top 15 best places in the United States for careers and business[9]) and attracts visitors from all over the world. From Forest Park, the largest urban park in the country, to riverfront activities, museums, art galleries and districts, numerous neighborhood and citywide parks, concert venues, film, music and arts festivals, and the Oregon Zoo, residents and visitors are able to enjoy a variety of indoor and outdoor activities.

Cultural highlights include the:

- Portland Center for the Performing Arts (PCPA), a multi-block complex downtown;
- Gerding Theatre at the Portland Armory;
- Portland Art Museum; and
- Oregon Museum of Science and Industry.

In addition to Forest Park, the Air Trade Area has over 1,000 parks and a regional system of trails compromising over 950 miles of trails that can be used for walking, running or bicycling. In April 2010, Bicycling Magazine ranked Portland number two on its list of America's top 50 bike-friendly cities. The Air Trade Area is also commonly used as a gateway to access hiking opportunities around Mt. Hood.

Spectator sports are also plentiful in the Air Trade Area. The NBA's Portland Trailblazers and the Portland Winter Hawks of the Western Hockey League play at the Rose Quarter arena complex. Jeld Wen Field is home to the Portland Timbers soccer team (which joined the MLS soccer league in 2011) and Portland State University's football team, the Vikings.

2.5.2 Trade

Employment in the trade sector in the Air Trade Area decreased at a compounded annual rate of 0.6 percent between 2000 and 2010, compared with a 0.5 percent decrease for the State of Oregon and a 0.7 percent decrease for the United States. In 2010, the trade sector in the Air Trade Area employed approximately 153,600 workers, representing 15.9 percent of the total nonagricultural workforce. This percentage is higher than in the United States where trade jobs accounted for 15.3 percent of nonagricultural employment in 2010. Of the Air Trade Area employees in the trade sector, approximately 66 percent were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table II-8** presents total retail sales for the Air Trade Area, the State of Oregon and the United States between 2003 and 2010. As shown in Table II-8, between 2003 and 2007 total retail sales in the Air Trade Area grew at a CAGR (3.0 percent) that was greater than the growth that both the State of Oregon and the United States experienced during this period (2.8 and 2.5 percent CAGRs, respectively).

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[8] Source: Fortune Small Business, "100 Best Places to Live and Launch 2008," July 2008.
[9] Source: Forbes, "The Best Places for Business and Careers," June 29, 2011.

Table II-8

Total Retail Sales
(In 2005 Dollars, Amounts in Millions)

Year	Air Trade Area	Oregon	United States
Historical			
2003	$26,788	$46,429	$3,727,549
2004	$27,753	$48,059	$3,869,610
2005	$28,765	$49,734	$3,992,285
2006	$29,681	$51,220	$4,084,437
2007	$30,098	$51,791	$4,109,239
2008	$29,165	$49,955	$3,947,379
2009	$27,433	$46,719	$3,682,032
2010	$28,993	$49,305	$3,880,980
Projected			
2019	$35,181	$59,164	$4,609,934
Compounded Annual Growth Rate			
2003 - 2007	3.0%	2.8%	2.5%
2007 - 2010	-1.2%	-1.6%	-1.9%
2010 - 2019	2.2%	2.0%	1.9%

Source: Woods and Poole Economics, Inc., *2011 Complete Economic and Demographic Data Source (CEDDS)* , 2010.
Prepared by: Ricondo & Associates, Inc., August 2011.

Between 2007 and 2010, as the recent recession occurred and the beginnings of the recovery took hold, Air Trade Area retail sales decreased at a compounded annual rate of 1.2 percent, less than the decrease that both the State of Oregon and the United States experienced during this period (1.6 and 1.9 percent decreases, respectively).

Table II-8 also presents projections of total retail sales for 2019. According to data from Woods and Poole Economics, Inc., total retail sales for the Air Trade Area are projected to increase from approximately $29.0 billion in 2010 to approximately $35.1 billion in 2019. This increase represents a CAGR of 2.2 percent during this period, compared to a 2.0 percent rate for the State of Oregon and 1.9 percent for the United States.

International trade is a vital component of the Air Trade Area's economy. According to the Office of Trade and Industry Information of the U.S. Department of Commerce's International Trade Administration, nearly one-quarter of Oregon manufacturing jobs are dependent upon international trade. Export-supported jobs linked to manufacturing account for approximately 5.2 percent of Oregon's total private-sector employment. A 2010 Brookings Institution study found that, among the nation's 100 largest metropolitan areas, the Air Trade Area ranks twelfth in total value of exports and second in terms of exports as a percentage of Gross Metropolitan Product. Many of the Air Trade Area's top companies (e.g., Nike) also depend on offshore plants and suppliers for manufacturing and assembly as well as raw materials.

This expanding international business activity generates demand for both international air travel and air freight services as well as marine services. In 2010, according to the Foreign Trade Division of the U.S. Department of Commerce's Bureau of the Census, total export and import trade activity, including air freight, between the Columbia-Snake Customs District (which includes the Air Trade Area) and the rest of the world was valued at $22.7 billion.

2.5.3 Government

Employment in the government sector in the Air Trade Area increased at a CAGR of 1.3 percent between 2000 and 2010, compared to 0.7 percent for the State of Oregon and 0.8 percent for the United States. In 2010, the government sector in the Air Trade Area employed approximately 147,800 workers, representing 15.3 percent of the total nonagricultural workforce. This percentage is lower than in the United States where government jobs accounted for 17.3 percent of nonagricultural employment in 2010.

Government employment in the Air Trade Area has been somewhat more resistant to economic cycle fluctuations than other industry sectors as the sector lost jobs at a 0.2 percent rate between 2009 and 2010 compared with no change for the State of Oregon and a similar 0.3 percent decrease for nation over the same period. As shown in Table II-6, in addition to the State of Oregon and the U.S. Federal Government, other major government employers in the Air Trade Area include the City of Portland (8,876 employees) and Multnomah County (5,797 employees).

Future state and local government hiring, and to a lesser extent federal government hiring, will continue to be impacted by budget pressures and deficit reduction efforts. For example, in June 2011, the Gresham City Council (Gresham is located in Multnomah County in the Air Trade Area) adopted a budget for the 2011-2012 fiscal year that includes the elimination of three dozen jobs, as well as cuts at the Police Department, the Fire Department and to parks maintenance.[10]

Although not included in the employment data cited above, the military's impact on the Air Trade Area's workforce, both directly and indirectly, is much less than in the State of Washington and California. In terms of direct employment, the only significant military installation in the Air Trade Area is the 142nd Fighter Wing of the Oregon Air National Guard, which occupies 246 acres of leased land on the Airport.

According to a March 2011 Oregon Employment Department study, Oregon's defense industry has historically been a small part of the state's economy; however, this trend is starting to change. After years of negligible growth for the industry, U.S. Department of Defense spending in Oregon nearly doubled between 2006 and 2007, and by 2009 spending topped $1.6 billion. That was triple the value of orders Oregon's defense industry received just five years earlier. In 2009, Multnomah County received $809 million of procurement contracts from the U.S. Department of Defense, comprising half of the State of Oregon's total value of defense contracts.

2.5.4 Manufacturing

The manufacturing sector generated the third highest amount of travel spending, including demand for air travel services, of any industry sector in 2009 according to the National Business Travel Association. Employment in the manufacturing sector in the Air Trade Area decreased at a compounded annual rate of 2.9 percent between 2000 and 2010, compared with a 3.1 percent decrease for the State of Oregon and a 4.0 percent decrease for the United States. Despite the decrease in employment, the manufacturing sector remains an important sector in the Air Trade Area. In 2010, the manufacturing sector in the Air Trade Area employed approximately 106,700 workers, representing 11.1 percent of the total nonagricultural workforce. This percentage is higher than in the United States where manufacturing jobs accounted for 8.9 percent of nonagricultural employment in 2010.

According to the Bureau of Labor Statistics database, the Air Trade Area's manufacturing sector is led by the computer and electronic product manufacturing industry, which represented approximately 31 percent of the Air Trade Area's total manufacturing employment in 2010. This industry is anchored by Intel, the Air Trade Area's largest private employer, which began its operations in the Air Trade Area in 1974. As recently as 2005, the Air Trade Area accounted for approximately 10 percent of the nation's semiconductor output and is often referred to as the "Silicon Forest."[11] The fabricated metal (10 percent of total manufacturing employment) and food products manufacturing industries (9 percent of total manufacturing employment) also make up significant percentages of manufacturing employment.

Despite implementing job cuts during the recent economic downturn, Air Trade Area semiconductor manufacturers have recently planned new investments and increases in employment to meet the expected rebound in demand for semiconductors over the coming years:

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[10] Source: The Oregonian, "Gresham Budget Will Eliminate 3 Dozen Jobs," June 18, 2011.

[11] A useful overview of major technology companies, including semiconductor manufacturers, that have "Silicon Forest" operations can be found at: The Oregonian, "Big Name-Tech Companies Resume Migration Into the Silicon Forest," July 9, 2011.

- In February 2011, construction began on Intel's new, state-of-the-art D1X semiconductor manufacturing facility in Washington County that is expected to be completed in 2013. The project is expected to employ over 8,000 construction workers over the next two years and create approximately 800-1000 long-term jobs starting when D1X opens in 2014.[12]
- ON Semiconductor's Multnomah County chip factory currently employs 570, having added 25 jobs so far this year. The company plans additional hiring in the second half of 2011.[13]

The Air Trade Area's nascent biotech manufacturing industry has benefited from Genentech's April 2010 opening of a $400 million cancer drug manufacturing center in Washington County. The company currently employs 250 at this center and plans to hire an unspecified number of additional workers over the next few years.[14] The Air Trade Area biotech manufacturing industry is also supported by research activities conducted at OHSU (discussed in Section 2.5.1.2).

The Air Trade Area is also becoming a center for green energy and, according to a July 2011 Brookings Institution report, has the second-highest share of "clean-economy" jobs for its population size. Germany's Solar World and Sanyo of Japan have both located production facilities in the Air Trade Area and nearby. Solar World has its American headquarters and largest U.S. production plant in Hillsboro, where it employs about 1,000 people.[15] In May 2011, SoloPower announced plans to bring a $340 million solar plant to North Portland that will initially employ 170 people upon completion, possibly increasing to 500 employees within five years.[16] In August 2010, the Danish wind power firm, Vestas, announced plans to keep its North American headquarters in Portland and move to a newly renovated building in Portland's Pearl District. As of the end of March, Vestas had hired 200 people in 2011 in North America, including 40 in Portland, and had 30 open positions in the Air Trade Area.[17]

Boeing's aerospace manufacturing plant in Multnomah County is set to undergo a $120 million expansion that will add approximately 152 jobs over the next three years.[18] The plant makes components for nearly all of the company's airplanes, and the expansion will create a 60,000 sq. ft. facility to treat metals such as titanium and stainless steel, used in making commercial airplane parts. Boeing's new $35 billion contract to build a new generation of aerial tankers for the Air Force is also expected to spur new hiring by Air Trade Area manufacturers.[19]

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12 Source: The Oregonian, "Intel Goes Big to Get Small -- An Early Look at its New Hillsboro Research Factory, D1X," May 28, 2011.

13 Source: The Oregonian, "ON Semiconductor Continues Hiring in Gresham," June 24, 2011.

14 Source: The Oregonian, "Genentech Opens in Hillsboro, Fueling Oregon's Biotech Aspirations," April 5, 2010.

15 Source: The Oregonian, "SolarWorld's Hillsboro Plant Filling $32 Million Order for Los Angeles Utility," March 2, 2011.

16 Source: The Oregonian, "SoloPower to Announce Plans for $340 Million North Portland Solar Panel Plant," May 12, 2011.

17 Source: Sustainable Business Oregon, "Vestas Adds 200 N. America Jobs this Year, More on the Way," March 29, 2011.

18 Source: The Oregonian, "Boeing Plans to Invest $120 Million and Create 152 Jobs at Gresham Location," March 5, 2010.

19 Source: The Oregonian, "Oregon Likely to Gain Jobs in Boeing $35 Billion Tanker Contract," February 24, 2011.

2.5.5 Financial

The financial sector comprises financial, insurance and real estate services. The financial sector (e.g., investment banking) generated the second highest amount of travel spending, including demand for air travel services, of any industry sector in 2009 according to the National Business Travel Association. Employment in the financial sector in the Air Trade Area decreased at a compounded annual rate of 0.5 percent between 2000 and 2010, compared with a 0.3 percent decrease for the State of Oregon and a 0.1 percent decrease for the United States. In 2010, the financial sector in the Air Trade Area employed approximately 61,800 workers, representing 6.4 percent of the total nonagricultural workforce. This percentage is higher than that for the United States, where financial jobs accounted for 5.9 percent of nonagricultural employment in 2010.

As shown in Table II-6, three financial companies are among the major employers in the Air Trade Area. These companies include Wells Fargo, U.S. Bancorp and Standard Insurance Company (2,500 employees), which is also headquartered in the Air Trade Area.

Table II-9 presents total bank deposits for the Air Trade Area, the State of Oregon and the United States between 2000 and 2010. Total bank deposits represent an indicator of the economic activity of the financial sector. As shown, total bank deposits in the Air Trade Area have steadily increased from approximately $16.5 billion in 2000 to approximately $33.1 billion in 2010. This increase represents a CAGR of 7.2 percent during this period compared to 6.1 percent for the State of Oregon and 6.7 percent for the United States.

The industry sectors described in this section of the chapter benefit from various sources of investment, including venture capital investments. Venture capital investments in the State of Oregon contribute to the dynamism of the Air Trade Area through the creation of new ventures, the availability of additional funding to hire new employees and the spending of research and development funds. In 2010, Oregon attracted nearly twice as much venture capital investment as in 2009, according to new data from the National Venture Capital Association. The $173 million in venture capital backing made 2010 Oregon's second-best year for venture capital since the dot-com era. While Oregon and the Air Trade Area receive less attention compared to the Silicon Valley or Seattle, venture capital investors have found promise in several local startups. These include Portland-based Home Dialysis Plus, a medical technology company, which raised $50 million in June 2010 and Beaverton-based Averna, a semiconductor company with high-fidelity consumer electronics applications, which raised a total of $20 million in two funding rounds in 2010.

2.5.6 Construction

Employment in the construction sector in the Air Trade Area decreased at a compounded annual rate of 1.8 percent between 2000 and 2010, compared with a 2.2 percent decrease for the State of Oregon and a 1.7 percent decrease for the United States. In 2010, the construction sector in the Air Trade Area employed approximately 45,800 workers, representing 4.7 percent of the total nonagricultural workforce. This percentage is approximately equal to the United States where construction jobs accounted for 4.8 percent of nonagricultural employment in 2010.

Table II-9

Total Bank Deposits

Fiscal Year [1/]	Total Bank Deposits ($000,000) Air Trade Area	Oregon	United States
2000	$16,525	$29,656	$4,003,744
2001	$17,637	$31,262	$4,326,207
2002	$19,070	$33,479	$4,606,092
2003	$21,927	$37,337	$5,132,110
2004	$22,964	$39,165	$5,464,782
2005	$25,150	$42,284	$5,933,763
2006	$26,783	$45,275	$6,449,864
2007	$28,590	$47,944	$6,702,053
2008	$29,583	$49,162	$7,025,791
2009	$31,847	$52,620	$7,559,616
2010	$33,146	$53,657	$7,675,621
Compounded Annual Growth Rate			
2000 - 2010	7.2%	6.1%	6.7%

Note:

1/ Twelve months ending June 30.

Source: Federal Deposit Insurance Corporation (FDIC), *Summary of Deposits Report*, July 2011.

Prepared by: Ricondo & Associates, Inc., July 2011.

The Air Trade Area commercial real estate market has stabilized after office vacancy rates rose from 11.4 percent in 2007 to almost 16 percent in Q3 2010.[20] The Air Trade Area's office market vacancy rates held steady at 14.4 percent in Q2 2011 and net absorption registered just slightly negative. The Portland Central Business District saw vacancy decrease by 0.1 percent versus Q1 2011 to end Q2 2011 at 9.5 percent while the suburban markets saw a slight increase in vacancy of 0.2 percent versus Q1 2011. The future office construction pipeline remains virtually empty with just 384,000 sq. ft. of office space currently under construction. The largest project currently under construction in the Air Trade Area is a 293,000 sq. ft. office building in the suburban submarket for Fisher Investments. This lack of new construction as well as the continuation of the slow economic recovery is expected to eventually bring the supply/demand balance back to equilibrium, leading to renewed demand for new office space and the construction jobs that go along with these projects.

As shown in **Table II-10**, Air Trade Area residential building permit units and valuation experienced a boom and bust cycle over the 2000 to 2010 period that roughly mirrored the experience of the United States as a whole. From 2000 until the peak of the most recent residential real estate building cycle in 2005, the Air Trade Area's residential building permit units increased at a CAGR of 5.9 percent (compared to 6.2 percent for the United States) and building permit valuation increased at a CAGR of 13.1 percent (compared to 12.1 percent for the United States). From 2005 through 2010, the Air Trade Area's residential building permit units decreased at a compounded annual rate of 23.6 percent (compared to a decrease of 22.4 percent for the United States) and building permit valuation decreased at a compounded annual rate of 20.6 percent (compared to a decrease of 20.9 percent for the United States).

According to the most recent S&P/Case-Shiller Home Price Index report (data through June 2011), Air Trade Area home prices are down 27.7 percent since the local market peak in mid-2007, versus a 31.6 percent decrease from peak nationally. The State of Oregon Office of Economic Analysis forecasted in September 2011 that State of Oregon home prices (primarily driven by the Air Trade Area) will bottom in the first quarter of 2012, but will not return to peak levels until 2018.

2.5.7 Transportation/Utilities

Employment in the transportation/utilities sector in the Air Trade Area decreased at a compounded annual rate of 1.5 percent between 2000 and 2010, compared with a 1.0 percent decrease for the State of Oregon and a 0.6 percent decrease for the United States. In 2010, the transportation/utilities sector in the Air Trade Area employed approximately 33,100 workers, representing 3.4 percent of the total nonagricultural workforce. This percentage is slightly less than the United States where transportation/utilities jobs accounted for 3.6 percent of nonagricultural employment in 2010.

2.5.7.1 Transportation

The Air Trade Area is supported by a comprehensive transportation network that facilitates convenient access to the Air Trade Area. This extensive transportation network includes the following components:

- Portland International Airport: The Airport is operated by the Port of Portland and is located approximately 12 highway miles northeast of downtown Portland. In FY 2011, the Airport

[20] Source: Information in this paragraph was adapted from Grubb and Ellis, "Office Trends Report-Second Quarter 2011 Portland, OR."

Table II-10

Residential Building Permit Units & Valuation

Year	Air Trade Area		Oregon		United States	
	Units	Valuation ($000)	Units	Valuation ($000)	Units	Valuation ($000)
2000	12,962	1,623,152	19,877	2,533,331	1,592,267	185,743,681
2001	13,839	2,016,078	21,322	2,997,980	1,636,676	196,242,858
2002	14,331	2,142,423	22,186	3,347,381	1,747,678	219,188,681
2003	16,003	2,331,719	25,015	3,770,948	1,889,214	249,693,105
2004	15,859	2,490,144	27,309	4,458,126	2,052,060	290,119,463
2005	17,251	3,008,429	31,024	5,483,148	2,155,316	329,254,468
2006	15,376	2,767,808	26,623	4,941,557	1,838,903	291,314,492
2007	13,115	2,333,009	21,101	4,000,483	1,398,415	225,236,551
2008	7,408	1,448,204	11,676	2,247,277	905,359	141,623,457
2009	4,020	795,799	7,039	1,355,776	582,963	95,410,298
2010	4,476	951,296	6,868	1,377,070	604,610	101,943,061
Compounded Annual Growth Rate						
2000-2005	5.9%	13.1%	9.3%	16.7%	6.2%	12.1%
2005-2010	-23.6%	-20.6%	-26.0%	-24.1%	-22.4%	-20.9%

Source: U.S. Department of Commerce, Bureau of the Census, July 2011.
Prepared by: Ricondo & Associates, Inc., July 2011.

enplaned and deplaned approximately 13.5 million passengers and approximately 204,400 tons of cargo (freight and mail combined). *Conde Nast Traveler* magazine has named the Airport the best U.S. airport for four of the past five years in their poll of business travelers. In 2010, Zagat Survey named the Airport their favorite U.S. airport based on overall quality.

- Air Trade Area Seaports: These facilities, including the Port of Portland and Port of Vancouver USA, are located approximately 100 miles inland from the Pacific Ocean. Despite this inland location, the Portland harbor has the third highest international export tonnage level on the west coast of the United States and is the largest auto import gateway on the west coast of the United States.[21] Additionally, the Port of Portland exports the largest volume of wheat in the United States. Port of Portland marine facilities include three bulk and breakbulk terminals (Terminals 2, 4 and 5) and a container terminal (Terminal 6). These four terminals are located in close proximity to major rail and highway connections.
- Ground Transportation Networks: TriMet, the three-county mass transit network for metropolitan Portland, carries approximately 100 million riders annually[22], and its web of bus, MAX light-rail and streetcar service continues to grow. As shown in Table II-6, TriMet has approximately 2,431 employees. The MAX light-rail provides convenient service linking the Airport with downtown and suburban locations. The C-TRAN suburban bus service connects Clark County, Washington residents to TriMet bus and rail lines as well as downtown Portland.
- Rail Service: The Union Pacific and Burlington Northern Santa Fe railroads connect the Air Trade area with the nation’s transcontinental freight rail network. Amtrak provides passenger rail service to and from the Air Trade Area and Vancouver, Canada to the north and Los Angeles to the south, and Chicago to the east.
- Interstate Highways: Two major interstate highways, Interstate 5 and Interstate 84, intersect in the Air Trade Area. Interstate 5 is the main north-south route from Canada to Mexico along the west coast of the United States. Interstate 84 is the principal route east from the Air Trade area to Salt Lake City, Utah, and connects there with Interstate 80 which extends to the east coast of the United States.

2.5.7.2 Utilities

The major electricity producers in the Air Trade Area are the Bonneville Power Administration, Portland General Electric (among the major employers as shown in Table II-6) and PacifiCorp. Hydroelectric power generated by these producers is partly responsible for the State of Oregon having the sixteenth-lowest average retail price for electricity in the nation, according to the U.S. Energy Information Administration, making it advantageous for energy intensive businesses such as semiconductor manufacturing to locate in the Air Trade Area.

The Air Trade Area is a global leader in the wind industry. Oregon is one of six states with more than five percent of electricity generated by wind, and has a requirement that 25 percent of electricity come from renewable sources, including wind, by 2025. The wind industry is creating new employment opportunities in the Air Trade Area in the utilities sector as new wind turbines come on line that need to be maintained by well-paid specialized technicians. For example, Air Trade Area

[21] Source: Port of Portland, http://www.portofportland.com/FastFacts_Marine.aspx.
[22] Source: TriMet, “Facts About TriMet,” http://trimet.org/pdfs/publications/factsheet.pdf, September 2010.

employers Bonneville Power Administration, Iberdrola Renewables, Portland General Electric and Vestas are currently seeking to hire wind turbine technicians.[23]

2.5.8 Information

The information sector combines communications, publishing, motion picture and sound recording, and online services. Employment in the information sector in the Air Trade Area decreased at a compounded annual rate of 1.5 percent between 2000 and 2010, compared with a 2.1 percent decrease for the State of Oregon and a 2.9 percent decrease for the United States. In 2010, the information sector in the Air Trade Area employed approximately 22,300 workers, representing 2.3 percent of the total nonagricultural workforce. This percentage is higher than that for the United States where information jobs accounted for 2.1 percent of nonagricultural employment in 2010.

Information, particularly software and telecommunications development, is a prominent sector for innovation the Air Trade Area. According to Greater Portland Inc., the Air Trade Area has a computer software "talent cluster," or pool of specialized skilled labor, that is 20% larger than the national average. Mentor Graphics, the largest pure technology company headquartered in Oregon, is located in the Air Trade Area.[24] The firm makes computer software the semiconductor industry and other electronics manufacturers use to design their products. Also headquartered in the Air Trade Area is Consumer Cellular, one of Oregon's fastest growing companies, developed to cater to the rapidly growing market of providing senior citizens with basic cellular telecommunications services.[25] Consumer Cellular's revenues totaled $136.2 million in 2010, up from $100 million in 2009 and $65 million in 2008.

2.6 Economic Outlook

According to the most recent quarterly economic forecast (August 2011) from the State of Oregon's Office of Economic Analysis (OEA), "[T]he "headwinds" facing the U.S. economy did not appear to be present in the first quarter in Oregon, but the second quarter is feeling the effects…[the] private sector is still producing more jobs, albeit at a relatively slow pace. The real story of the slow growth in the second quarter is the government sector. Comprising around 18 percent of total employment in Oregon, job losses in this sector will have a damping impact on the economy moving forward."[26] Total employment in Oregon is projected to increase by 1.7 percent in 2011, and rise to almost 2.0 percent in 2012. The OEA forecast also notes that that in Oregon, "[s]igns are starting to emerge that the housing market has hit bottom, at least in terms of housing starts, but prices may have further to fall. Oregon, with the rest of the nation will still see corrections to the housing market in 2011. The question is whether the job growth will kick in to alleviate the downward pressures from declining housing prices and oversupply of homes. The housing market appears to be the biggest threat to a sustained economic recovery in Oregon."

Longer term, between 2011 and 2017, the OEA expects employment growth in Oregon to be slower than in the mid-1990s, but more robust than overall United States employment growth over this

23 Source: Sustainable Business Oregon, "CGCC Honored for Wind Training Program," January 18, 2011.
24 Source: The Oregonian, "Carl Icahn Join's Shareholder Revolt Against Mentor Graphics," February 28, 2011.
25 Source: The Oregonian, "Consumer Cellular Expands, Targets Smartphones and National Retail Partnership," April 27, 2011.
26 Source: State of Oregon Office of Economic Analysis, "Oregon Economic and Revenue Forecast," September, 2011.

period. Oregon's Gross State Product, a measurement of the economic output of the State, is projected to have the second highest growth rate in the nation over the coming years. Despite the projected economic growth, due to higher projected population growth in Oregon relative to the nation as a whole, little progress on raising per capita income compared to the U.S. is projected through 2020.

2.7 Summary

Table II-11 provides an overview of the key economic indicators presented in Tables II-1 through II-10. A summary of the socioeconomic trends in the Air Trade Area and additional factors supporting air travel demand includes the following:

- **Population:** The Air Trade Area had approximately 2.23 million residents in 2010. Actual and projected population growth in a region is a leading indicator for assessing demand for air travel. Air Trade Area population is projected to grow at a CAGR of 1.5 percent during the Projection Period, significantly higher than projected growth rates for the State of Oregon and the United States for the same period.
- **Age Distribution and Education:** Market research has shown that people between the ages of 35 and 54 tend to travel the most and that individuals with a college degree are more likely to travel by air. In 2009, Air Trade Area residents between the ages of 35 and 54 made up 29.2 percent of the population, compared with 27.5 percent of the population of the State of Oregon and 28.1 percent of the population of the United States. Approximately 33.9 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree). This percentage is significantly higher than that for both the State of Oregon and the United States where, respectively, 29.1 percent and 27.9 percent of the population over the age of 25 hold a bachelor's degree or higher advanced degree.
- **Income:** Historically, for most years, the Air Trade Area's per capita personal income has been significantly higher, on an absolute basis, than equivalent measures for the State of Oregon and the United States. Over the Projection Period, Air Trade Area personal income is expected to grow at a CAGR similar to the State of Oregon and the United States (between 4.3 and 4.5 percent). Also, 39.5 percent of households in the Air Trade Area had household incomes of $60,000 or more in 2010, which was higher than the 34.0 percent of households in this income category for the State of Oregon and the 37.3 percent of households in this income category nationwide. This suggests that, generally, the ability of the Air Trade Area's population to draw on discretionary income to spend money on air travel is greater than for the populations of the State of Oregon and the United States and that the area will remain attractive to business and leisure travelers (lower income areas often have weaker business ties to the rest of the nation and a less developed tourism infrastructure).
- **Unemployment:** Annual unemployment rates for the Air Trade Area during the 2000-2010 period were typically below those for the State of Oregon but typically higher than those experienced by the United States. The Air Trade Area's unemployment rate (non-seasonally adjusted) was 9.1 percent in July 2011. This rate was lower than the unemployment rate experienced by the State of Oregon (9.4 percent) and the unemployment rate experienced by the United States during the same period (9.3 percent). Relatively low unemployment rates are indicative of more potential opportunities for business travel and higher disposable income levels that facilitate leisure travel.

Table II-11

Summary of Key Economic Indicators

	Air Trade Area	Oregon	United States
Note: Highest/best values or rates in each row are shown in bold and underlined font.			
Population Growth[1/]			
1990-2010	**1.9%**	1.5%	1.1%
2010-2019	**1.5%**	1.2%	1.0%
Per Capita Personal Income			
2010	$37,780	$35,430	**$39,063**
2019	$55,223	$52,191	**$57,953**
% 2009 Households in $60,000-Above	**39.5%**	34.0%	37.3%
Growth in Civilian Labor Force[1/]			
2000-2010	**1.0%**	0.9%	0.8%
2000-2003	0.4%	0.7%	**0.9%**
2003-2007	**1.2%**	0.9%	1.1%
2007-2010	**1.4%**	1.1%	0.2%
Unemployment Rate			
2000	4.4%	5.1%	**4.0%**
2005	5.9%	6.2%	**5.1%**
2010	10.6%	10.8%	**9.6%**
July 2011	**9.1%**	9.4%	9.3%
Growth in Nonagricultural Employment Sectors, 2000-2010[1/]			
Services	1.1%	**1.2%**	1.1%
Trade	-0.6%	**-0.5%**	-0.7%
Government	**1.3%**	0.7%	0.8%
Manufacturing	**-2.9%**	-3.1%	-4.0%
Financial	-0.5%	-0.3%	**0.1%**
Construction	-1.8%	-2.2%	**-1.7%**
Transportation/Utilities	-1.5%	-1.0%	**-0.6%**
Information	**-1.5%**	-2.1%	-2.9%
Growth in Total Retail Sales[1/]			
2003 - 2007	**3.0%**	2.8%	2.5%
2007 - 2010	**-1.2%**	-1.6%	-1.9%
2010 - 2019	**2.2%**	2.0%	1.9%
Growth In Bank Deposits[1/]			
2000-2010	**7.2%**	6.1%	6.7%
Residential Building Permit Units[1/]			
2000-2005	5.9%	**9.3%**	6.2%
2005-2010	-23.6%	-26.0%	**-22.4%**
Residential Valuation[1/]			
2000-2005	13.1%	**16.7%**	12.1%
2005-2010	**-20.6%**	-24.1%	-20.9%

Note:

1/ Compounded annual growth rate.

Sources: Various sources indicated on Tables II-1 through II-10 of this chapter.

Prepared by: Ricondo & Associates, Inc., September 2011.

- **Nonagricultural Employment:** Nonagricultural employment in the Air Trade Area decreased at a compounded annual rate of 0.1 percent between 2000 and 2010, compared to decreases of 0.1 percent and 0.2 percent for the State of Oregon and the United States, respectively, during this same period. Two major industry sectors in the Air Trade Area experienced positive employment growth between 2000 and 2010, with growth occurring in the government (CAGR of 1.3 percent) and services (1.1 percent) sectors.
- **Business Climate:** In recent years, Portland has been rated the sixth-best place in the United States to live and launch a new business as well as one of the top 15 best places in the United States for careers and business. Fortune 500 employers are also well represented in the Air Trade Area through companies such as Intel, Nike (headquartered in the Air Trade Area), Wells Fargo, U.S. Bancorp, Xerox and Precision Castparts. The Air Trade Area has established notable industry clusters in semiconductor manufacturing, creative services, the footwear and outdoor industries and wind energy.
- **Other Factors Supporting Air Travel Demand:** The Air Trade Area offers a variety of healthcare, educational, cultural and recreational resources that stimulate demand for inbound and outbound air travel.
- **Economic Outlook:** Despite the current relatively weak and fragile economic recovery, the State of Oregon's Office of Economic Analysis is projecting significant job growth in the Air Trade Area and the State of Oregon over the Projection Period. The most rapid job growth in the Air Trade Area over the next six years is expected be in the construction sector and the professional and business services subsector. Also, the Air Trade Area and State housing markets are expected to bottom in the first quarter of 2012 with Air Trade Area housing prices anticipated to return to their 2007 peak in 2018, just before the end of the Projection Period.

The economic base of the Air Trade Area is strong and diversified, and is capable of supporting the projected demand for air travel at the Airport shown in Table III-7 of this report. This projected demand is expected to be sustained by the Air Trade Area's projected population growth, the significant percentage of households in higher income categories and the presence of prominent Fortune 500 companies in the Air Trade Area.

2.8 Economic Assumptions and Information Incorporated in Airline Traffic Analyses

As described in more detail in Section 3.5 of this report, the methodologies employed in analyzing and assessing the Port's projections of airline traffic activity at the Airport included (among other methodologies) statistical linear regression modeling that utilized local socioeconomic factors as the independent variable and enplanements as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income and employment. For each of the socioeconomic factors, the regression modeling produced a coefficient that was applied to the projection of the corresponding socioeconomic factor to provide an estimate of future enplanements. The projections of enplanements using regression modeling with local socioeconomic factors provided a comparison benchmark for the assessment of the Port's projection of enplanements (which provided the basis for the financial analyses included in Chapter V of this report).

As described in Section 3.5, each of the projections of enplanements using regression modeling (using population, income, etc.) resulted in annual enplanement growth rates for FY 2012 through FY 2019 that were equal to or higher than the enplanement growth rates reflected in the Port's projection.

III. Air Traffic

This chapter describes historical and projected aviation activity at the Airport and discusses key factors affecting these activity levels.

3.1 Airlines Serving the Airport

As of September 2011, the Airport had scheduled passenger service provided by 14 U.S. airlines and two foreign flag airlines. In addition, scheduled cargo service is provided by eight all-cargo airlines. Scheduled passenger service at the Airport is provided by 11 of the 13 major U.S. passenger airlines, which are the largest U.S. passenger airlines in terms of their total annual revenues.[1] These airlines include Alaska, American, Continental, Delta, Frontier, Hawaiian, JetBlue, SkyWest, Southwest, United, and US Airways.[2] **Table III-1** lists the passenger and all-cargo airlines serving the Airport as of September 2011. Asiana Cargo and low-cost carrier Spirit initiated service at the Airport on September 2 and September 22, 2011, respectively.

Table III-2 presents the historical air carrier base at the Airport since FY 2002. As shown, the Airport has had the benefit of a relatively large and stable air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets.

Specific points concerning the Airport's historical air carrier base are presented below:

- Twelve of the 16 passenger airlines currently providing service at the Airport have operated at the Airport for each of the years depicted in Table III-2.
- Alaska and its sister airline Horizon Air consider the Airport a focus city. A focus city is a location that is not considered a hub but from which an airline has nonstop flights to several destinations other than its hubs. These two airlines had a combined 35.9 percent share of enplaned passengers at the Airport in FY 2011, and currently provide approximately 90 daily nonstop flights to 25 markets (out of a current total of over 245 daily nonstop flights for all airlines at the Airport). Horizon Air currently provides 22 daily nonstop flights to Seattle, primarily for connections to other markets.
- Southwest, which had the second highest share of enplaned passengers at the Airport in FY 2011 with an 18.9 percent share, initiated service at the Airport in FY 1994 with nonstop service to Oakland and Spokane with a total of seven daily flights. Southwest has since steadily expanded its service at the Airport with 40 daily nonstop flights to 13 markets by FY 2007, which has been maintained through July 2011. Daily nonstop flights increased from seven daily flights in FY 1994 to 17 daily flights in FY 1995, and to 29 daily flights in FY 1996. Thereafter, activity for Southwest steadily increased to its current level of 40 daily flights (a CAGR of 3.0 percent between FY 1996 and FY 2007).

3.2 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplaned passengers by airline.

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1 As defined by the U.S. DOT, major U.S. airlines are airlines with gross operating revenues during any calendar year of more than $1 billion.

2 The major U.S. airlines AirTran and American Eagle do not currently provide service at the Airport.

Table III-1

Airlines Serving the Airport [1/]

Scheduled U.S. Airlines (14)	Foreign Flag Airlines (2)	All-Cargo Airlines (8)
Alaska [2/]	Air Canada	ABX
American	Air Canada Jazz	Airpac
Continental [3/]		Ameriflight
Delta		Asiana Cargo
Frontier		Empire
Hawaiian		FedEx
Horizon Air [2/]		MartinAire Aviation
JetBlue		United Parcel Service
Seaport		
SkyWest		
Southwest [4/]		
Spirit		
United [3/]		
US Airways		

Notes:

1/ As of September 2011.

2/ Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by its sister airline Alaska beginning in 2011. All ticket revenues now go to Alaska, while the operating costs of Horizon Air is covered by Alaska. In January 2011, the Alaska Group announced that it will be retiring the Horizon Air brand; however, the sister airlines will continue to operate under separate operating certificates.

3/ United and Continental merged effective October 1, 2010. A single operating certificate is expected to be issued by the FAA in mid-2012.

4/ Southwest acquired AirTran effective May 2, 2011. A single operating certificate is expected to be issued by the FAA in the first quarter of 2012.

Source: Port of Portland, August 2011.

Prepared by: Ricondo & Associates, Inc., August 2011.

Table III-2

Scheduled Air Carrier Base

Airline	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 [1/]
Number of Airlines	12	14	14	16	16	18	17	16	15	15	16
Air Canada Jazz [2/]	●	●	●	●	●	●	●	●	●	●	●
Alaska [3/]	●	●	●	●	●	●	●	●	●	●	●
American	●	●	●	●	●	●	●	●	●	●	●
Continental [4/]	●	●	●	●	●	●	●	●	●	●	●
Delta [5/]	●	●	●	●	●	●	●	●	●	●	●
Frontier	●	●	●	●	●	●	●	●	●	●	●
Hawaiian	●	●	●	●	●	●	●	●	●	●	●
Horizon Air [3/]	●	●	●	●	●	●	●	●	●	●	●
SkyWest	●	●	●	●	●	●	●	●	●	●	●
Southwest [6/]	●	●	●	●	●	●	●	●	●	●	●
United [4/]	●	●	●	●	●	●	●	●	●	●	●
US Airways [7/]	●	●	●	●	●	●	●	●	●	●	●
JetBlue				●	●	●	●	●	●	●	●
Air Canada									●	●	●
Seaport [8/]										●	●
Spirit											●
Airlines No Longer Serving the Airport											
Lufthansa		●	●	●	●	●	●	●	●		
ExpressJet						●	●	●			
Mexicana		●	●	●	●	●	●	●			
Mesa				●	●	●	●				
WestJet						●					

Notes:

1/ As of September 2011.

2/ Includes historical service by Air BC.

3/ Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by its sister airline Alaska beginning in 2011. All ticket revenues now go to Alaska, while the operating costs of Horizon Air is covered by Alaska. In January 2011, the Alaska Group announced that it will be retiring the Horizon Air brand; however, the sister airlines will continue to operate under separate operating certificates.

4/ United and Continental merged effective Ocober 1, 2010. A single operating certificate is expected to be issued by the FAA in mid-2012.

5/ Includes historical service by Northwest.

6/ Southwest acquired AirTran effective May 2, 2011. A single operating certificate is expected to be issued by the FAA in the first quarter of 2012.

7/ Includes historical service by America West.

8/ Seaport has been providing scheduled service at the Airport from its Flightcraft facility adjacent to the main terminal since December 2008. However, it became a Signatory Airline in October 2010 and is included in the Airport statistics and financials beginning that month.

Source: Official Airline Guide, Inc., August 2011.
Prepared by: Ricondo & Associates, Inc., August 2011.

3.2.1 Enplaned Passengers

The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplaned passengers;[3] and ranked 30th nationwide in total passengers in CY 2010 with 13.2 million enplaned and deplaned passengers (the busiest U.S. medium hub facility).[4]

Table III-3 presents historical data for enplaned passengers at the Airport between FY 1998 and FY 2011, and for the Airport and the U.S. for the 12-month periods ending September 30, 1998 through 2010. As shown, enplaned passengers at the Airport increased from 6.4 million in FY 1998 to 7.4 million in FY 2008. This increase represents a compound annual growth rate (CAGR) of 1.6 percent during this period. Due to record high fuel costs and a nationwide economic recession, enplaned passengers at the Airport decreased from 7.4 million in FY 2008 to 6.7 million in FY 2009, a 10.7 percent decrease year-over-year. A recovery in passenger traffic appeared in the latter part of FY 2010, with the fourth quarter of FY 2010 increasing 0.9 percent from a similar period in FY 2009. For the full fiscal year, however, enplaned passengers at the Airport decreased from 6.7 million in FY 2009 to 6.5 million in FY 2010, a 2.7 percent decrease during this period. The recovery in passenger traffic continued in FY 2011, as enplaned passengers at the Airport increased from 6.5 million in FY 2010 to 6.8 million in FY 2011, a 4.2 percent increase year-over-year.

Specific details concerning enplaned passengers at the Airport between FY 1998 and FY 2011 are discussed below:

- **FY 1998 - FY 2001.** Enplaned passengers at the Airport increased from 6.4 million in FY 1998 to 6.8 million in FY 2001. This increase represents a CAGR of 2.2 percent during this period. The Airport experienced significant growth in enplaned passengers in FY 1999 from FY 1998 levels, increasing from 6.4 million enplaned passengers in FY 1998 to 6.7 million enplaned passengers in FY 1999, a 5.6 percent growth rate during this period. This relatively strong growth in passenger activity was primarily due to Southwest establishing and expanding service at the Airport, which forced Alaska and Horizon Air together to adopt a lower fare structure in order to remain competitive. Frontier, another low-cost carrier, initiated service at the Airport in FY 1999, adding competitive fares to Denver, a primary origin-destination (O&D) market for the Airport. The lower fares, new service, and a strong local and national economy helped stimulate the overall passenger markets at the Airport during this period.
- **FY 2002.** After decreasing slightly in FY 2001 from FY 2000 levels, passenger activity at the Airport decreased significantly in FY 2002, from 6.7 million enplaned passengers in FY 2001 to 6.0 million in FY 2002. This 10.8 percent decrease in activity at the Airport was primarily due to the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and a nationwide economic slowdown.
- **FY 2003 - FY 2008.** Activity at the Airport recovered quickly from the events of September 11 and the nationwide economic slowdown, as enplaned passengers increased each year between FY 2003 and FY 2008. The initiation of new service at the Airport during this

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3 As defined by the FAA, a medium hub airport enplanes more than 0.25 percent and less than 1.0 percent of nationwide enplaned passengers during a calendar year. This definition equates to an airport enplaning between 1,778,160 and 7,112,641 passengers in CY 2010, the latest year for determining airport hub size. Based on Airport records, the Airport had 6,594,269 enplaned passengers in CY 2010.

4 *Traffic Data 2010*, Airports Council International.

Table III-3

Historical Enplaned Passengers

Fiscal Year Ending June 30			12-Month Period Ending September 30						
Fiscal Year	Airport Enplaned Passengers	Airport Growth	12-Month Period Ending Sept. 30	Airport Enplaned Passengers	Airport Growth	U.S. Domestic Enplaned Passengers	U.S. Growth	Airport Share of U.S.
1998	6,355,313	-	1998	6,392,777	-	590,400,000	-	1.083%
1999	6,711,676	5.6%	1999	6,803,762	6.4%	610,900,000	3.5%	1.114%
2000	6,897,073	2.8%	2000	6,862,110	0.9%	641,200,000	5.0%	1.070%
2001	6,778,219	(1.7%)	2001	6,600,508	(3.8%)	625,800,000	(2.4%)	1.055%
2002	6,047,128	(10.8%)	2002	6,045,269	(8.4%)	575,100,000	(8.1%)	1.051%
2003	6,107,968	1.0%	2003	6,146,652	1.7%	587,800,000	2.2%	1.046%
2004	6,336,392	3.7%	2004	6,438,605	4.7%	628,500,000	6.9%	1.024%
2005	6,757,694	6.6%	2005	6,849,911	6.4%	669,500,000	6.5%	1.023%
2006	7,012,004	3.8%	2006	7,013,526	2.4%	668,400,000	(0.2%)	1.049%
2007	7,144,443	1.9%	2007	7,233,700	3.1%	690,100,000	3.2%	1.048%
2008	7,449,917	4.3%	2008	7,404,840	2.4%	680,700,000	(1.4%)	1.088%
2009	6,654,126	(10.7%)	2009	6,499,899	(12.2%)	630,800,000	(7.3%)	1.030%
2010	6,477,286	(2.7%)	2010	6,502,606	0.0%	635,300,000 1/	0.7%	1.024%
2011	6,750,420	4.2%	2011	6,801,075	4.6%	654,000,000 2/	2.9%	1.040%

Compound Annual Growth Rate		Compound Annual Growth Rate		
1998 - 2000	4.2%	1998 - 2000	3.6%	4.2%
2000 - 2002	(6.4%)	2000 - 2002	(6.1%)	(5.3%)
2002 - 2008	3.5%	2002 - 2008	3.4%	2.8%
2008 - 2010	(6.8%)	2008 - 2010	(6.3%)	(3.4%)
2010 - 2011	4.2%	2010 - 2011	4.6%	2.9%
1998 - 2011	0.5%	1998 - 2011	0.5%	0.8%

Notes:

1/ Estimated by the FAA.

2/ Projected by the FAA.

N/A = Not Available.

Sources: Port of Portland (Airport activity), July 2011; FAA (U.S. activity), October 2011.

Prepared by: Ricondo & Associates, Inc., October 2011.

period, as well as the presence of low-cost carriers, were contributing factors to this strong growth in passenger activity at the Airport. Three foreign flag airlines and the low-cost carrier JetBlue initiated service at the Airport during this period. In FY 2003, Lufthansa initiated nonstop service to Frankfurt, and Mexicana initiated nonstop service to Guadalajara. Mexicana expanded its service to Mexico City in late FY 2007; Delta (then Northwest) initiated nonstop service to Tokyo in late FY 2004 and to Honolulu in FY 2005. During this period, Southwest initiated service to Chicago Midway and increased daily service to Las Vegas and Phoenix.

Airport enplaned passengers increased 4.3 percent in FY 2008 from FY 2007 levels, from 7.1 million in FY 2007 to 7.4 million in FY 2008 (the highest enplaned passenger level at the Airport in any fiscal year to date). The combined increases in enplaned passengers for Horizon, Southwest, and Alaska during this period accounted for nearly 90 percent of this increase in passengers. During this fiscal year, Southwest initiated nonstop service to Denver and an additional daily flight to Chicago's Midway Airport. Alaska initiated nonstop daily service to Boston and an additional flight to San Diego. In addition, daily nonstop service to Amsterdam was initiated by Delta (then Northwest) in FY 2008.

- **FY 2009 - FY 2010.** Airport enplaned passengers decreased from 7.4 million in FY 2008 to 6.7 million in FY 2009, a decrease of 10.7 percent year-over-year. Oil prices escalated to a high of $147 per barrel in July 2008, which prompted the airlines to raise prices and reduce capacity systemwide. These price increases and decreased capacity (the airlines at the Airport decreased scheduled seats by approximately 900,000 seats in FY 2009 from FY 2008 levels, a 9.1 percent decrease), coupled with the national economic recession that began in December 2007 were primary factors leading to enplaned passengers decreasing 10.7 percent at the Airport in FY 2009 from FY 2008 levels. Enplaned passengers at the Airport were 2.7 percent below enplaned passenger levels for FY 2009, decreasing from 6.7 million in FY 2009 to 6.5 million in FY 2010.
- **FY 2011.** Airport enplaned passengers increased 4.2 percent in FY 2011 from FY 2010 levels, from 6.5 million to 6.8 million during this period. This relatively quick recovery from high oil prices and the national economic recession was similar to the recovery experienced after the events of September 11 and a nationwide economic slowdown.

In order to provide a direct comparison between enplaned passengers at the Airport to enplaned passenger data for the U.S., which is reported by the FAA for federal fiscal years (FFYs) ending September 30, Table III-3 presents enplaned passengers for both the Airport and the U.S. for FFY 1998 through FFY 2010. As shown, the Airport's share of U.S. enplaned passengers remained relatively stable between FFY 1998 and FFY 2010, reflective of similar growth patterns with the nation during this period. Other observations concerning enplaned passengers at the Airport and for the U.S. include:

- Enplaned passengers at the Airport increased at a CAGR of 3.6 percent between FFY 1998 and FFY 2000, compared to 4.2 percent for the nation.
- The Airport and the nation experienced similar decreases in passenger activity in FFY 2001 and FFY 2002, which were caused primarily by the events of September 11 and an economic slowdown nationwide.
- Both the Airport and the nation recovered to pre-September 11 levels in FFY 2005.
- Enplaned passengers at the Airport increased at a CAGR of 3.4 percent between FFY 2002 and FFY 2008, compared to 2.9 percent for the nation.

- The only difference in passenger trends of note between the Airport and the nation occurred in FFY 2009, where the Airport experienced a 12.2 percent decrease in enplaned passengers year-over-year compared to the 7.3 percent decrease for the nation. Primary factors accounting for the Airport's higher percentage decrease in FFY 2009 when compared to the nation were the Air Trade Area's higher unemployment rates and lower per capita personal income in 2008 and 2009. These conditions were also present in certain of the Airport's top O&D markets (e.g., California markets), which further reduced passenger activity levels at the Airport.

3.2.2 Enplaned Passengers by Airline

As shown earlier in Table III-2, the Airport has a relatively large and diverse air carrier base. To further illustrate this point, **Table III-4** presents the historical share of enplaned passengers by airline at the Airport between FY 2007 and FY 2011. As shown, enplaned passengers are spread over a number of airlines. Alaska and Horizon Air combined accounted for 35.9 percent of enplaned passengers at the Airport in FY 2011. Three other airlines combined accounted for an additional 38.6 percent of enplaned passengers during this same period (Southwest with an 18.9 percent share, Delta with an 11.3 percent share, and United with an 8.4 percent share).

3.3 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it serves primarily O&D passengers.[5] Based on FY 2011 data, the Port estimates that O&D passengers account for approximately 84 percent of total passengers at the Airport, with the remaining 16 percent of Airport passengers connecting between flights. **Table III-5** presents historical data on the Airport's primary (i.e., top 20) O&D markets. As shown, the Airport primarily served small to medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 1,161 miles in FY 2000 and 1,314 miles in FY 2010. By comparison, average stage lengths nationwide for FY 2000 and FY 2010 were 800 miles and 870 miles, respectively.

Although the individual rankings changed over time, the Airport's top 20 O&D markets remained relatively the same, as 17 of the Airport's top 20 O&D markets in FY 2000 were also included in the top 20 O&D markets in FY 2010. The most significant increases in O&D passenger levels at the Airport occurred in the Orange County, New York/Newark, and Denver markets, with O&D passengers for these markets increasing by more than 45,000 passengers between FY 2000 and FY 2010. The increase in O&D passengers to and from Orange County was primarily due to the increase in the passenger cap in place at John Wayne Airport from 8.4 million annual passengers to 10.3 million annual passengers on January 1, 2003. The increases in O&D passenger demand to the New York/Newark and Denver markets were primarily due to decreases in average one-way fares in FY 2010 compared to FY 2000. With JetBlue initiating low-cost service at the Airport to and from New York City via John F. Kennedy International Airport (JFK) in FY 2005, average one-way fares for New York/Newark decreased from $263 to $211 during this period. The average one-way fare to Denver from the Airport decreased from $175 in FY 2000 to $117 in FY 2010.

The most significant decreases in O&D passenger levels at the Airport occurred in markets along the West Coast corridor (e.g., Los Angeles, San Francisco, San Jose, and Seattle), primarily due to a significant cutback in capacity to and from these markets. From the mid-90s to 2001, Shuttle by

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[5] Based on passenger survey data, the O&D percentage at the Airport ranged from 84 percent to 89 percent between FY 2004 and FY 2011.

Table III-4

Historical Enplaned Passengers by Airline

		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
Rank in FY 2011	Airline	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share
1	Horizon Air [1/]	1,337,985	18.7%	1,477,575	19.8%	1,319,437	19.8%	1,282,825	19.8%	1,291,328	19.1%
2	Southwest [2/]	1,270,322	17.8%	1,322,143	17.7%	1,239,592	18.6%	1,237,598	19.1%	1,275,700	18.9%
3	Alaska [1/]	1,152,727	16.1%	1,230,683	16.5%	983,721	14.8%	956,724	14.8%	1,134,018	16.8%
4	Delta	806,336	11.3%	882,912	11.9%	809,713	12.2%	771,899	11.9%	760,011	11.3%
5	United [3/]	975,090	13.6%	842,884	11.3%	673,458	10.1%	575,320	8.9%	567,140	8.4%
6	SkyWest	213,232	3.0%	233,916	3.1%	315,849	4.7%	370,593	5.7%	362,274	5.4%
7	Continental [3/]	272,616	3.8%	284,130	3.8%	287,837	4.3%	297,029	4.6%	280,428	4.2%
8	US Airways	324,646	4.5%	345,014	4.6%	310,298	4.7%	257,588	4.0%	272,377	4.0%
9	Frontier	140,254	2.0%	158,351	2.1%	143,904	2.2%	173,985	2.7%	213,741	3.2%
10	American	288,382	4.0%	256,346	3.4%	229,140	3.4%	211,265	3.3%	198,712	2.9%
11	Hawaiian	155,794	2.2%	170,178	2.3%	160,883	2.4%	165,498	2.6%	169,334	2.5%
12	JetBlue	44,634	0.6%	44,851	0.6%	64,836	1.0%	103,658	1.6%	137,915	2.0%
13	Air Canada [4/]	39,381	-	45,478	-	44,162	-	55,204	0.9%	70,769	1.0%
14	Seaport [5/]	-	-	-	-	-	-	-	-	11,717	0.2%
	Other [6/]	123,044	1.7%	155,456	2.1%	71,296	1.1%	18,100	0.3%	4,956	0.1%
	Airport Total	7,144,443	99.4%	7,449,917	99.4%	6,654,126	99.3%	6,477,286	100.0%	6,750,420	100.0%

Notes:

1/ Horizon Air announced in August 2010 that all decisions about route choices and marketing services would be made by its sister airline Alaska beginning in 2011. All ticket revenues now go to Alaska, while the operating costs of Horizon Air is covered by Alaska. In January 2011, the Alaska Group announced that it will be retiring the Horizon Air brand; however, the sister airlines will continue to operate under separate operating certificates.

2/ Southwest acquired AirTran effective May 2, 2011. A single operating certificate is expected to be issued by the FAA in the first quarter of 2012.

3/ United and Continental merged effective Ocober 1, 2010. A single operating certificate is expected to be issued by the FAA in mid-2012.

4/ Includes activity for Air Canada Jazz.

5/ Seaport has been providing scheduled service at the Airport from its Flightcraft facility adjacent to the main terminal since December 2008. However, it became a Signatory Airline in October 2010 and is included in the Airport statistics and financials beginning that month.

6/ Consists of airlines no longer serving the Airport and/or charter activity.

Source: Port of Portland, August 2011.
Prepared by: Ricondo & Associates, Inc., August 2011.

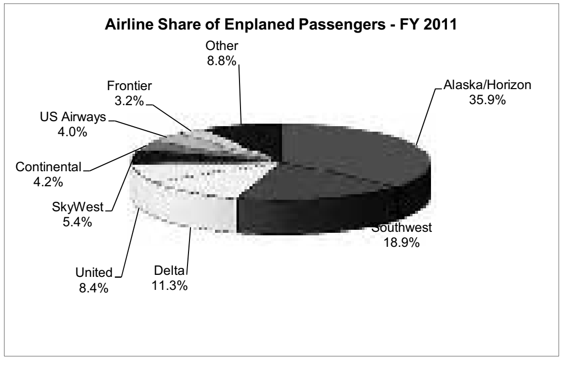

Table III-5

Primary O&D Passenger Markets

FY 2000

Rank	Market	Trip Length [1/]	Total O&D Passengers	Average One-Way Fare
1	Los Angeles	MH	650,150	$103
2	San Jose	SH	557,720	$73
3	Las Vegas	MH	490,710	$83
4	San Francisco	SH	482,010	$85
5	Phoenix	MH	437,000	$114
6	Oakland	SH	436,080	$70
7	Sacramento	SH	391,040	$67
8	Seattle	SH	322,890	$100
9	San Diego	MH	316,550	$110
10	Reno	SH	283,610	$53
11	Salt Lake City	MH	282,490	$88
12	Denver	MH	277,710	$175
13	Spokane	SH	267,720	$56
14	Boise	SH	263,600	$63
15	Chicago	LH	261,980	$219
16	New York/Newark	LH	260,550	$263
17	Orange County	MH	211,270	$120
18	Ontario,CA	MH	205,430	$107
19	Dallas	MH	162,360	$246
20	Burbank	MH	158,190	$109
	Subtotal		6,719,060	
	Airport Total		10,632,730	
	Top 20 Percent of Total		63.2%	
Average				
Airport [3/]		1,161		$135
United States		800		N/A

FY 2010

Rank	Market	Nonstop Service [2/]	Trip Length [1/]	Total O&D Passengers	Average One-Way Fare
1	Las Vegas	•	MH	452,920	$116
2	Phoenix	•	MH	426,130	$133
3	Denver	•	MH	405,100	$117
4	Sacramento	•	SH	382,240	$93
5	Los Angeles	•	MH	378,570	$145
6	Oakland	•	SH	360,310	$121
7	New York/Newark	•	LH	333,600	$211
8	San Jose	•	SH	315,770	$127
9	San Diego	•	MH	295,500	$140
10	Chicago	•	LH	292,070	$194
11	Salt Lake City	•	MH	261,970	$115
12	Orange County	•	MH	260,510	$131
13	San Francisco	•	SH	259,070	$143
14	Boise	•	SH	200,890	$83
15	Seattle	•	SH	196,620	$98
16	Honolulu	•	LH	195,400	$192
17	Kahului	•	LH	195,280	$173
18	Spokane	•	SH	194,150	$79
19	Dallas	•	MH	185,700	$198
20	Long Beach	•	MH	183,970	$105
	Subtotal			5,775,770	
	Airport Total			10,632,730	
	Top 20 Percent of Total			54.3%	
Average					
Airport [3/]			1,314		$155
United States			870		N/A

Notes:

1/ (SH) Short Haul = 0 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles

2/ Nonstop markets as of July 22, 2011.

3/ Average calculated for all of the Airport's O&D markets.

N/A = Not Available

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT, August 2011.

Prepared by: Ricondo & Associates, Inc., August 2011.

United operated primarily up and down the West Coast as a low-cost alternative to Southwest and other low cost carriers. Shuttle by United initiated service at the Airport with 22 daily nonstop flights to and from San Francisco and 12 daily nonstops flights to and from Los Angeles. After the events of September 11 and a nationwide economic slowdown, air travel declined and the separate operation, Shuttle by United, was no longer cost effective. As a result, Shuttle by United was merged back into United's mainline operation.

As of September 2011, daily nonstop service was provided to 47 cities with a total of 233 daily flights, with 10 daily nonstop flights to Las Vegas, the Airport's top O&D market, and 37 daily nonstop flights to Seattle. All of the Airport's primary O&D markets are provided nonstop service. **Table III-6** presents the Airport's nonstop markets as of September 2011, including the markets served, daily flights, and airlines providing nonstop flights.

New passenger and all-cargo service at the Airport was initiated in September 2011. Asiana Cargo initiated nonstop service from the Airport to its Incheon, Korea hub on September 2, 2011 with three weekly flights, connecting Oregon and southwest Washington businesses with Asia. In addition, Spirit Airlines initiated nonstop service to the Airport's top-ranked O&D market (Las Vegas), with two daily flights beginning on September 22, 2011.

3.4 Factors Affecting Aviation Demand

This section discusses qualitative factors that could influence future aviation activity at the Airport.

3.4.1 National Economy

Air travel demand nationwide is directly correlated to consumer income, business profits, and U.S. Gross Domestic Product (GDP). As consumer income, business profits, and GDP increase, so does demand for air travel. Recent econometric research by the International Air Transport Association[6] and the MIT International Center for Air Transportation[7] found that demand for air passenger service is responsive to changes in GDP with a very high correlation coefficient.

As discussed earlier in this report, the nation experienced an economic recession between December 2007 and June 2009, which was marked by a combination of declines in construction activity, falling home prices, rising oil prices and a falling stock market. Demand for air travel weakened nationwide in 2008, registering a 3.1 percent decline, followed by an additional 5.2 percent decline nationwide in 2009. As an example, and as noted in Southwest's first quarter 2009 earnings statement, the airline attributed its operating loss of $50 million to a rapid weakening in passenger demand during the same quarter, particularly among business travelers.

Recently, trends in U.S. GDP have improved, with the nation recording an annual increase of 1.6 percent in the third quarter of 2009, followed by additional annual gains of 5.0 percent and 3.7 percent in the fourth quarter of 2009 and the first quarter of 2010, respectively. According to the third estimate released by the Bureau of Economic Analysis (BEA), U.S. GDP increased at an annual rate of 1.7 percent in the second quarter of 2010. For the third and fourth quarters of 2010, U.S. GDP increased at an annual rate of 2.6 percent and 3.1 percent respectively, according to the "third" estimate released by the BEA. According to the "third" estimate released by the BEA, U.S. GDP increased 0.4 percent in the first quarter of 2011 and 1.3 percent in the second quarter of 2011. The rise in real GDP in recent quarters is reflective of positive contributions from consumer spending,

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6 *Air Travel Demand, IATA Economics Briefing No. 9,* International Air Transport Association, April 2008.
7 *Analysis of Interaction Between Air Transportation and Economic Activity: A Worldwide Perspective,* MIT International Center for Air Transportation, March 2009.

Table III-6

Nonstop Markets

Market	Daily Nonstop Flights	Number of Airlines	Airline(s)
Albuquerque	1	1	Southwest
Amsterdam, Netherlands	1	1	Delta
Anchorage	2	1	Alaska
Atlanta	3	1	Delta
Boise	6	2	Horizon (4), Southwest (2)
Boston	1	1	Alaska
Burbank	3	1	Horizon
Calgary, Canada	1	1	Air Canada Jazz
Charlotte	1	1	US Airways
Chicago	8	3	Alaska (1-ORD), Southwest (2-MDW), United (5-ORD)
Dallas	5	1	American
Denver	13	4	Frontier (5), SkyWest (2), Southwest (3), United (3)
Detroit	1	1	Delta
Eugene	7	2	Horizon (3), SkyWest (4)
Fresno	1	1	Horizon
Honolulu	2	2	Alaska (1), Hawaiian (1)
Houston	4	1	Continental
Kahului	2	2	Alaska (1), Hawaiian (1)
Kansas City	1	1	Southwest
Klamath Falls	1	1	SkyWest
Las Vegas	10	3	Alaska (4), Southwest (4), Spirit (2)
Long Beach	3	1	JetBlue
Los Angeles	9	2	Alaska (5), SkyWest (4)
Medford	3	1	Horizon
Minneapolis	4	1	Delta
New York/Newark	4	3	Continental (2-EWR), Delta (1-JFK), JetBlue (1-JFK)
North Bend	1	1	SkyWest
Oakland	10	2	Horizon (4), Southwest (6)
Ontario	3	1	SkyWest
Orange County	4	1	Alaska
Pendleton	4	1	Seaport Air
Philadelphia	1	1	US Airways
Phoenix	10	3	Alaska (2), Southwest (3), US Airways (5)
Redmond	6	2	Horizon (3), SkyWest (3)
Reno	3	1	Southwest
Sacramento	10	2	Horizon (4), Southwest (6)
Salt Lake City	7	2	Delta (5), Southwest (2)
San Diego	3	1	Alaska
San Francisco	11	4	Alaska (2), Horizon (3), SkyWest (2), United (4)
San Jose	9	3	Alaska (2), Horizon (3), Southwest (4)
Santa Rosa	1	1	Horizon
Seattle	37	3	Horizon (21-SEA), Seaport Air (7-Boeing Field), SkyWest (9-SEA)
Spokane	7	2	Horizon (5), Southwest (2)
Tokyo, Japan	1	1	Delta
Toronto, Canada	1	1	Air Canada
Vancouver, Canada	6	2	Air Canada Jazz (4), Horizon (2)
Washington DC	1	1	United (1-IAD)
Total	233		

Source: Official Airline Guide, Inc., September 23, 2011.
Prepared by: Ricondo & Associates, Inc., September 2011.

private inventory investment, nonresidential fixed investment, exports, and federal government spending, during these periods.

In September 2010, the National Bureau of Economic Research determined that a trough in business activity occurred in the U.S. economy in June 2009, thus officially marking the end of the recession that began in December 2007 and the beginning of an expansion. The recession lasted 18 months, which makes it the longest of any recession since World War II. The most recently published surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest GDP growth in 2011.[8] According to U.S. Bureau of Transportation Statistics data, air travel demand began to rebound in late 2009. In 2010, total scheduled enplanements on U.S. airlines increased to 720.5 million from 703.9 million in 2009, or an increase of 2.4 percent. In 2010, February was the only month that total scheduled enplanements on U.S. airlines decreased when compared to the same period in 2009. In January 2011, total scheduled enplanements on U.S. airlines increased 2.2 percent compared to January 2010.

The Blue Chip Economic Indicators forecast projects annual GDP growth of 2.9 percent for the United States in 2011. The NABE forecasts 2.8 percent growth in GDP for the United States in 2011. According to the latest forecast from the Congressional Budget Office (CBO), United States GDP is projected to grow by 3.1 percent in 2011, 2.8 percent in 2012, and by an average of 3.4 percent between 2013 and 2016,[9] which suggests the upward trend in nationwide air travel should continue. However, should the economy stall, or again trend downward (e.g., encounter a "double-dip" recession), aviation demand nationwide would likely be negatively impacted.

3.4.2 State of the Airline Industry

In the aftermath of the events of September 11, the industry saw a downturn in demand for air travel. The result was five years of reported industry operating losses, totaling more than $28 billion dollars (excluding extraordinary charges and gains). The airline industry finally gained ground in 2007 with virtually every U.S. airline posting profits. However, in 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. airlines since the September 11 terrorist attacks. In response, most airlines announced significant capacity reductions, increased fuel surcharges, increased fares and fees, and adopted other measures to address the financial challenges. Whereas the capacity reductions following the events of September 11 were the direct result of terror threats targeting the traveling public, the industry reductions starting in late 2008 and continuing through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs, and the contraction of the U.S. economy.

After nearly $10 billion of losses in 2009 and a $16 billion profit for the global airline industry in 2010, the International Air Transport Association (the international industry trade group of airlines) is predicting a $4 billion profit in 2011. Globally, passenger traffic is forecast to rise 4.4 percent in 2011. Even though recovery is uneven across different regions, North American airline profits are projected to be $1.2 billion in 2011, compared to the $4.1 billion profit earned in 2010 ($3.4 billion

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8 *Blue Chip Economic Indicators*, Vol. 36, No. 2, February 10, 2011, Aspen Publishers; *NABE Outlook*, February 2011, National Association for Business Economics.

9 Source: Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2011 to 2021*, available online at http://www.cbo.gov/ftpdocs/120xx/doc12061/FY2011Outlook_Testimony.pdf, January 27, 2011.

of which were generated by baggage fee collections, as reported by the Bureau of Transportation Statistics).

3.4.3 Cost of Aviation Fuel

The price of fuel is one of the most significant forces affecting the airline industry today. In 2000, jet fuel accounted for nearly 14 percent of airline industry operating expenses and, historically, fuel expense was the second highest operating expense for the airline industry behind labor. In 2008, jet fuel surpassed labor as an airline's largest operating expense and, according to the ATA, fuel comprised approximately 30.6 percent of an airline's total operating costs while labor represented approximately 20.3 percent of the total. As oil prices fell in the first quarter of 2009, fuel expenses retreated and labor once again became the airline industry's largest operating expense representing 25.8 percent of total operating expenses while fuel was at 21.3 percent. As of the third quarter of CY 2010, fuel once again was the largest percentage of total operating expense at 25.4 percent followed by labor at 24.7 percent.

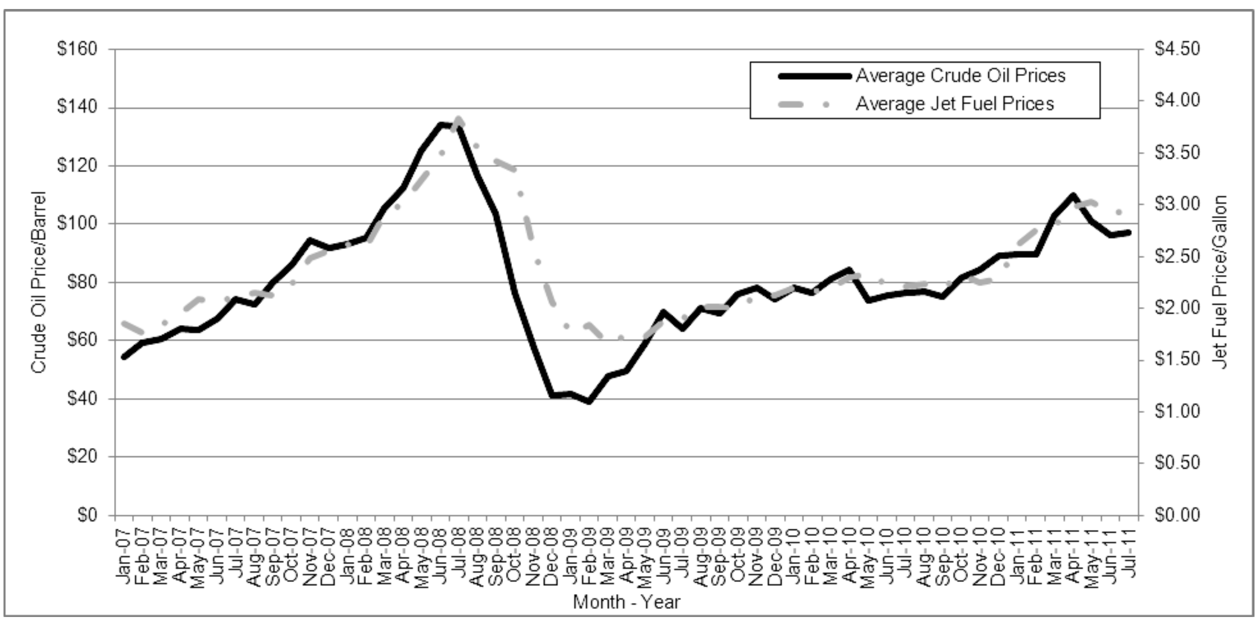
The average price of jet fuel was $0.82 per gallon in 2000 compared to $2.24 per gallon in 2010, an increase of 172 percent. According to the ATA, every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately $190 million to $200 million.

If jet fuel prices approach or surpass their mid-2008 peak (average price of $3.84 per gallon in July 2008), aviation demand nationwide may be negatively impacted due to potential activity reductions by the airlines or higher ticket prices the airlines might impose in efforts to remain profitable. The average price of jet fuel in July 2011 was $2.94 per gallon, a 32.6 percent increase over the July 2010 average price.

Exhibit III-1 shows the monthly averages of jet fuel and crude oil prices from January 2007 through July 2011.

Exhibit III-1

Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: Air Transport Association (ATA), October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

3.4.4 Airline Mergers and Acquisitions

In recent years airlines have experienced increased costs and industry competition both domestically and internationally. As a result, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta fully completed its merger with Northwest Airlines which initiated a wave of airline mergers and acquisitions within the U.S. That same year, Republic Airways Holdings, a regional airline, bought Frontier Airlines of Denver and Midwest Airlines of Milwaukee. In October 2010, United Airlines and Continental Airlines merged, creating the world's largest airline in terms of operating revenue and revenue passenger miles.

On September 27, 2010, Southwest Airlines announced it had entered into an agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways, for a combination of cash and Southwest Airlines' common stock. The acquisition will extend Southwest's route network and add new markets, such as Atlanta (the largest domestic market Southwest currently does not serve) and Reagan National Airport (Washington, D.C.), and provides access to international leisure markets in the Caribbean and Mexico. Southwest plans to integrate AirTran into the Southwest brand by transitioning the AirTran fleet to Southwest's livery and consolidating corporate functions into its Dallas headquarters. Southwest Airlines' integration plans include transitioning the operations of the two carriers to a single operating certificate. The merger closed in May 2011.

3.4.5 Airport Security and Threat of Terrorism

As has been the case since the events of September 11, the recurrence of terrorism incidents against either domestic or international aviation targets during the Projection Period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation could have an immediate and significant adverse impact on the demand for aviation services. With the enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created, which established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The ATSA also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security (DHS) to accomplish several primary goals: (1) prevent terrorist attacks within the United States, (2) reduce the nation's vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, (4) and monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS. Increased security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

3.5 Projections of Aviation Demand

The Port prepared the activity projections that were used to prepare the financial projections reflected in this report. R&A reviewed these projections for their reasonableness for use in this report, as discussed below.

3.5.1 The Port's Projections and Underlying Assumptions

For purposes of ongoing planning, the Port maintains and periodically reviews and updates long-range projections of aviation activity. For these analyses, and as shown in **Table III-7**, the Port estimated that enplaned passengers at the Airport would increase 1.8 percent in FY 2012, and then increase 2.2 percent annually between FY 2013 and FY 2017, as described below. As a result, the

Table III-7

Enplaned Passenger Projection

Fiscal Year	Actual Enplanements	Annual Growth
1998	6,355,313	
1999	6,711,676	5.6%
2000	6,897,073	2.8%
2001	6,778,219	(1.7%)
2002	6,047,128	(10.8%)
2003	6,107,968	1.0%
2004	6,336,392	3.7%
2005	6,757,694	6.6%
2006	7,012,004	3.8%
2007	7,144,443	1.9%
2008	7,449,917	4.3%
2009	6,654,126	(10.7%)
2010	6,477,286	(2.7%)
2011	6,750,420	4.2%
	Port Projection	
2012	6,873,000	1.8%
2013	7,024,000	2.2%
2014	7,179,000	2.2%
2015	7,337,000	2.2%
2016	7,498,000	2.2%
2017	7,663,000	2.2%
2018	7,832,000	2.2%
2019	8,004,000	2.2%
Compounded Annual Growth Rate		
1998 - 2011	0.5%	
2002 - 2008	3.5%	
2002 - 2011	1.2%	
2011 - 2019	2.2%	

Source: Port of Portland (Airport activity and projections), August 2011.
Prepared by: Ricondo & Associates, Inc., August 2011.

Port projected that enplaned passengers at the Airport would increase from 6.8 million in FY 2011 to 7.7 million in FY 2017, a CAGR of 2.1 percent during this period.

3.5.1.1 Near-Term Projection – FY 2012

The Port projected that enplaned passengers would increase to 6.9 million through FY 2012. Key assumptions included in this near-term projection by the Port include:

- Southwest plans to keep their capacity at the Airport stable.
- Alaska initiated a daily flight to Honolulu in late September 2010, with its full year of service impacting three months of FY 2012 (i.e., July through September 2011). Also, during FY 2011, Alaska up-gauged two San Francisco flights which will impact their numbers positively.
- Since their respective routes from the Airport complement rather than compete, the merger of United and Continental will not result in lower capacity at the Airport.
- JetBlue added a second frequency to Boston between May 26, 2011 and September 6, 2011. Air Canada up-gauged their Toronto flight utilizing the 120 seat-A319 aircraft between June and early September 2011. Spirit Airlines initiated two daily frequencies to Las Vegas on September 22, 2011.
- All other airlines will be holding capacity steady.

After four straight quarters of decline, the U.S. economy resumed growth in the fourth quarter of 2009, driven in part by government stimulus packages. Reflecting the return of economic growth, Airport enplanements increased 4.2 percent in FY 2011 from FY 2010 levels, and the Port expects a continuation of modest growth in enplaned passenger activity at the Airport to occur in FY 2012 (a 1.8 percent growth in FY 2012 from FY 2011 levels).

3.5.1.2 Longer-Term Projection – FY 2013 through FY 2019

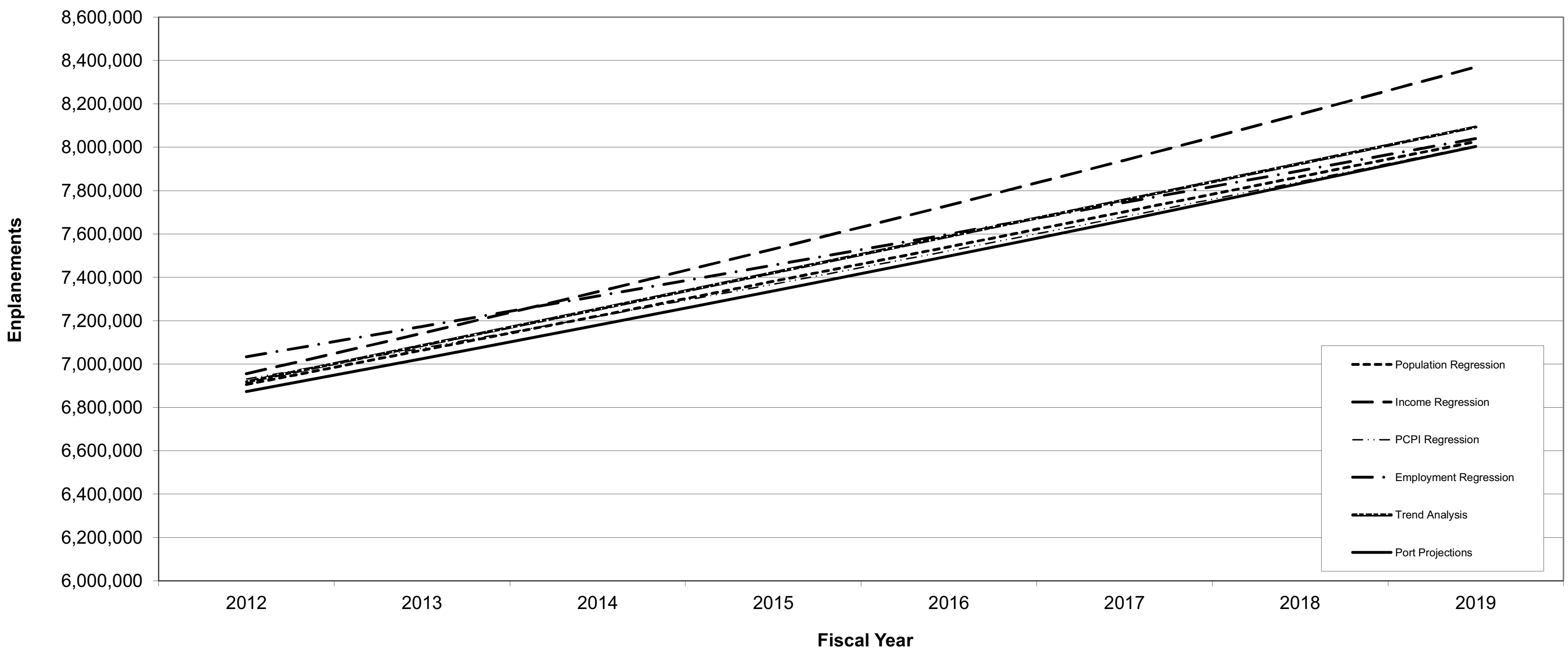
The Port projects enplaned passengers to increase 2.2 percent annually for FY 2013 to FY 2019, increasing to 8.0 million in 2019. This assumed annual increase is equivalent to the CAGR calculated for the 2008 Airport Master Plan Update's median projection scenario between 2006 (the Master Plan Update base year) and 2035. By comparison, the FAA's Terminal Area Forecast for the Airport prepared in December 2010 assumes a CAGR of 3.1 percent between FY 2013 and FY 2019. The 2.2 percent enplaned passenger growth rate assumed by the Port for FY 2013 to FY 2019 is significantly lower than the CAGR of 3.5 percent for enplaned passengers at the Airport between FY 2002 and FY 2008. The period FY 2002 to FY 2008 (following the significant decrease in enplaned passengers as a result of September 11 and the nationwide economic slowdown, and prior to the significant decrease in FY 2009) could generally be characterized as a period of normal growth for the Airport, or as a period that was not adversely affected by significant nationwide events.

3.5.2 Review of the Port's Projections and Assumptions

R&A reviewed the Port's projections, as well as the underlying assumptions relative to historical trends in aviation activity at the Airport, scheduled airline service, recent airline announcements, and other factors affecting aviation demand. R&A also analyzed the Port's projections based on linear regression modeling of local socioeconomic and demographic data, as described below. On the basis of our review and analysis, it is our opinion that the Port's underlying air traffic assumptions and projections of aviation activity at the Airport provide a reasonable basis from which to prepare the financial projections reflected in this report.

Statistical linear regression modeling was analyzed, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's correlation coefficient).

Regression analysis was conducted on Airport enplaned passengers and each socioeconomic variable. The coefficient of determination (R^2) for the socioeconomic factors, which measures how well each variable explained the annual variations in enplaned passengers at the Airport, ranged from a high of approximately 96 percent to a low of approximately 91 percent. The regression models produced CAGRs in the range of 2.2 percent to 2.7 percent for the multiple socioeconomic factors and trend analysis. Based on applying these growth rates to the enplaned passenger level for FY 2011, the Airport's Air Trade Area could support enplaned passengers at the Airport in a range of 8.0 million to 8.4 million by 2019, equal to and above the 8.0 million enplaned passengers projected by the Port. **Exhibit III-2** presents the projected enplaned passengers based on growth rates derived from the regression models and a comparison to the Port's projections.



Sources: Port of Portland (Airport activity and projections); Ricondo & Associates, Inc. (regression analyses), August 2011.
Prepared by: Ricondo & Associates, Inc., August 2011.

Exhibit III-2

Enplaned Passenger Projections

IV. Airport Facilities and Capital Program

This chapter presents a review of existing Airport facilities and a discussion of the Series 2011 PFC Bond Projects and other planned capital improvements at the Airport.

4.1 Existing Airport Facilities

The Airport occupies approximately 3,200 acres of land on the southern edge of the Columbia River in Multnomah County, approximately 12 miles northeast of downtown Portland. It provides commercial air passenger and cargo service to northwest Oregon and southwest Washington, and is accessed from Interstate 205 (I-205) via Airport Way. Existing Airport facilities are described in the following paragraphs and are shown on **Exhibit IV-1**.

4.1.1 Airfield Facilities

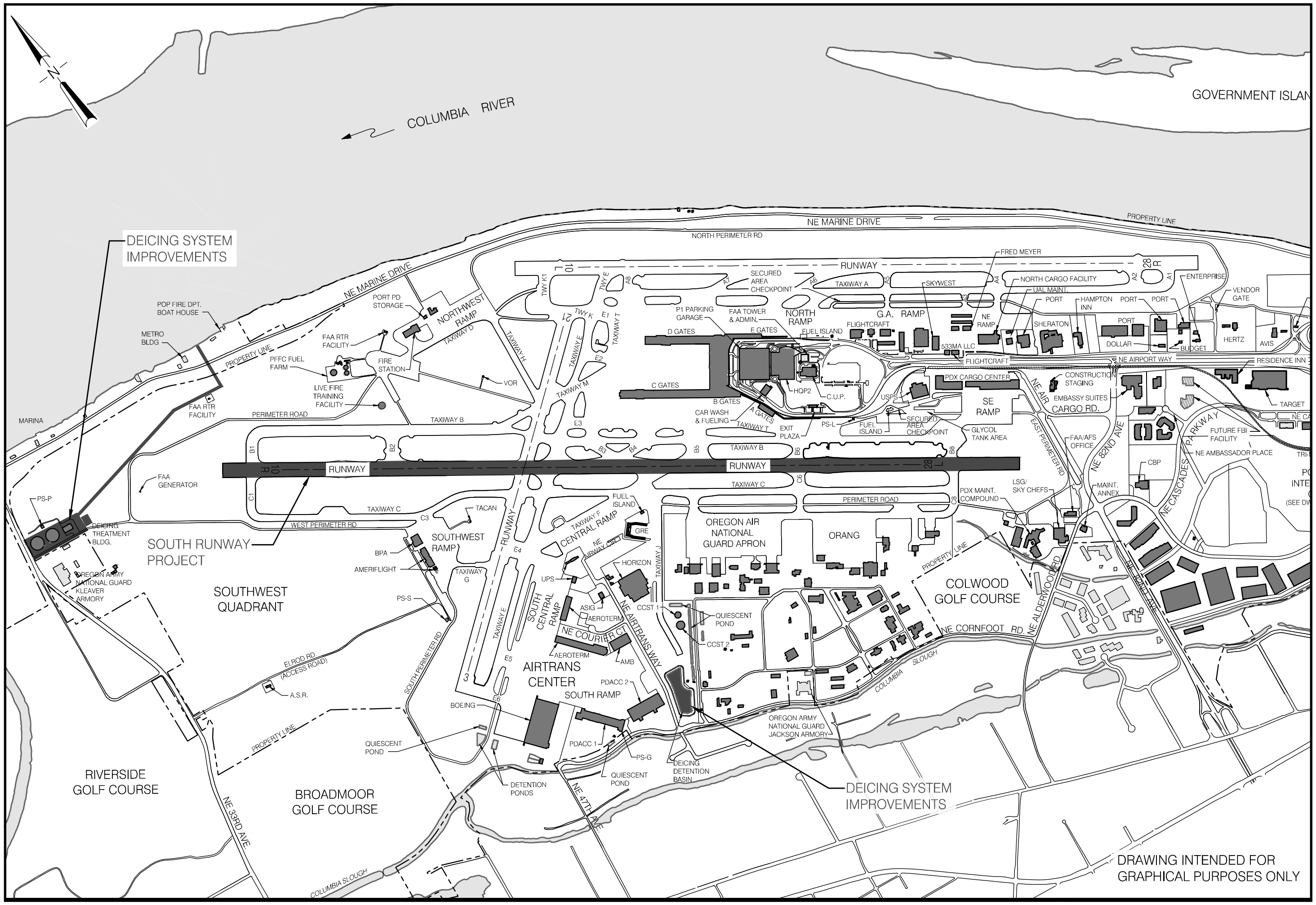
The existing airfield consists of two parallel air carrier runways, Runway 10R-28L and Runway 10L-28R, and a crosswind air carrier runway, Runway 03-21. Runway 10R-28L is 11,000 feet. The Port completed the extension of Runway 10L-28R (the north runway) to 9,800 feet in length in October 2010. As noted in Section 4.3.1 below, the Port also rehabilitated Runway 10R-28L (the south runway) as part of the Series 2011 PFC Bond Projects. Both runways are 150 feet wide and are equipped with high intensity runway lighting systems, centerline lighting, and touchdown zone lights. For approaches during Instrument Flight Rules (IFR) conditions, precision instrument landing systems are installed on both ends of each runway. The crosswind runway, Runway 3-21, is 6,000 feet in length with a width of 150 feet and is lighted and marked as a nonprecision runway.

Management at the Port has concluded that after these projects are completed, existing runways have adequate capacity to meet forecast operations beyond 2035. As described above, the Port recently completed the extension of the north runway to a total length of approximately 9,800 feet after having completed the associated environmental assessment (in accordance with the National Environmental Policy Act – NEPA) for this extension. The extension of the north runway provides runway facilities required for larger (Group IV) aircraft when the south runway is shut down for rehabilitation and repairs, thus reducing the cost of future rehabilitations and increasing the quality and longevity of the south runway.

4.1.2 Terminal Facilities

The passenger terminal complex includes a main terminal building with five attached concourses and a federal inspection station for international arrivals. The existing terminal and apron facilities provide for 67 independent gate positions and related passenger waiting areas and security screening facilities. Of the 67 gates, 6 are FIS gates that can accommodate international arrivals, and 61 are used exclusively for domestic operations. Except for the 14 commuter gates at Concourse A and 7 commuter gates at Concourse E, all gates are equipped with passenger loading bridges. A concourse corridor connector includes moving walkways between the north and south concourses to facilitate passenger movement between the concourses and to reduce transit time for international and domestic passengers with connecting flights.

The primary public areas in the main terminal building are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides direct access to the five concourses. Ticket counters and concession areas, including a food court,



Source: Port of Portland, July 2011.
Prepared by: Ricondo & Associates, Inc., July 2011.

Exhibit IV-1

not to scale

Series 2011 PFC Bond Projects

cafes, pubs, full service restaurants, full service spa, barber, full service bank, newsstands, and retail shops, are located on the departure level. The arrival level is accessible to ground level roadways for departing vehicles and contains baggage claim facilities. The upper-level and lower-level access roadways have been widened and the ticket and baggage claim lobbies have been extended as part of the Port's capital improvement program.

All phases of the construction, testing, and certification of a state of the art in-line baggage screening system were completed in July 2011. With the completion of the in-line baggage screening system project, all checked bags are screened in an area beyond public spaces. This new system allows the Transportation Security Administration to more efficiently screen bags for banned substances and allowed for the removal of screening machines in the ticket lobby thus increasing circulation.

A TriMet MAX Light Rail station is located near the baggage claim area on the arrival level at the Southern end of the main terminal building. TriMet's MAX Light Rail system connects from the Airport to Portland, Gresham, Clackamas, Beaverton, and Hillsboro.

4.1.3 Public Parking Facilities

Port-owned public parking facilities consist of (1) a seven-story short-term public parking garage, (2) a new seven-story long-term parking garage which opened in March 2010, and (3) an economy surface parking lot. The short-term parking garage has nearly 3,300 public parking spaces and is located adjacent to the passenger terminal. The first two floors of the short-term garage are utilized by rental car companies. The long-term parking garage has nearly 3,000 public parking spaces and is located adjacent to the short-term parking garage. The first floor of the long-term garage is reserved for rental car companies. Tunnels and moving sidewalks connect the long-term parking garage to the passenger terminal.

Approximately 7,800 surface parking spaces are available in the economy lot which is located near Interstate 205 off Airport Way. Free parking shuttles operate regularly between the economy lot and the main passenger terminal.

To help reduce vehicle traffic congestion in the terminal area, a 30-space cell phone waiting lot is available (located off of N.E. Airport Way and N.E. 82nd Avenue, approximately three minutes away from the terminal) where motorists meeting arriving passengers can wait for free until passengers call to indicate they are ready to be picked up along the terminal curbside.

4.1.4 Rental Car Facilities

Nine rental car companies provide service at the Airport – five provide on-Airport service counters and vehicles (Avis, Dollar, Enterprise, Hertz, and National), three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Advantage, Alamo, and Thrifty), and one provides only passenger pick-up and drop-off to facilities located off-Airport (Budget). On-Airport rental car spaces are located in the first two floors of the short-term parking garage and the first floor of the long-term parking garage.

4.1.5 Cargo and Airline Maintenance Facilities

Air cargo facilities are located in three main areas of the Airport: the North Cargo Complex, the PDX Cargo Center, and the AirTrans Center. The North Cargo Complex consists of six buildings totaling approximately 146,700 square feet; the PDX Cargo Center consists of two buildings totaling approximately 125,000 square feet. The Port leases these buildings to various passenger airlines for their belly cargo and ground support equipment (GSE) maintenance operations. Other GSE operators and freight forwarders also lease space in these buildings, and the US Postal Service has a ground lease in the PDX Cargo Center. In the AirTrans Center, third party developers, including Aero Portland, AMB Property, LLC, PDACC1, and PDACC2, lease land upon which they have constructed cargo facilities. These developers also manage the aircraft ramps associated with each of their cargo facilities. Subtenants of these cargo facilities include Federal Express, DHL Worldwide Express, DB Schenker, and Evergreen Ground Logistics. In addition, the AirTrans Center hosts Boeing Corporation's paint operation hangars, United Parcel Service's northwest regional hub, and Horizon Air's 150,000 square-foot regional headquarters and maintenance facility.

4.1.6 Port Headquarters

In May 2010, the Port's new headquarters (205,000 square feet of offices situated on three floors built atop the new seven-story long-term parking garage at the Airport) were opened, consolidating more than 450 Port staff previously located in separate offices located downtown and at the Airport passenger terminal. The consolidation of most of the Port's work force in the new headquarters allows the Port to achieve operating efficiencies and save additional operational costs. In November 2010, the Port leased the majority of administration space previously occupied by Port staff in the Airport terminal to the TSA.

The new headquarters building received Leadership in Energy and Environmental Design (LEED) Platinum certification upon final review by the Green Building Council in 2011. In addition, Forbes has included the headquarters building in its list of Top Ten Most High Tech Green Buildings in the World.

4.1.7 Ancillary Facilities

Ancillary facilities support the aviation-related activities at the Airport. The facilities identified as ancillary are categorized as Military, General Aviation, Federal Aviation Administration (FAA), the Port, Flight Kitchens, and Commercial Facilities.

- **Military.** The Oregon Air National Guard leases an approximately 240-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center.
- **General Aviation.** Corporate and general aviation facilities are located on approximately 25 acres along the north side of the Airport. This area includes paved aircraft parking areas, aircraft hangars, and fixed base operator facilities. The Port owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. The Port also receives ground lease rent from the owners of several corporate aircraft maintenance hangars.
- **Federal Aviation Administration (FAA).** The FAA occupies the Airport Traffic Control Tower (ATCT) and handles all flight arrivals and departures as well as ground movement. The ATCT is located adjacent to the long-term parking garage.
- **The Port.** The Port provides the following support facilities at the Airport: Aircraft Rescue and Firefighting and maintenance.
- **Flight Kitchen.** Sky Chefs operates a flight kitchen at the Airport.
- **Commercial Facilities.** On the eastern side of the Airport, next to Interstate 205 and NE Airport Way, is the 463-acre Portland International Center, which is being developed as a commercial and industrial development complex. The facilities located at the Portland

International Center were constructed and are operated by private parties on Airport land that is leased from the Port (all roads are owned by the City of Portland). Parcel B is closest to the Airport Terminal and 82nd Street and consists of approximately 318 acres. Developed areas in Parcel B include 105 acres for an Embassy Suites Hotel, warehouse/distribution buildings, office/warehouse buildings, manufacturing facilities, a bank and a U.S. Customs headquarters building. Another 24 acres were developed into Airport employee parking. Future developable areas include approximately 52 acres for Aviation Reserve and 64 acres for future industrial development. This parcel includes another 73 acres of land designated as permanently open. Parcel A includes 145 acres of the Portland International Center and is being developed by Cascade Station Development Company, LLC ("Cascade") for retail, office, and hotel development. Of the 145 acres, approximately 120 are currently in development and 25 additional acres are un-developable (will comprise street right of ways and park blocks). The Cascade development was negotiated as part of a development and financing package to extend the regional light rail system through the Portland International Center to the Airport Terminal. Two hotels, the Sheraton and the Hampton Inn, are also located on the north side of the Airport on land leased from the Port.

4.2 Summary of Capital Projects

For purposes of this report, the Airport's current capital program is organized into the following two categories (each of which is discussed in the sections that follow in this chapter of the report):

- **The Series 2011 PFC Bond Projects.** <u>Includes capital projects to be funded or reimbursed, in part, with Series 2011 PFC Bond proceeds</u>. The capital costs associated with the Series 2011 PFC Bond Projects **<u>have been included</u>** in the financial analysis incorporated in this report (see Chapter V). The Port currently does **<u>not</u>** expect that additional PFC Bonds will need to be issued to help fund the estimated costs of the Series 2011 PFC Bond Projects.
- **Other Capital Projects.** <u>Includes other Airport capital projects that are currently anticipated by the Port to be undertaken during the Projection Period (through FY 2019)</u>. These projects are referred to in this report as the Other Capital Projects. The Port expects to use pay-as-you-go PFC funding, subject to future FAA approvals, for approved project costs associated with certain of the Other Capital Projects. The use of PFC Revenue to help pay the costs of the Other Capital Projects **<u>has also been incorporated</u>** in the PFC financial analysis incorporated in this report (see Chapter V for more detailed information).

It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Port during the Projection Period (depending on circumstances such as aviation demand levels, availability of project funding, etc.). However, for purposes of this analysis, such projects have been incorporated in this report to be conservative.

4.3 The Series 2011 PFC Bond Projects

The Series 2011 PFC Bond Projects include (1) the South Runway Rehabilitation Project and (2) Deicing System Improvements, as described in detail in the following sections. Exhibit IV-1 highlights the location of key elements of the Series 2011 PFC Bond Projects. **Table IV-1** presents estimated project costs for the Series 2011 PFC Bond Projects and the Other Capital Projects.

The Series 2011 PFC Bond Projects are estimated to cost approximately $141.3 million (including design, engineering, construction, escalation for inflation, and contingency amounts). Sources of funding for the Series 2011 PFC Bond Projects are presented in **Table IV-2**.

Table IV-1

Series 2011 PFC Bond Projects and Other Capital Projects - Estimated Costs
(Amounts in Thousands)

Project Elements	Estimated Total Cost [1/]	Historical Expenditures [2/]	Remaining Project Costs
Series 2011 PFC Bond Projects			
South Runway Rehabilitation Project	$64,837	$24,248	$40,589
Deicing System Improvements	76,421	$68,692	7,729
Total Series 2011 PFC Bond Projects	**$141,258**	**$92,940**	**$48,318**
Other Capital Projects (FY 2012 - FY 2019) [3/]			
Total Other Capital Projects	**$751,102**		
Total Series 2011 PFC Bond Projects and Other Capital Projects	**$892,360**		

Notes:

1/ Estimated costs shown include design, engineering, escalation for inflation, and contingency amounts.

2/ Actual project expenditures through June 30, 2011.

3/ The financial impacts associated with the Other Capital Projects are incorporated the financial tables included in Chapter V of this report.

Sources: The Port of Portland, September 2011.
Prepared by: Ricondo & Associates, Inc., September 2011.

Table IV-2
Series 2011 PFC Bond Projects and Other Capital Projects - Estimated Funding Sources
(Amounts in Thousands)

Project Elements	Estimated Total Cost [1/]	Federal/State Grants	PFC Paygo Funds	Airport Funds	Prior Airport Revenue Bond Proceeds	Future Airport Revenue Bond Proceeds	Series 2011 PFC Bonds
Series 2011 PFC Bond Projects							
South Runway Rehabilitation Project	$64,837	$28,035	$0	$0	$1,290	$0	$35,513
Deicing System Improvements	76,421	4,250	6,446	7,000	17,721	0	41,004
Total Series 2011 PFC Bond Projects	**$141,258**	**$32,285**	**$6,446**	**$7,000**	**$19,011**	**$0**	**$76,516**
Other Capital Projects (FY 2012 - FY 2019) [2/]	$751,102	$145,225	$98,071	$333,235	$15,800	$158,771	$0
Total Series 2011 PFC Bond Projects and Other Capital Projects	**$892,360**	**$177,509**	**$104,517**	**$340,235**	**$34,812**	**$158,771**	**$76,516**

Notes:
1/ Estimated costs shown include design, engineering, escalation for inflation, and contingency amounts.
2/ The financial impacts associated with the Other Capital Projects are incorporated the financial tables included in Chapter V of this report.

Sources: The Port of Portland, September 2011.
Prepared by: Ricondo & Associates, Inc., September 2011.

4.3.1 South Runway Rehabilitation Project

The South Runway Rehabilitation, completed in October 2011, included a complete rehabilitation of the South Runway surface, including the following elements:

- Removal of the entire runway asphalt pavement surface replacing it with concrete
- Removal and replacement of runway in-pavement lighting
- Repair/replace/add various electrical conduits and vaults, storm drainage, and sanitary sewer infrastructure as required
- Rehabilitate and reconfigure the Taxiway F taxiway exit
- Rehabilitate the Runway 10R and Runway 28L Blast Pads

As shown on Table IV-1, the South Runway Rehabilitation Project is estimated to cost approximately $64.8 million. Through FY 2011, the Port had spent approximately $24.2 million on the costs of the South Runway Rehabilitation Project. As shown in Table IV-2, approximately $35.5 million of the estimated cost of this project is expected to be paid from proceeds of the Series 2011 PFC Bonds.

4.3.2 Deicing System Improvements

Deicing System Improvements include various enhancements to the existing deicing stormwater collection and treatment system to allow better control of the release of deicing stormwater runoff to the Columbia Slough and/or the Columbia River and remain in compliance with the Airport's deicing stormwater permit. The Deicing System Improvements are expected to be completed in September 2012.

The Deicing System Improvements Project includes the following major elements:

- Near Apron collection: A system of pipes and pumps to divert stormwater with high concentrations of deicing materials from the terminal ramps to a 3 million gallon holding tank
- Dilute collection system: A system to divert stormwater with low to moderate concentrations of deicing materials from the storm system to two 6.4 million gallon above ground holding tanks
- Three new pump stations (pump stations N, S, and P) and over 6 miles of piping
- A new outfall to the Columbia River
- A new on-site treatment plant that uses anaerobic fluidized bed reactor technology
- An automated master control system using instrumentation and programmable logic controllers to monitor concentrations and flows and direct diversion and release of deicing storm water to the sanitary sewer, on-site treatment, the Columbia Slough, and/or the Columbia River to remain within the restrictions of the PDX deicing permit

As shown on Table IV-1, the Deicing System Improvements are estimated to cost approximately $76.4 million (including costs to date). Through FY 2011, the Port had spent approximately $68.7 million on the costs of the Deicing System Improvements Project—including architectural and engineering design, construction management, and construction costs. As shown in Table IV-2, approximately $41.0 million of the cost of this project is expected to be paid from proceeds of the Series 2011 PFC Bonds.

4.4 Other Capital Projects

As discussed in Section 4.2, Other Capital Projects currently anticipated by the Port to be undertaken during the Projection Period (through FY 2019) are shown on Table IV-1. Preliminary cost estimates for the Other Capital Projects total approximately $751.1 million. It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Port during the Projection Period (depending on circumstances such as aviation demand levels, availability of project funding, etc.) during the Projection Period. However, for purposes of this analysis, such projects have been incorporated in this report to be conservative. The expected use of pay-as-you-go PFC funding the Other Capital Projects **has also been incorporated** in the PFC financial analysis incorporated in this report (see Chapter V for more detailed information)

Sources of funding for the Other Capital Projects, based on current Port estimates and projections, are presented in Table IV-2.

It is possible that during the Projection Period, the Port may consider other potential future Airport improvements not planned for at this time. However, the Port will only undertake construction on any other potential future projects when demand warrants, necessary environmental reviews have been completed, necessary approvals have been obtained, and associated project costs can be supported by a reasonable level of Airport user fees or other discrete funding sources such as state/federal grants, PFCs, Airport (or Port) funds, or third party funds.

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V. PFC Bond Financial Analysis

This chapter examines the financial framework for the Port's outstanding PFC Bonds and the planned Series 2011 PFC Bonds; the sources and uses for the Series 2011 PFC Bonds; the Port's PFC approvals; the projections of PFC Bond debt service and PFC Revenue; the projections of PFC Bond debt service coverage; and the projections of First Lien Sufficiency Covenant coverage.

Information in this chapter does not address pledged sources of revenues or payment, expenses, or debt service requirements related to the Port's Airport Revenue Bonds. PFC Revenue discussed in this chapter is not part of Airport revenues or net revenues which secure the Port's Airport Revenue Bonds.

The Series 2011 PFC Bonds are being issued to (1) fund a portion of the costs of certain Airport improvements including the South Runway Rehabilitation Project and the Deicing System Improvements Project (each described in Section 4.3 of this report and collectively referred to as the Series 2011 PFC Bond Projects); (2) repay draws on a non-revolving credit facility, the proceeds of which were used to finance a portion of the costs of the Series 2011 PFC Bond Projects; (3) fund required debt service reserve amounts; and (4) pay the costs of issuance of the Series 2011 PFC Bonds.

R&A prepared the PFC financial projections contained in this chapter for FY 2012 through FY 2019 (the Projection Period) based on information, including passenger enplanement projections, provided by the Port. R&A reviewed the data provided by the Port, including the methodologies and underlying assumptions incorporated therein, and determined that they are reasonable for the purposes of this analysis.

5.1 PFC Bond Ordinances

Port Ordinance No. 395-B (as amended and supplemented by Ordinance No. 422-B), referred to in this report as the Master PFC Bond Ordinance, authorizes the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC Bonds).

The Series 2011 PFC Bonds are being issued pursuant to various provisions in the Master PFC Bond Ordinance and Port Ordinance No. 442-B (the Series 2011 PFC Bond Ordinance) enacted by the Port on September 14, 2011. The Master PFC Bond Ordinance and the Series 2011 PFC Bond Ordinance are referred to collectively in this report as the PFC Bond Ordinances. Capitalized terms used in this chapter are as defined in the PFC Bond Ordinances.

All of the Port's currently outstanding PFC Bonds are First Lien PFC Bonds. The PFC Bond Ordinances allow for the issuance of Subordinate Lien PFC Obligations but none have been issued to date. The Series 2011 PFC Bonds are planned to be issued as First Lien PFC Bonds. For the purposes of this report and the accompanying tables, any reference to PFC Bonds, unless otherwise stated, refers to First Lien PFC Bonds.

The PFC Bond Ordinances provide that PFC Bonds are payable solely from and secured solely by PFC Revenue and Additional Pledged Revenue, if any; provided, however, that any Series of PFC Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for such Series of PFC Bonds.

The Port reserves the right to pledge to the payment of First Lien PFC Bonds and/or Subordinate Lien PFC Obligations any income, receipt or revenue of the Port (other than PFC Revenue) legally available (Additional Pledged Revenue), but the Port has not done so and, at the present time, has no plans to do so.

5.1.1 Covenants Related to PFC Bonds

The Port covenants in the PFC Bond Ordinances to comply with all provisions of the PFC Act, applicable PFC Regulations, and the Port's PFC Approvals. The Port also covenants that it will not take any action or omit to take any action with respect to PFC Revenue, the Airport, or otherwise if such action would cause the termination or reduction of the Port's authority to impose a PFC or prevent the use of PFC Revenue as contemplated in the PFC Bond Ordinances.

Pursuant to the First Lien Sufficiency Covenant of the Master PFC Bond Ordinance, the Port covenants to manage the PFC program at the Airport so that, at all times, the results of the following calculation shall exceed 1.05 (to be confirmed within 60 days of the close of each Fiscal Year):

PFC Authority	
Less:	Costs paid to date of PFC Pay-As-You-Go Improvements
Less:	PFC Pay-As-You-Go Contractual Commitments
Less:	Debt service paid to date on all PFC Bonds
Less:	Projected Aggregate Subordinate Lien PFC Debt Service
Plus:	Funds on deposit in the Subordinate Lien PFC Obligations Account and the Subordinate Lien PFC Obligations Reserve Account and Additional Pledged Revenue, if any
Divided by:	Projected Aggregate First Lien PFC Bond Debt Service less funds on deposit in the First Lien PFC Bond Account and the First Lien PFC Reserve Account.

For the purposes of the First Lien Sufficiency Covenant, the amount of PFC Revenue authorized in each PFC Approval may be increased by 15 percent to the extent that the Port is authorized without FAA approval to do so pursuant to the PFC Act and to the extent that such authorization has not been used. No such increase to the Port's PFC Authority is incorporated in the tables accompanying this chapter.

The Port has made certain other covenants in the PFC Bond Ordinances regarding, among other things, imposing a PFC at the Airport, the PFC level, and the maintenance of the Airport. Please refer to the PFC Bond Ordinances for a more detailed description of covenants made by the Port in connection with PFC Bonds.

5.1.2 Additional PFC Bonds

The Port is authorized under the PFC Bond Ordinances, subject to meeting certain conditions, to issue additional PFC Bonds. To issue additional PFC Bonds, the Port must provide (not more than 30 days prior to delivery of the additional PFC Bonds) either:

> an **Executive Director's Certificate** stating that (i) the First Lien Sufficiency Covenant will be met upon the issuance of the Future Lien PFC Project Bonds; and (ii) Pledged Revenue earned during the Base Period (as shown in the audited or unaudited financial statements of the Port) was not less than 150% of Maximum Annual Debt Service on all First Lien PFC Bonds that will be Outstanding upon the issuance of such Future First Lien PFC Project Bonds; provided, however, that in preparing such certificate, the Executive Director (1) shall

take into account any Forecast PFC Rate Adjustment as if such new rate had been in effect during the Base Period and (2) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or withdraw its then current underlying rating on the First Lien Bonds Outstanding

OR

an **Independent Aviation Consultant's Certificate** stating that (i) the First Lien Sufficiency Covenant will be met upon the issuance of the Future Lien PFC Project Bonds; and (ii) in each of the first five full fiscal years (commencing with the first such year following the date of issuance of the Future First Lien PFC Project Bonds), the amount of Pledged Revenue in each such year is estimated to be not less than 150% of Maximum Annual Debt Service on all First Lien PFC Bonds to be Outstanding after the issuance of the proposed Future First Lien PFC Project Bonds; provided, however, that in computing the amount of Pledged Revenue, the Independent Aviation Consultant (1) shall take into account any Forecast PFC Rate Adjustment on the assumption that such Forecast PFC Rate Adjustment will be in effect during the full five-year period; (2) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or withdraw its then current underlying rating on the First Lien Bonds Outstanding; and (3) reasonable projections of PFC Revenue, based upon the methodology set forth in the certificate taking into account any projected change in the number of enplanements during the five-year period following the issuance of the Future First Lien PFC Project Bonds.

First Lien PFC Refunding Bonds may be issued for the purpose of refunding First Lien PFC Bonds without an Executive Director's Certificate or Independent Aviation Consultant's Certificate if the Annual Debt Service on the First Lien Bonds to be refunded is not more than the Annual Debt Service on the First Lien PFC Bonds to be refunded were such refunding not to occur.

Please refer to the PFC Bond Ordinances for a more detailed description of requirements associated with additional PFC Bonds.

The Port has not committed, nor does it currently intend, to issue any additional First Lien PFC Bonds (subsequent to the Series 2011 PFC Bonds) during the Projection Period.

5.2 Airport PFC Program

As reflected on **Table V-1**, as of June 30, 2011, the Port is authorized to impose and use $1.065 billion of PFC Revenue (consisting of PFC collections and associated interest income) for approved PFC projects at the Airport. Of the total $1.065 billion PFC impose and use authority, approximately $743.1 million is for PFC bond capital and financing costs (i.e., to be used to pay PFC Bond debt service).

The Port received approval to increase the PFC level charged at the Airport from $3.00 to $4.50 in July 2001, and began collecting at the $4.50 PFC level in October 2001. Through June 30, 2011 the Port had received approximately $414.5 million in PFC Revenue, of which approximately $401.1 million had been spent for Approved PFC Projects (either on a pay-as-you-go basis or used to pay debt service on PFC Bonds). The Port is authorized to collect PFC Revenue until the date on which

Table V-1

Summary of FAA Approvals

FAA Approvals	Date Approved [1/]	Pay-As-You-Go Amount	PFC Bond Proceeds Used for Project Costs	PFC Bond Financing Costs [2/]	Total Approved Use [3/]
Application #1	4/8/1992	$22,000,000	$0	$0	$22,000,000
Application #2	7/1/1994	23,678,612	0	0	23,678,612
Application #4	10/21/1996	179,096	0	0	179,096
Application #5	12/3/1997	16,599,377	0	0	16,599,377
Application #8 (commingled) [4/]	7/20/2001	135,592,600	111,421,000	304,217,000	551,230,600
Application #9	12/7/2005	68,207,251	0	0	68,207,251
Application #10	2/5/2010	55,895,170	0	0	55,895,170
Application #11	4/28/2011	0	123,312,512	204,196,708	327,509,220
Total		$322,152,106	$234,733,512	$508,413,708	$1,065,299,326

Notes:

1/ Represents the date that the application was originally approved.

2/ Includes bond interest, capitalized interest, debt service coverage, debt service reserve fund deposits, and other costs of issuance.

3/ Represents applications as amended. All applications except Applications #9, #10, and #11 have been amended from the original authority. Generally, applications are amended so that the application and the final project costs are aligned.

4/ Application #8 represents the commingling of Applications #3, #6, and #7. These applications were commingled to allow an increase in the PFC to $4.50 from $3.00.

Sources: Port of Portland, October 2011.

Prepared by: Ricondo & Associates, Inc., October 2011.

the amount of PFC Revenue collected equals the amount of PFC Revenue authorized for the Port by the FAA (this amount is referred to as the Port's PFC Authority). Projections of PFC Revenue in this report assume the PFC level at the Airport remains at $4.50 throughout the Projection Period.

Given PFC Revenue collected to date and projections of future PFC Revenue, the FAA and the Port estimate that the Port's current PFC Authority will result in an anticipated PFC expiration date of March 1, 2031 (prior to the expected final maturity of the Series 2011 PFC Bonds on July 1, 2031). The Port may use PFC Revenue only for projects and amounts specified in PFC approvals (including debt service) received from the FAA. The First Lien Sufficiency Covenant generally requires that remaining PFC Authority be equal to or exceed remaining PFC Bond debt service obligations at all times. If the Port collects cumulative PFC Revenue equal to its PFC Authority prior to the final maturity date of any outstanding PFC Bonds, the Port is required to reserve PFC Revenue, along with Additional Pledged Revenue, if any, sufficient to meet the then-remaining PFC Bond debt service obligations.

The First Lien Sufficiency Covenant projections presented in this report (see Section 5.8) demonstrate the Port's ability to pay Projected Aggregate First Lien Debt Service from unspent and remaining PFC Authority through the final maturity date of the Series 2011 PFC Bonds (July 1, 2031), assuming, for the purposes of the projections (see Table V-7), that the Port does not receive any future PFC approvals from the FAA. The Port expects to submit future PFC applications and expects to receive future FAA approvals for such applications that would extend the PFC expiration date. Continuing authority to impose a PFC and use PFC Revenue for projects other than those included in PFC approvals No. 1 through No. 11 will depend upon the submission by the Port of future PFC applications for eligible projects and subsequent approval by the FAA. The use of PFC Revenue on a pay-as-you-go basis for projects and PFC funding expected to be included in future PFC applications is reflected on Table V-5 for purposes of PFC cashflow projections, but as stated above, is not incorporated in First Lien Sufficiency Covenant calculations on Table V-7.

The Port intends to use PFC Revenue not required to pay PFC Bond debt service to pay for costs of other Approved PFC Projects or to provide for the redemption of outstanding PFC Bonds prior to their maturity, such as the planned redemption of Series 1999B Bonds as described in Section 5.4 of this report.

5.3 Series 2011 PFC Bonds

Proceeds of the Series 2011 PFC Bonds will be used to (1) fund a portion of the costs of certain Airport improvements including the South Runway Rehabilitation Project and the Deicing System Improvements Project (each described in Section 4.3 of this report and collectively referred to as the Series 2011 PFC Bond Projects); (2) repay draws on a non-revolving credit facility, the proceeds of which were used to finance a portion of the costs of the Series 2011 PFC Bond Projects; (3) fund required debt service reserve amounts; and (4) pay the costs of issuance of the Series 2011 PFC Bonds.

Table V-2 presents a summary of the estimated sources and uses for the planned Series 2011 PFC Bonds, as provided by Bank of America Merrill Lynch. Debt service estimates for the planned Series 2011 PFC Bonds are based on the following assumptions:

- Approximately $76.5 million of Series 2011 PFC Bond proceeds will be used to fund a portion of PFC-eligible project costs of the Series 2011 PFC Bond Projects, of which approximately $54.5 million is estimated to be used to repay draws on a non-revolving credit facility the proceeds of which were used to finance a portion of the costs of the Series 2011 PFC Bond Projects

Table V-2
Estimated Sources and Uses of Funds
Series 2011 PFC Bonds

		Series 2011 PFC Bonds
Sources of Funds		
Par Amount of Bonds	$	77,665,000
Net Premium/(Discount)		4,215,494
Total Sources	$	81,880,494
Uses of Funds		
Project Costs Paid from Bond Proceeds	$	76,516,109
Debt Service Reserve Deposit		4,698,317
Costs of Issuance		666,068
Total Uses	$	81,880,494

Source: Port of Portland and Bank of America Merrill Lynch, October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

- The Series 2011 PFC Bonds are issued with a 20-year term and an all-in true interest cost (TIC) of approximately 5.05 percent
- A deposit to the First Lien Reserve Account of approximately $4.7 million is funded with bond proceeds to maintain the First Lien Reserve Account Requirement
- Other bond issuance costs are funded with bond proceeds

5.4 PFC Bond Debt Service

Table V-3 presents actual and estimated PFC Bond Debt Service associated with outstanding PFC Bonds and the planned Series 2011 PFC Bonds for FY 2010 through FY 2019. Debt service for the 1999B Bonds presented in Table V-3 incorporates the redemption of certain maturities of the 1999B Bonds that was completed by the Port on October 12, 2011.

The Port plans to use available PFC funds in FY 2012, FY 2013, and FY 2014 (totaling approximately $30.3 million) to redeem certain additional outstanding Series 1999B Bonds. These redemptions are expected to decrease annual Series 1999B PFC Bond debt service by approximately $4.3 million to $7.0 million in FY 2013 through FY 2018, as reflected in Table V-3.

5.5 PFC Collections

Table V-4 presents enplaned passengers, PFC-eligible enplaned passengers, and PFC collections (which exclude any PFC Fund interest income) for FY 2006 through FY 2019. The Port collected a PFC from an average of 90.7 percent of enplaned passengers at the Airport for the period FY 2006 to FY 2011 (unaudited). For FY 2012 through FY 2019, it was assumed that the Port will impose a $4.50 PFC and that 90.0 percent of total enplaned passengers at the Airport will pay a PFC.

As shown in Table V-4, PFC collections are projected to increase from approximately $27.1 million in FY 2011 (unaudited) to approximately $31.6 million in FY 2019.

5.6 Application of PFC Revenue

Table V-5 summarizes the Port's current PFC funding plan and the projected PFC Revenue for the Projection Period. As shown in Table V-5, in addition to using PFC Revenue to make debt service payments on Series 1999B PFC Bonds, Series 2009A PFC Bonds, and Series 2011 PFC Bonds, the Port plans to use available PFC funds to do the following:

- Redeem certain outstanding Series 1999B Bonds
- Reserve PFC funds sufficient to meet estimated PFC swap collateral requirements associated with certain interest rate swaps in connection with the Series 1999A PFC Bonds, although the Port does not currently anticipate that any such collateral will be drawn on during the Projection Period
- Fund certain PFC-approved project costs, totaling approximately $9.0 million, on a pay-as-you-go basis
- Fund PFC-eligible costs of certain Other Capital Projects, pending future PFC-approval, on a pay-as-you-go basis

As shown in Table V-5, PFC Revenue is projected to be sufficient to (1) meet estimated PFC Bond debt service requirements through the Projection Period and (2) fund the remainder of the Port's current PFC funding plan through the Projection Period. In addition, and to the extent that PFC funds are available, the Port anticipates paying PFC-eligible debt service associated with the PFC-

Table V-3

PFC Bond Debt Service
Fiscal Years Ending June 30

PFC Bonds	Actual 2010	Unaudited 2011	Projected 2012	2013	2014	2015	2016	2017	2018	2019
Series 1999B [1/]	$ 7,539,262	$ 7,526,981	$ 7,424,787	$ 5,729,088	$ 6,021,063	$ 6,344,713	$ 6,663,875	$ 6,984,275	$ 4,657,825	$ -
- Planned Redemption of Series 1999B [2/]	0	0	(770)	(4,334,531)	(5,406,549)	(6,344,713)	(6,663,875)	(6,984,275)	(4,657,825)	-
Series 2009A	3,129,693	3,139,177	2,966,293	2,957,586	2,962,482	2,962,515	2,966,890	2,962,254	5,630,876	10,657,296
Planned Series 2011	0	0	3,187,287	5,186,250	5,198,050	5,182,375	5,179,900	5,189,400	5,180,050	3,992,675
PFC Bond Debt Service	$ 10,668,955	$ 10,666,158	$ 13,577,596	$ 9,538,393	$ 8,775,045	$ 8,144,890	$ 8,146,790	$ 8,151,654	$ 10,810,926	$ 14,649,971

Notes:

1/ Debt service for the 1999B PFC Bonds incorporates the redemption of certain maturities of the 1999B Bonds that was completed by the Port on October 12, 2011.

2/ The Port plans to use available PFC funds in FY 2012, FY 2013, and FY 2014 (totalling approximately $30.3 million) to redeem certain outstanding Series 1999B PFC Bonds.

Sources: Port of Portland (2009A PFC Bonds) and Bank of America Merrill Lynch. (Series 1999B PFC Bonds, Planned Redemption of Series 1998B PFC Bonds, and Series 2011 PFC Bonds), October 2011.

Prepared by: Ricondo & Associates, Inc., October 2011.

Table V-4
PFC Collections
Fiscal Years Ending June 30

	Calculation for FY 2006 - 2011	Actual 2006	2007	2008	2009	2010	Unaudited 2011
Enplaned Passengers	[A]	7,012,004	7,144,443	7,449,917	6,654,126	6,477,286	6,750,420
Annual % change		3.8%	1.9%	4.3%	-10.7%	-2.7%	4.2%
PFC Level		$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
LESS: Carrier Compensation		0.11	0.11	0.11	0.11	0.11	0.11
Net PFC Level	[B]	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
Enplaned Passengers Paying a PFC	[C]=[E] / [B]	6,447,857	6,589,431	6,757,827	5,801,051	5,853,466	6,168,792
Percent of Enplaned Passengers Paying a PFC	[D]=[C] / [A]	92.0%	92.2%	90.7%	87.2%	90.4%	91.4%
FY 2006-2011 Average	90.7%						
PFC Collections	[E]	$ 28,306,094	$ 28,927,601	$ 29,666,861	$ 25,466,614	$ 25,696,717	$ 27,080,995

	Calculation for FY 2012-2019	Projected 2012	2013	2014	2015	2016	2017	2018	2019
Enplaned Passengers	[a]	6,873,000	7,024,000	7,179,000	7,337,000	7,498,000	7,663,000	7,832,000	8,004,000
Annual % change		1.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
PFC Level		$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
LESS: Carrier Compensation		0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Net PFC Level	[b]	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
Enplaned Passengers Paying a PFC	[c]=[a]x[d]	6,186,000	6,322,000	6,461,000	6,603,000	6,748,000	6,897,000	7,049,000	7,204,000
Percent of Enplaned Passengers Paying a PFC [1/]	[d]=90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
PFC Collections	[e]=[b]x[c]	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000

Note:
1/ Assumption based on actual average (90.7 percent) experienced over the period FY 2006-2011 (unaudited).

Source: Port of Portland, October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

Table V-5
Application of PFC Revenue
Fiscal Years Ending June 30

	Unaudited 2011	Projected 2012	2013	2014	2015	2016	2017	2018	2019
PFC Revenue									
PFC Fund Beginning Balance	$ 4,736,992	$ 4,892,191	$ 1,590,239	$ 5,805,846	$ 2,559,801	$ 4,901,911	$ 7,379,121	$ 10,505,467	$ 12,639,541
PFC Collections	$ 27,080,995	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000
PFC Fund Interest Income 1/	(49,638)	0	0	0	0	0	0	0	0
PFC Revenue	$ 27,031,357	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000
PFC Expenditures									
PFC Bond Debt Service 2/	$ 10,666,158	$ 13,577,596	$ 9,538,393	$ 8,775,045	$ 8,144,890	$ 8,146,790	$ 8,151,654	$ 10,810,926	$ 14,649,971
Series 19 Bonds 3/	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Redeem 1999B PFC Bonds 4/	$ -	$ 11,000,000	$ 14,000,000	$ 11,335,000	$ -	$ -	$ -	$ -	$ -
PFC Swap Collateral 5/	$ 6,210,000	$ 1,870,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pay-as-you-go PFC expenditures									
Existing PFC Approvals									
Application #9	$ -	$ 124,713	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Application #10	10,000,000	3,886,643	-	4,940,000	-	-	-	-	-
Total Existing PFC approvals	$ 10,000,000	$ 4,011,356	$ -	$ 4,940,000	$ -	$ -	$ -	$ -	$ -
Future PFC Approvals 6/	$ -	$ -	$ -	$ 6,560,000	$ 18,500,000	$ 19,000,000	$ 19,000,000	$ 18,000,000	$ 13,000,000
Total Pay-As-You-Go PFC Expenditures	$ 10,000,000	$ 4,011,356	$ -	$ 11,500,000	$ 18,500,000	$ 19,000,000	$ 19,000,000	$ 18,000,000	$ 13,000,000
Total PFC Expenditures	$ 26,876,158	$ 30,458,952	$ 23,538,393	$ 31,610,045	$ 26,644,890	$ 27,146,790	$ 27,151,654	$ 28,810,926	$ 27,649,971
PFC Fund Ending Balance	$ 4,892,191	$ 1,590,239	$ 5,805,846	$ 2,559,801	$ 4,901,911	$ 7,379,121	$ 10,505,467	$ 12,639,541	$ 16,615,570

Notes:
1/ The Port expects to receive interest income on amounts in the PFC Fund and the First Lien PFC Reserve Account. This analysis conservatively excludes projected interest income on those amounts during the Projection Period.
2/ Includes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds.
3/ To the extent that PFC funds are available, the Port anticipates paying PFC-eligible debt service associated with the PFC-approved projects funded in part with the proceeds of Series 19 Airport Revenue Bonds. The Port is not obligated to make such payments and, therefore, they are excluded from this analysis.
4/ The Port plans to use available PFC funds in FY 2012, FY 2013, and FY 2014 (totalling approximately $30.3 million) to redeem certain outstanding Series 1999B PFC Bonds.
5/ PFC funds reserved to meet estimated PFC swap collateral requirements (as of August 2011) associated with certain interest rate swaps in connection with the Series 1999A PFC Bonds. The Port does not currently anticipate that any such collateral will be drawn on during the Projection Period
6/ To the extent that PFC funds are available, and that future FAA approvals are received, the Port expects to use PFC funds on a pay-as-you-go basis to fund PFC-eligible costs of certain Other Capital Projects. No such future pay-as-you-go expenditures are anticipated to fund costs of the Series 2011 PFC Bond Projects.

Source: Port of Portland, October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

approved projects funded in part with the proceeds of Series 19 Airport Revenue Bonds. The Port is not obligated to make such payments and, therefore, they are excluded from this analysis.

5.7 PFC Bond Debt Service Coverage

Table V-6 presents projections of PFC Revenue, First Lien PFC Reserve Account interest income, PFC Bond Debt Service, and the calculation of PFC Bond Debt Service coverage for each FY during the Projection Period. Table V-6 presents debt service coverage calculations for both projected PFC Bond debt service (reflecting estimated debt service reductions from the planned redemption of certain Series 1999B PFC Bonds) as well as PFC Bond debt service excluding the estimated debt service reductions resulting from the planned redemption. As shown, PFC Bond debt service coverage in both scenarios based on PFC collections alone is projected to be 2.00 times or greater during the Projection Period. In FY 2019, the first year in which there are no anticipated impacts from the planned redemption of Series 1999B PFC Bonds, PFC Bond debt service coverage is projected to be approximately 2.16 times.

Beyond the Projection Period, PFC Bond debt service is anticipated to remain relatively stable at approximately $14.6 million per year through FY 2024 before decreasing to approximately $12.4 million per year in FY 2025 through FY 2030. PFC Bond debt service is estimated to total approximately $12.4 million in FY 2031, the final maturity of the Series 2011 PFC Bonds, with net debt service decreasing to approximately $7.7 million after applying funds anticipated to be released from the First Lien Reserve Account.

5.8 First Lien Sufficiency Covenant

Table V-7 presents the calculation of the First Lien Sufficiency Covenant coverage ratio through FY 2031. Under the First Lien Sufficiency Covenant, PFC Authority (after certain adjustments for costs and debt service payments made to date and current contractual commitments) must exceed remaining Aggregate First Lien Debt Service less funds available in certain accounts by more than 1.05 times (see Section 5.1.1).

As reflected in Table V-7, remaining PFC Authority is projected to be at least 2.83 times the Projected Aggregate First Lien Debt Service for each of the years through FY 2031.

Table V-6

PFC Bond Debt Service Coverage
Fiscal Years Ending June 30

		Actual	Unaudited	Projected							
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PFC Collections	[A]	$ 25,696,717	$ 27,080,995	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000
PFC Fund Interest Income 1/	[B]	463,852	(49,638)	0	0	0	0	0	0	0	0
PFC Revenue	[C] = [A]+[B]	$ 26,160,569	$ 27,031,357	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000
First Lien PFC Reserve Account Interest Income 1/	[D]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additional Pledged Revenue	[E]	-	-	-	-	-	-	-	-	-	-
Pledged Revenue	[F]=[C]+[D]+[E]	$ 26,160,569	$ 27,031,357	$ 27,157,000	$ 27,754,000	$ 28,364,000	$ 28,987,000	$ 29,624,000	$ 30,278,000	$ 30,945,000	$ 31,626,000
PFC Bond Debt Service 2/	[G]	$ 10,668,955	$ 10,666,158	$ 13,577,596	$ 9,538,393	$ 8,775,045	$ 8,144,890	$ 8,146,790	$ 8,151,654	$ 10,810,926	$ 14,649,971
PFC Bond Debt Service excluding estimated debt service reductions from the planned redemption of Series 1999B Bond principal 3/	[H]	$10,668,955	$10,666,158	$13,578,367	$13,872,924	$14,181,595	$14,489,603	$14,810,665	$15,135,929	$15,468,751	$14,649,971
PFC Bond Debt Service Coverage - PFC Collections Only											
PFC Bond Debt Service	=[A] / [G]	2.41	2.54	2.00	2.91	3.23	3.56	3.64	3.71	2.86	2.16
PFC Bond Debt Service excluding estimated debt service reductions from the planned redemption of Series 1999B Bond principal 3/	=[A] / [H]	2.41	2.54	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.16

Notes:
1/ The Port expects to receive interest income on amounts in the PFC Fund and the First Lien PFC Reserve Account. This analysis conservatively excludes projected interest income on those amounts during the Projection Period.
2/ Includes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds. See Table V-3.
3/ Excludes the estimated debt service reductions resulting from the planned redemption of certain outstanding Series 1999B PFC Bonds.

Source: Port of Portland, October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

Table V-7 (Page 1 of 2)

First Lien Sufficiency Covenant Coverage
Fiscal Years Ending June 30

		Through Unaudited 2011	Projected 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Existing PFC Authority			**$1,065,299,326**	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326
Future PFC Authority (assumed $0)		-	-	-	-	-	-	-	-	-	-	-
Total PFC Authority	[A]	$ -	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326
Annual PFC Expenditures												
Pay-As-You-Go Costs [1/]			$ 4,011,356	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PFC Bond Debt Service [2/]			13,578,367	13,872,924	14,181,595	14,489,603	14,810,665	15,135,929	15,468,751	14,649,971	14,647,785	14,645,615
Total Annual PFC Expenditures			$ 17,589,723	$ 13,872,924	$ 14,181,595	$ 14,489,603	$ 14,810,665	$ 15,135,929	$ 15,468,751	$ 14,649,971	$ 14,647,785	$ 14,645,615
Cumulative Costs Paid to Date and Contractual Commitments	[B]	$ 401,108,698	$ 418,698,421	$ 432,571,344	$ 446,752,939	$ 461,242,541	$ 476,053,206	$ 491,189,135	$ 506,657,886	$ 521,307,857	$ 535,955,642	$ 550,601,257
Remaining PFC Authority	[C]=[A]-[B]		$ 646,600,905	$ 632,727,982	$ 618,546,387	$ 604,056,785	$ 589,246,120	$ 574,110,191	$ 558,641,440	$ 543,991,469	$ 529,343,684	$ 514,698,069
Plus Funds on Deposit in Subordinate Lien Obligation Account and Reserve Acccount			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plus Additional Pledged Revenue			-	-	-	-	-					
Adjusted Remaining PFC Authority	[D]		$ 646,600,905	$ 632,727,982	$ 618,546,387	$ 604,056,785	$ 589,246,120	$ 574,110,191	$ 558,641,440	$ 543,991,469	$ 529,343,684	$ 514,698,069
Remaining Aggregate First Lien Debt Service [2/]	[E]	$ 271,344,681	$ 257,766,315	$ 243,893,391	$ 229,711,797	$ 215,222,194	$ 200,411,529	$ 185,275,600	$ 169,806,849	$ 155,156,878	$ 140,509,093	$ 125,863,478
Less Funds on Deposit in First Lien Bond Account and Reserve Acccount	[F]		$ 29,342,216	$ 29,650,346	$ 29,958,354	$ 30,279,416	$ 30,604,680	$ 30,118,722	$ 29,298,943	$ 29,296,757	$ 29,294,587	$ 29,296,161
Less Additional Pledged Revenue	[G]		-	-	-	-	-					
Adjusted Remaining Aggregate First Lien Debt Service	[H]=[E]-[F]-[G]		$ 228,424,099	$ 214,243,045	$ 199,753,443	$ 184,942,778	$ 169,806,849	$ 155,156,878	$ 140,507,906	$ 125,860,121	$ 111,214,506	$ 96,567,317
First Lien Sufficiency Covenant Coverage Ratio	=[D] / [H]		2.83	2.95	3.10	3.27	3.47	3.70	3.98	4.32	4.76	5.33

Notes:

1/ Includes only those project costs for which PFC Authority has been received. The Port expects to receive future PFC Authority, which is not included in this analysis, to fund PFC-eligible costs of Other Capital Improvements on a pay-as-you-go basis.

2/ For the purposes of the First Lien Sufficiency Covenant Coverage test, the estimated debt service reductions resulting from the planned redemption of certain maturities of the Series 1998B PFC Bonds are not incorporated.

Source: Port of Portland, October 2011.

Prepared by: Ricondo & Associates, Inc., October 2011.

Table V-7 (Page 2 of 2)
First Lien Sufficiency Covenant Coverage
Fiscal Years Ending June 30

		Projected									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Existing PFC Authority		$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326
Future PFC Authority (assumed $0)		-	-	-	-	-	-	-	-	-	-
Total PFC Authority	[A]	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326	$ 1,065,299,326
Annual PFC Expenditures											
Pay-As-You-Go Costs [1/]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PFC Bond Debt Service [2/]		14,647,189	14,648,972	14,648,584	12,372,600	12,374,825	12,371,200	12,375,625	12,376,175	12,371,475	7,676,833
Total Annual PFC Expenditures		$ 14,647,189	$ 14,648,972	$ 14,648,584	$ 12,372,600	$ 12,374,825	$ 12,371,200	$ 12,375,625	$ 12,376,175	$ 12,371,475	$ 7,676,833
Cumulative Costs Paid to Date and Contractual Commitments	[B]	$ 565,248,446	$ 579,897,418	$ 594,546,002	$ 606,918,602	$ 619,293,427	$ 631,664,627	$ 644,040,252	$ 656,416,427	$ 668,787,902	$ 676,464,735
Remaining PFC Authority	[C]=[A]-[B]	$ 500,050,880	$ 485,401,908	$ 470,753,324	$ 458,380,724	$ 446,005,899	$ 433,634,699	$ 421,259,074	$ 408,882,899	$ 396,511,424	$ 388,834,591
Plus Funds on Deposit in Subordinate Lien Obligation Account and Reserve Acccount		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plus Additional Pledged Revenue						$ -					
Adjusted Remaining PFC Authority	[D]	$ 500,050,880	$ 485,401,908	$ 470,753,324	$ 458,380,724	$ 446,005,899	$ 433,634,699	$ 421,259,074	$ 408,882,899	$ 396,511,424	$ 388,834,591
Remaining Aggregate First Lien Debt Service [2/]	[E]	$ 111,216,289	$ 96,567,317	$ 81,918,733	$ 69,546,133	$ 57,171,308	$ 44,800,108	$ 32,424,483	$ 20,048,308	$ 7,676,833	$ -
Less Funds on Deposit in First Lien Bond Account and Reserve Acccount	[F]	$ 29,297,556	$ 27,024,759	$ 24,748,775	$ 24,751,000	$ 24,747,375	$ 24,751,800	$ 24,747,650	$ 20,048,308	$ 7,676,833	$ -
Less Additional Pledged Revenue	[G]										
Adjusted Remaining Aggregate First Lien Debt Service	[H]=[E]-[F]-[G]	$ 81,918,733	$ 69,542,558	$ 57,169,958	$ 44,795,133	$ 32,423,933	$ 20,048,308	$ 7,676,833	$ -	$ -	$ -
First Lien Sufficiency Covenant Coverage Ratio	=[D] / [H]	6.10	6.98	8.23	10.23	13.76	21.63	54.87	N/A	N/A	N/A

Notes:
1/ Includes only those project costs for which PFC Authority has currently been received. The Port expects to receive future PFC Authority, which is not included in this analysis, to fund PFC-eligible costs of Other Capital Improvements on a pay-as-you-go basis.
2/ For the purposes of the First Lien Sufficiency Covenant Coverage test, the estimated debt service reductions resulting from the planned redemption of certain maturities of the Series 1998B PFC Bonds are not incorporated.

Source: Port of Portland, October 2011.
Prepared by: Ricondo & Associates, Inc., October 2011.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE PORT

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THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2010

with comparative totals for the year ended June 30, 2009

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2010

Name	Term Expires
Judith Johansen, President 17600 Pacific Highway Marylhurst, Oregon 97036-0261	September 14, 2013
Mary F. Olson, Vice President 7105 SE 19th Avenue Portland, Oregon 97202	March 19, 2011
Paul A. Rosenbaum, Treasurer 7700 NE Ambassador Place Portland, Oregon 97220	June 30, 2011
Steven H. Corey, Secretary 222 SE Dorion Avenue Pendleton, Oregon 97801	March 31, 2013
Ken Allen 6025 E Burnside Street Portland, Oregon 97215	September 30, 2012
Peter J. Bragdon 14375 NW Science Park Drive Portland, Oregon 97229	September 30, 2011
Jim Carter 7200 NE Airport Way Portland, Oregon 97218	November 30, 2013
Diana A. Daggett 5200 NE Elam Young Parkway Hillsboro, Oregon 97124	September 30, 2011
Bruce A. Holte 2435 NW Front Avenue Portland, Oregon 97209	July 31, 2011

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Carla Kelley
7200 NE Airport Way
Portland, Oregon 97218

Telephone: 503-415-6000

THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1300 SW Fifth Avenue Suite 3100
Portland OR 97201
Telephone (971) 544 4000
Facsimile (971) 544 4100

Report of Independent Auditors

To the Board of Commissioners of the
Port of Portland

In our opinion, the financial statements of the Airport and Marine & Other Activities, which collectively comprise the financial statements of the Port of Portland (the "Port") as listed in the table of contents, present fairly, in all material respects, the financial position at June 30, 2010, the changes in financial position and cash flows of the Airport and Marine & Other Activities, respectively, for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Port's management. Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements the Port adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009.

The Management's Discussion and Analysis and Supplementary Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

By:________________________________
Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Port of Portland
Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements:
This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet, which includes the Port's assets, liabilities, and net assets (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net assets, which includes all revenues, expenses, and grants expended for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances. The Port's two activities are Airport (Portland International Airport) and Marine & Other (marine terminals, property and development services, environmental, navigation, general aviation, engineering, and administration). These activities are described in Notes 1 and 2 to the financial statements. Of special significance to readers of the financial statements is that, with certain limited exceptions, Airport monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport only. Airport net revenues (essentially operating revenues less operating expenses other than depreciation) are largely determined by bond ordinances and contracts with airlines, as more fully explained in Note 7 to the financial statements.

Financial Results:
The Port's total net assets increased $76.8 million from the 2009 amount, or 7.9 percent. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – decreased by $4.9 million, or 5.5 percent, during that same time. In comparison, last year total net assets increased by $65.5 million, or 7.3 percent. The analysis in Table 1 (below) focuses on the net assets of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	$ 262.0	$ 347.5	$ 279.3	$ 294.6	$ 506.3 *	$ 606.7	(16.5)%
Capital assets	1,157.5	1,015.9	320.2	297.5	1,477.7	1,313.4	12.5%
Total assets	1,419.5	1,363.4	599.5	592.1	1,984.0 *	1,920.1	3.3%
Long-term debt outstanding	617.4	639.2	95.9	85.8	713.3	725.0	(1.6)%
Other liabilities	149.1	150.7	113.1	113.1	227.2 *	228.4	(0.5)%
Total liabilities	766.5	789.9	209.0	198.9	940.5 *	953.4	(1.4)%
Net assets:							
Invested in capital assets, net of related debt	541.1	376.2	320.7	314.5	861.8	690.7	24.8%
Restricted	88.8	176.7	8.2	9.7	97.0	186.4	(48.0)%
Unrestricted	23.1	20.6	61.6	69.0	84.7	89.6	(5.5)%
Total net assets	$ 653.0	$ 573.5	$ 390.5	$ 393.2	$ 1,043.5	$ 966.7	7.9%

* Receivables and payables between activities are eliminated in the Total Port column.

Total net assets of the Airport increased by $79.5 million, or 13.9 percent, as a result of net income and capital grants. Net assets invested in capital assets, net of related debt, increased $164.9 million, or 43.8 percent, as a result of increases in capital additions and construction spending. Restricted net assets decreased by $87.9 million, or 49.7 percent, primarily due to construction spending. Unrestricted net assets increased by $2.5 million, or 12.1 percent, primarily as a result of net income.

Total net assets of Marine & Other decreased from the 2009 balance by $2.7 million, or 0.7 percent, primarily the result of a net loss. Net assets invested in capital assets, net of related debt, increased $6.2 million, or 2.0 percent, as a result of increases in capital additions and construction spending. Restricted net assets decreased $1.5 million, or 15.5 percent, as a result of spending state grant funds restricted for channel deepening use. Unrestricted net assets decreased $7.4 million or 10.7 percent, primarily due to the net loss for the year in Marine & Other and capital spending.

Several factors caused changes in net assets (Table 2, below) to increase $11.3 million from the prior year.

Airport changes in net assets increased $28.8 million, primarily as a result of increased capital grants versus the prior year. Marine & Other changes in net assets decreased $17.5 million due to decreased operating income and transfers from the Airport to pay for general aviation capital spending offset by increased capital grants.

Table 2
Changes in Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Operating revenues							
Charges for services	$ 166.3	$ 169.7	$ 65.4	$ 72.9	$ 231.7	$ 242.6	(4.5)%
Land sales			-	17.7	-	17.7	(100.0)%
Other			0.1	0.1	0.1	0.1	100.0%
Nonoperating revenues							
Property tax revenue			9.0	8.7	9.0	8.7	3.4%
Interest revenue	2.3	10.8	4.6	6.3	6.9	17.1	(59.6)%
PFC revenue	25.7	25.5			25.7	25.5	0.8%
Other nonoperating revenue			-	2.0	-	2.0	(100.0)%
Total revenues	194.3	206.0	79.1	107.7	273.4	313.7	(12.8)%
Expenses:							
Operating expenses	140.6	145.2	85.7	116.0	226.3	261.2	(13.4)%
Nonoperating expenses	26.7	24.8	15.8	5.5	42.5	30.3	40.3%
Total expenses	167.3	170.0	101.5	121.5	268.8	291.5	(7.8)%
Income (loss) before extraordinary item, contributions and transfers	27.0	36.0	(22.4)	(13.8)	4.6	22.2	(79.3)%
Extraordinary item			-	7.0	-	7.0	100.0%
Income (loss) before contributions and transfers	27.0	36.0	(22.4)	(6.8)	4.6	29.2	(84.2)%
Capital contributions	56.5	29.8	15.7	6.5	72.2	36.3	98.9%
Transfers (out) in	(4.0)	(15.1)	4.0	15.1			
Increase (decrease) in net assets	$ 79.5	$ 50.7	$ (2.7)	$ 14.8	$ 76.8	$ 65.5	17.3%

Total revenues and extraordinary items for the Port decreased by approximately $47.3 million from the prior year. Total expenses decreased approximately $22.7 million from the prior year amount.

At the Airport, operating revenues decreased about $3.4 million from the prior year due primarily to a decrease in airline revenues and revenues from rental cars. The decrease of about $4.6 million in operating expenses was primarily attributable to lower salary, outside services, and material and supply expenses as a result of cost-cutting measures undertaken in response to the economic recession. The increase of $1.9 million in nonoperating expense was due to decreased capitalized interest resulting from decreased capital construction at the Airport and decreased spending on nonoperating projects. Nonoperating revenues at the

Airport decreased $8.3 million from the prior year primarily as the result of lower cash balances and lower interest earnings. Capital contributions increased $26.7 million as a result of incurring more grant-eligible costs in 2010.

For Marine & Other, operating revenues decreased $25.2 million over the prior year, largely the result of no land sales in 2010 versus 2009, as well as lower container revenues. During the same time, operating expenses decreased $30.3 million versus 2009 due to no cost of land sold expense in 2010, as well as decreased environmental expense accruals in 2010 when compared to 2009. Nonoperating expenses increased $10.3 million over the prior year, primarily due to the nonoperating loss on the sale of the Mulino Airport and a $3.5 million service retention payment to Delta Airlines. Nonoperating revenues, decreased $3.4 million largely as a result of decreased interest revenue resulting from lower interest rates.

Budgetary Highlights:
The Port's budget for fiscal 2010 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2009. The adopted budget was revised during the year to provide resources to cover an airline retention agreement and letter of credit fees for the Passenger Facility Charge variable rate bonds. Appropriations in the budget were adjusted upward during the year to reflect higher Navigation operating expenditures resulting from additional dredging activity; costs related to environmental expenditures in the Portland Harbor Superfund site; increased Engineering costs related to the Port's large capital program, and increased costs related to the transfer of ownership of the Mulino airport. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs. Revisions to reflect expenditure patterns are, therefore, common for an entity like the Port. As explained in Note 1 to the financial statements, Oregon budget laws differ, in certain situations, from accounting principles generally accepted in the United States of America.

On a budgetary basis, Airport capital expenditures were $179.0 million, 8.9 percent below the $196.5 million budget as the largest capital expansion program ever undertaken at the Airport continued. Operating expenditures tracked well against the budget, coming in 2.2% below the $72.3 million budget amount. Airport operating revenues were $167.6 million, 2.8 percent below the $172.4 million budget, primarily as a result of reduced airline and rental car revenues. Capital grants during the year were $56.4 million, slightly below the budget of $58.2 million.

Fiscal 2010 budgetary capital expenditures for Marine & Other were $28.3 million, 33.5 percent below the budget of $42.6 million, as a result of deferrals of nonessential projects; capital grants for the year were $15.7 million, significantly below the budget of $32.0 million. Budgetary operating revenues were $3.2 million under budget in marine and industrial development, primarily due to a budgeted land sale that was delayed. Budgetary operating revenues for navigation were $1.4 million below budget as a result of lower than anticipated dredging activity during the year. Budgetary operating expenditures were below budget by approximately $3.5 million for administration, primarily as a result of salary and outside service cost reductions undertaken in response to the economic downturn. Budgetary operating expenditures for marine and industrial development were below budget approximately $5.8 million due to no cost of land sold as a result of the delayed land sale, as well as lower salary and outside services expenditures as a result of cost cutting measures. Budgetary operating expenditures for other environmental were under budget by approximately $2.1 million as a result of delays in expected costs associated with environmental liabilities. Other significant budgetary revenue variances include the receipt of proceeds from loans for $10.8 million which was not budgeted.

Capital Assets:
At the end of fiscal 2010, the Port had over $1.4 billion invested in a broad range of capital assets. This amount represents a net increase (essentially additions offset by depreciation expense) of nearly $148 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport 2010	Airport 2009	Marine & Other 2010	Marine & Other 2009	Total Port 2010	Total Port 2009	Total Percentage Change 2009-2010
Land	$ 68.0	$ 68.0	$ 67.2	$ 72.4	$ 135.2	$ 140.4	
Construction in progress	221.3	306.4	69.9	55.7	291.2	362.1	
Total capital assets not being depreciated	289.3	374.4	137.1	128.1	426.4	502.5	(15.1)%
Land improvements	559.6	528.8	233.2	223.9	792.8	752.7	
Buildings and equipment	1,086.6	836.7	239.3	237.3	1,325.9	1,074.0	
Total capital assets being depreciated	1,646.2	1,365.5	472.5	461.2	2,118.7	1,826.7	16.0%
Less: accumulated depreciation	(778.0)	(724.0)	(306.0)	(291.8)	(1,084.0)	(1,015.8)	6.7%
Total capital assets being depreciated, net	868.2	641.5	166.5	169.4	1,034.7	810.9	27.6%
Total capital assets, net	$ 1,157.5	$ 1,015.9	$ 303.6	$ 297.5	$ 1,461.1	$ 1,313.4	11.2%

This year's major capital asset spending included:

Airport:
- Parking structure and headquarters building - $81.5 million
- In-line baggage screening improvements - $40.2 million
- North runway extension - $24.3 million
- Deicing system improvements - $22.8 million
- Pavement management program - $8.9 million
- Flight information paging system - $2.3 million

Marine & Other:
- Ramsey rail improvement - $9.0 million
- Hillsboro airport runway improvements - $4.7 million
- Terminal 4 pipeline infrastructure - $2.9 million
- Troutdale airport taxiway B improvements - $1.6 million
- Navigation ramp barge - $1.5 million
- HQ network infrastructure - $1.2 million

Please see Note 5 to the financial statements for more detailed information of capital asset activity.

The Port's 2011 capital budget estimates spending another $139 million on capital projects at the Airport and $37 million in Marine & Other. Spending at the Airport is primarily slated for baggage screening system improvements, deicing enhancements, extension of the north runway and taxiway, rehabilitation of the south runway and taxiway, and other improvements. These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, and PFC revenues. Capital spending for Marine & Other is budgeted principally for rail and infrastructure improvements at marine terminal and South Rivergate industrial park facilities and general aviation runway and taxiway improvements. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2010, the Port had approximately $710 million in bonds, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport 2010	Airport 2009	Marine & Other 2010	Marine & Other 2009	Total Port 2010	Total Port 2009	Total Percentage Change 2009-2010
Pension bonds			$ 77.4	$ 77.7	$ 77.4	$ 77.7	(0.4)%
Revenue bonds	$ 504.4	$ 525.2			504.4	525.2	(4.0)%
PFC revenue bonds	109.5	114.0			109.5	114.0	(3.9)%
Contracts and loans payable			18.5	8.1	18.5	8.1	128.4%
	$ 613.9	$ 639.2	$ 95.9	$ 85.8	$ 709.8	$ 725.0	(2.1)%

The outstanding amount of Airport revenue bonds decreased by $20.8 million due to scheduled bond payments. As of the end of fiscal 2010, the Airport revenue bonds were rated AA- by Standard & Poors, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased by $4.5 million as a result of regularly scheduled bond payments.

In fiscal 2007 the Port entered into pay-fixed, receive variable interest rate swaps as a synthetic fixed-rate refunding of the Port's PFC Series 1999A bonds. The Port received an up-front payment of $5,453,000, which represented the risk-adjusted, present value savings of a refunding as of July 1, 2009 without issuing refunding bonds in fiscal 2007. The up-front payment was based on a notional amount of $57,985,000 of PFC Series 2009 refunding bonds and was recorded as a swap borrowing on the Port's balance sheet in accordance with GASB Statement 53. The PFC Series 2009A bonds were issued in fiscal 2009 and used to defease the outstanding PFC Series 1999A bonds. The swaps commenced on July 1, 2009 – the first date the PFC Series 1999A bonds were subject to optional redemption at the option of the Port. Under the swaps, the Port pays counterparties fixed payments of 4.955 percent and 4.975 percent and receives a variable payment computed as 68 percent of the 1 month London Interbank Offered Rate (LIBOR). The actual savings ultimately realized by the swap will be affected by the relationship between the interest rate terms of the PFC Series 2009A refunding bonds versus the variable payment on the swaps.

In Marine & Other, the amount of outstanding long-term debt increased primarily due to issuance of $10.7 million in loans payable offset by scheduled payments made on other pension bonds and contracts payable and by Series 2002A pension bonds deferred interest accrued but not paid until maturity.

Please see Note 7 to the financial statements for more detailed information of long-term debt activity and the Port's implementation of GASB Statement 53.

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. The global economic recovery is slow with business lines expected to show gradual improvement in fiscal 2011. Airline passenger volumes are budgeted to stabilize in fiscal 2011. Container volumes are also budgeted to stabilize in fiscal 2011.

In the Port's 2011 adopted budget, total Port operating revenue is budgeted to increase about 6% to approximately $245 million as a result of a slow recovery from the global economic recession to our business lines. Total operating expenses are budgeted to increase by about 11% to approximately $167 million, reflecting the stabilization of costs and the elimination of the furlough program in fiscal 2011.

Operating revenues for the Airport are budgeted to increase to $174 million in the fiscal 2011 budget, due to higher airline revenues and a slight increase in passenger volumes. Airport operating expenses (excluding depreciation) are budgeted about 8.2 percent to $92.3 million as a result of elimination of salary cuts and furloughs, as well as increased airline services.

In Marine & Other, operating revenues are budgeted to increase by 8.7 percent to $71.2 million, primarily due to increased land sales. Operating expenses (excluding depreciation) are budgeted to increase by 14.2 percent, due to the elimination of salary cuts and furloughs as well as an increase in cost of property sold. Property taxes are budgeted to comprise approximately 1 percent of resources on a legal budget basis.

Contacting the Port's Financial Management:
This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Portland's Controller's Office, PO Box 3529, Portland, OR 97208.

BASIC FINANCIAL STATEMENTS

THE PORT OF PORTLAND
BALANCE SHEET
as of June 30, 2010
with comparative totals as of June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Equity in pooled investments (Note 3)	24,341,171	144,312,733	168,653,904	164,260,027
Receivables, net of allowance for doubtful accounts of $40,495 in 2009 and $23,068 in 2010 for Airport and $445,489 in 2009 and $159,724 in 2010 for Marine & Other (Note 4)	7,938,476	12,360,081	20,298,557	38,276,524
Prepaid insurance and other assets	2,534,494	1,677,282	4,211,776	5,092,263
Total current assets	34,877,581	197,076,632	231,954,213	234,449,087
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	126,247,901	8,285,238	134,533,139	227,443,312
Receivables (Note 4)	12,406,508		12,406,508	28,234,521
Contract retainage deposits				
Total restricted assets	138,654,409	8,285,238	146,939,647	255,677,833
Land held for sale (Note 1)		16,634,231	16,634,231	16,634,231
Depreciable properties, net of accumulated depreciation (Note 5)	868,209,106	166,504,007	1,034,713,113	810,857,155
Nondepreciable properties (Note 5)	289,260,668	137,088,199	426,348,867	502,572,586
Unamortized bond issue costs	20,972,144	839,512	21,811,656	24,199,274
Pension assets (Note 9)	38,040,719	37,296,623	75,337,342	74,921,762
Due from Airport (Note 9)		34,951,998	*	*
Deferred outflows and other noncurrent assets (Notes 6 and 7)	29,454,000	782,958	30,236,958	820,151
Total noncurrent assets	1,384,591,046	402,382,766	1,752,021,814	1,685,682,992
Total assets	$ 1,419,468,627	$ 599,459,398	$ 1,983,976,027	$ 1,920,132,079
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 7)		$ 1,637,711	$ 1,637,711	$ 1,303,818
Accounts payable	$ 7,164,312	9,706,385	16,870,697	22,172,727
Book cash overdraft (Note 1)				709,226
Accrued wages, vacation and sick leave pay (Note 1)	4,741,976	6,680,519	11,422,495	10,432,038
Workers' compensation and other accrued liabilities (Notes 11 and 12)	800,563	9,805,797	10,606,360	11,983,222
Total current liabilities (payable from current assets)	12,706,851	27,830,412	40,537,263	46,601,031
Restricted liabilities (payable from restricted assets) (Note 1):				
Long-term debt and other (Note 7)	29,603,041		29,603,041	25,330,000
Accrued interest payable	11,775,221		11,775,221	12,457,409
Accounts payable	16,642,583	50,000	16,692,583	33,738,315
Contract retainage payable	146,723		146,723	755,530
Total restricted current liabilities (payable from restricted assets)	58,167,568	50,000	58,217,568	72,281,254
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 7, 10 and 12)	31,620,999	56,739,645	88,360,644	57,354,789
Long-term debt (Note 7)	585,720,000	94,263,003	679,983,003	698,439,484
Deferred revenue and other (Notes 1 and 7)	43,259,373	30,117,573	73,376,946	78,790,987
Due to Marine & Other (Note 9)	34,951,998		*	*
Total noncurrent liabilities	753,719,938	181,170,221	899,938,161	906,866,514
Total liabilities	766,426,789	209,000,633	940,475,424	953,467,545
Commitments and contingencies (Note 12)				
NET ASSETS				
Invested in capital assets, net of related debt	541,192,113	320,627,129	861,819,242	690,667,718
Restricted for capital and debt service	88,757,273	8,235,238	96,992,511	186,353,350
Unrestricted	23,092,452	61,596,398	84,688,850	89,643,466
Total net assets	653,041,838	390,458,765	1,043,500,603	966,664,534
Total liabilities and net assets	$ 1,419,468,627	$ 599,459,398	$ 1,983,976,027	$ 1,920,132,079

* Receivables and payables between activities are eliminated in the Total columns.

The accompanying notes are an integral part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended June 30, 2010
with comparative totals for the year ended June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 166,279,253	$ 65,435,495	$ 231,714,748	$ 242,547,176
Land sales		1	1	17,692,775
Other	29,644	95,000	124,644	145,000
Total operating revenues	166,308,897	65,530,496	231,839,393	260,384,951
Operating expenses:				
Salaries, wages and fringe benefits	32,835,056	41,432,106	74,267,162	80,254,249
Longshore labor and fringe benefits		22,489,806	22,489,806	25,439,257
Contract, professional and consulting services	25,193,273	12,530,153	37,723,426	51,113,194
Materials and supplies	3,013,713	3,398,424	6,412,137	7,405,176
Utilities	5,980,700	3,232,732	9,213,432	9,494,913
Equipment rents, repair and fuel	967,508	3,126,129	4,093,637	4,862,305
Insurance	1,346,533	2,473,610	3,820,143	3,784,886
Rent	(676,610)	2,835,322	2,158,712	2,314,319
Travel and management expense	728,269	1,475,803	2,204,072	2,450,547
Intra-Port charges and expense allocations	16,968,529	(16,968,529)		
Cost of land sold				15,950,013
Other	416,672	1,651,599	2,068,271	1,650,640
Less expenses for capital projects	(1,518,733)	(11,962,290)	(13,481,023)	(14,549,329)
Total operating expenses, excluding depreciation	85,254,910	65,714,865	150,969,775	190,170,170
Operating income (loss) before depreciation	81,053,987	(184,369)	80,869,618	70,214,781
Depreciation expense	55,334,095	20,009,821	75,343,916	70,980,896
Operating income (loss)	25,719,892	(20,194,190)	5,525,702	(766,115)
Nonoperating revenues (expenses):				
Property tax revenue		9,036,318	9,036,318	8,726,894
Interest expense, net of capitalized construction period interest of $10,982,905 in 2010 and $11,313,642 in 2009 for Airport and $176,973 in 2010 and $0 in 2009 for Marine & Other	(21,283,069)	(5,682,269)	(26,965,338)	(26,215,081)
Interest revenue	2,267,670	4,567,572	6,835,242	17,150,984
Other expense, including loss on disposal of properties	(5,403,693)	(10,130,571)	(15,534,264)	(2,155,804)
Nonoperating expenses before passenger facility charges	(24,419,092)	(2,208,950)	(26,628,042)	(2,493,007)
Income (loss) before passenger facility charges and extraordinary item	1,300,800	(22,403,140)	(21,102,340)	(3,259,122)
Passenger facility charge revenue	25,696,717		25,696,717	25,466,614
Income (loss) before extraordinary item, contributions and transfers	26,997,517	(22,403,140)	4,594,377	22,207,492
Extraordinary item - insurance buyout agreements (Note 12)				7,000,000
Income (loss) before contributions and transfers	26,997,517	(22,403,140)	4,594,377	29,207,492
Capital contributions	56,514,431	15,727,261	72,241,692	36,226,121
Transfers (out) in	(3,983,627)	3,983,627		
Change in net assets	79,528,321	(2,692,252)	76,836,069	65,433,613
Total net assets - beginning of year	573,513,517	393,151,017	966,664,534	901,230,921
Total net assets - end of year	$ 653,041,838	$ 390,458,765	$ 1,043,500,603	$ 966,664,534

The accompanying notes are an integral
part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF CASH FLOWS
for the year ended June 30, 2010
with comparative totals for the year ended June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 172,763,191	$ 75,100,349	$ 247,863,540	$ 244,428,612
Cash payments to employees	(32,924,674)	(40,772,411)	(73,697,085)	(81,525,745)
Cash payments to suppliers and vendors	(43,328,625)	(36,429,130)	(79,757,755)	(93,304,244)
Cash payments (to) from other funds	(16,968,529)	16,968,529		
Net cash provided by operating activities	79,541,363	14,867,337	94,408,700	69,598,623
Cash flows from noncapital financing activities:				
Property taxes		9,014,088	9,014,088	8,612,660
Book cash overdraft		(709,226)	(709,226)	709,226
Net cash provided by noncapital financing activities		8,304,862	8,304,862	9,321,886
Cash flows from capital and related financing activities:				
Capital expenditures	(203,621,683)	(33,283,811)	(236,905,494)	(239,836,175)
Sale of properties		(1,214,198)	(1,214,198)	333,020
Net proceeds from issuance of long-term debt		10,787,414	10,787,414	183,769,659
Interest paid	(31,486,556)	(5,052,168)	(36,538,724)	(33,740,967)
Proceeds from insurance buyout agreements				7,000,000
Proceeds from passenger facility charges	25,461,318		25,461,318	25,433,702
Principal payments and redemptions on long-term debt	(25,330,000)	(1,303,817)	(26,633,817)	(79,273,856)
Contributions from governmental agencies	72,580,942	12,858,613	85,439,555	16,952,293
Cash transfers (to) from other Port divisions, net	(3,983,627)	3,983,627		
Other, primarily nonoperating expense	(5,322,807)	(2,879,133)	(8,201,940)	2,148,967
Net cash used in capital and related financing activities	(171,702,413)	(16,103,473)	(187,805,886)	(117,213,357)
Cash flows from investing activities:				
Interest received	2,263,945	6,281,786	8,545,731	18,326,871
Collections of mortgage receivable				
Investment activity:				
Purchases	(351,467,734)	(369,162,427)	(720,630,161)	(420,911,619)
Proceeds from sales or maturities	440,379,278	368,767,179	809,146,457	431,194,471
Net cash provided by investing activities	91,175,489	5,886,538	97,062,027	28,609,723
Net (decrease) increase in cash and cash equivalents	(985,561)	12,955,264	11,969,703	(9,683,125)
Cash and cash equivalents - beginning of year	1,049,001	25,771,272	26,820,273	36,503,398
Cash and cash equivalents - end of year	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 25,719,892	$ (20,194,190)	$ 5,525,702	$ (766,115)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	55,334,095	20,009,821	75,343,916	70,980,896
Cost of land sales				15,950,013
Amortization of deferred revenue	(601,360)	(3,233,763)	(3,835,123)	(11,078,480)
Change in assets and liabilities:				
Receivables and other current assets	7,052,581	12,983,164	20,035,745	(6,349,617)
Amortization of pension assets	(201,487)	(218,893)	(420,380)	(597,833)
Accounts payable and accruals	(7,344,336)	2,847,309	(4,497,027)	(7,992,958)
Long-term environmental and other accruals	(418,022)	1,969,877	1,551,855	8,561,935
Additions to deferred revenue		704,012	704,012	890,782
Net cash provided by operating activities	$ 79,541,363	$ 14,867,337	$ 94,408,700	$ 69,598,623
Noncash investing, capital, and related financing activities:				
Deferred bond interest		$ 1,070,437	$ 1,070,437	$ 1,056,129

The accompanying notes are an integral part of these financial statements.

1. Description of the Port and Summary of Significant Accounting Policies:

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, seven industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 745 full-time equivalent persons.

Basis of Accounting

The accounting and reporting policies of the Port conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, the Port utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Port has elected not to apply Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Effective July 1, 2010, the Port has adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The adoption of this statement did not have a material effect on the Port's financial statements.

Effective July 1, 2009, the Port adopted GASB Statement No. 53 (GASB 53), "Accounting and Financial Reporting for Derivative Instruments," as discussed in Note 7. This statement requires the Port to record its derivative instruments at fair value, and to report changes in fair value for effective hedging derivatives as deferrals on the balance sheet. As the impact on net assets was not material, the cumulative effect of applying this Statement was recorded in the current period and neither comparative totals for the year ended June 30, 2009 nor the fiscal 2010 beginning net asset balance have been restated. The effect on the Airport's financial statements for the year ended June 30, 2010 from the adoption of GASB 53 was to increase noncurrent liabilities by $29.495 million, increase noncurrent assets by $29.454 million, and decrease interest expense and net assets by $0.041 million.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, information technology users, purchase order lines, acreage, operating revenues, and operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, and passenger facility charges, are classified as nonoperating.

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. At June 30, 2010, all restricted assets are available to pay restricted liabilities due within one year except for approximately $64,300,000 and approximately $56,300,000 equity in pooled investments for the Port and Airport activity, respectively.

Land Held for Sale

Land held for sale includes costs of land acquisition and development on property held for eventual sale. Land held for sale is stated at the lower of average cost or net realizable value. Costs that are capitalized consist of acquisition and development costs incurred to bring the land to salable condition, including interest. At closing, sales and related cost of land are recorded as operating revenues and expenses.

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and properties subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. The useful lives generally range from 15 to 40 years for land improvements, 20 to 30 years for buildings and terminals, and 3 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Deferred bond issue costs are amortized using the interest method over the life of the related debt. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is included in interest expense.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Deferred Revenue

Deferred revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 55 to 99 years.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net assets when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net assets at estimated fair value at date of acquisition.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Property Taxes

Property taxes are used for capital purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. As a result, book cash overdrafts (essentially comprising outstanding checks) may occur. Such overdrafts are presented as current liabilities. Investments with a remaining life of one year or less at the time of purchase are stated at amortized cost. Investments with longer maturities are stated at fair value based upon quoted market prices. For investments stated at amortized cost, there is no material difference from fair value at June 30, 2010 and 2009. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing bonds of Oregon municipalities.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets as to compliance with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted one supplemental budget for each of the years ended June 30, 2010 and 2009, respectively.

The Port budgets all funds on the accrual basis of accounting. For budgetary reporting purposes, State law requires that charges for services provided and certain expense allocations, from one fund to another fund, be reported as transfers to other funds, rather than as operating or capital expenditures.

Transfers Between Activities

The Port's policy is to fund certain general aviation (Marine & Other activity) capital requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

Internal Receivables and Payables

Intra-Port receivables and payables between activities are eliminated in the total column of the balance sheet.

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's report on audit of financial statements for the year ended June 30, 2009, from which the summarized information was derived.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective immediately upon its issuance. The statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature. The adoption of this statement did not have a material effect on the Port's financial statements.

In March 2009, the GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," effective immediately upon its issuance. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus," effective for the Port's fiscal year beginning July 1, 2010. The statement modifies financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

The Airport is an identifiable activity in and of itself, providing commercial airline passenger service, air cargo services, and general aviation services. The activities comprising Marine & Other are the Port's marine terminals, which load, unload, and transfer commodities to and from trucks, railcars, barges, and ships; property and development services, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering, which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2010 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 45,110	$ 3,695		$ 13,312	$ 3,162	$ 251	$ 65,530
Operating expenses	47,773	3,117	$ 4,557	11,239	3,390	(4,362)	65,714
Depreciation expense	11,745	132	26	1,047	2,447	4,613	20,010
Operating (loss) income	(14,408)	446	(4,583)	1,026	(2,675)		(20,194)
Capital contributions	10,244	1,231			4,252		15,727
Land held for sale and properties:							
Additions	14,748	4,603		514	6,643	2,365	28,873
Deletions				(9)	(5,986)		(5,995)

3. Cash and Investments:

At June 30, 2010, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Agencies	$ 74,541,224	$ 25,487,723	$ 14,120,048	$ 1,694,346	$ 115,843,341
Corporate indebtedness	4,840,709	7,400,937	8,490,188	-	20,731,834
	$ 79,381,933	$ 32,888,660	$ 22,610,236	$ 1,694,346	136,575,175
Cash and deposits with financial institutions					14,077,337
					$ 150,652,512

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2010:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,158,154				$ 4,158,154
U.S. Agencies	31,151,566	$ 48,167,953	$ 26,684,760	$ 3,202,059	109,206,338
Corporate indebtedness	9,148,211	13,986,656	16,045,174	-	39,180,041
	$ 44,457,931	$ 62,154,609	$ 42,729,934	$ 3,202,059	152,544,533
State of Oregon local government investment pool					38,345,810
Cash and deposits with financial institutions					434,164
					$ 191,324,507

To address interest rate risk and limit its exposure to fair value losses arising from rising interest rates, the Port's investment policy places restrictions on the maturities of the Port's investment portfolio. Investment maturities are limited as follows:

Maturity	Maximum Investment
Two years and under	55% of par value
Three years and under	75% of par value
Five years and under	100% of par value

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2010, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

A portion of the Port's investments are invested in an external investment pool, the Oregon Short-Term Fund (Fund). Numerous local governments in Oregon, as well as State agencies, participate in the Fund. The fair value of the Port's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board. While the Fund itself is not rated, the Fund's policies provide that the weighted average credit quality ratings for the Fund's holdings are a minimum of AA and Aa2 for Standard and Poor's and Moody's, respectively.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $1,437,974. Of these deposits, $250,000 was covered by federal depository insurance and $1,187,974 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Balance sheet classification:	2010			2009
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Unrestricted equity in pooled investments	24,341,171	144,312,733	168,653,904	164,260,027
Restricted cash and equity in pooled investments	126,247,901	8,285,238	134,533,139	227,443,312
	$ 150,652,512	$ 191,324,507	$ 341,977,019	$ 418,523,612

3. Cash and Investments, continued:

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2010 and 2009, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2010 and 2009, approximately $75,793,000 and $87,085,000, respectively, of the Airport's investments represent a percentage allocation of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the marine shipping industry for Marine & Other. Principal customers in these industries are national airlines and international steamship lines/agents, respectively. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $9,100,000 at June 30, 2010 and $6,300,000 at June 30, 2009. Total trade receivables for the marine shipping industry were approximately $2,900,000 at June 30, 2010 and $3,700,000 at June 30, 2009. Total grants receivable for the aviation industry were approximately $5,200,000 at June 30, 2010 and $26,200,000 at June 30, 2009. Total grant receivables for marine and other were approximately $3,400,000 at June 30, 2010 and $500,000 at June 30, 2009. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Airport:					
Capital assets being depreciated:					
Land improvements	$ 528,778,956		$ (101,519)	$ 30,899,361	$ 559,576,798
Buildings and equipment	836,690,369		(1,332,937)	251,250,674	1,086,608,106
Total capital assets being depreciated	1,365,469,325		(1,434,456)	282,150,035	1,646,184,904
Less accumulated depreciation:					
Land improvements	295,144,890	$ 22,312,700	(101,519)		317,356,071
Buildings and equipment	428,865,307	33,021,395	(1,266,975)		460,619,727
Total accumulated depreciation	724,010,197	55,334,095	(1,368,494)		777,975,798
Total capital assets being depreciated, net	641,459,128	(55,334,095)	(65,962)	282,150,035	868,209,106
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	306,433,412	196,935,124	-	(282,150,035)	221,218,501
Total capital assets not being depreciated	374,475,579	196,935,124	-	(282,150,035)	289,260,668
Airport capital assets, net	$ 1,015,934,707	$ 141,601,029	$ (65,962)	$	$ 1,157,469,774
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 223,901,335		$ (4,420,926)	$ 13,710,897	$ 233,191,306
Buildings and equipment	237,280,982		(2,156,195)	4,153,767	239,278,554
Total capital assets being depreciated	461,182,317		(6,577,121)	17,864,664	472,469,860
Less accumulated depreciation:					
Land improvements	132,633,761	$ 8,227,195	(3,848,405)		137,012,551
Buildings and equipment	159,150,529	11,782,626	(1,979,853)		168,953,302
Total accumulated depreciation	291,784,290	20,009,821	(5,828,258)		305,965,853
Total capital assets being depreciated, net	169,398,027	(20,009,821)	(748,863)	17,864,664	166,504,007
Capital assets not being depreciated:					
Land	72,438,757		(5,228,881)	-	67,209,876
Construction in progress	55,658,250	28,872,665	3,212,072	(17,864,664)	69,878,323
Total capital assets not being depreciated	128,097,007	28,872,665	(2,016,809)	(17,864,664)	137,088,199
Marine & Other capital assets, net	$ 297,495,034	$ 8,862,844	$ (2,765,672)	$	$ 303,592,206

5. Properties, continued:

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 99 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2010 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 20,705,194	$ 20,705,194
Building & equipment	$ 560,319,688	39,124,830	599,444,518
	560,319,688	59,830,024	620,149,712
Accumulated depreciation	(292,857,466)	(23,615,581)	(316,473,047)
	$ 267,462,222	$ 36,214,443	$ 303,676,665

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are:

	Airport	Marine & Other	Total Port
2011	$ 29,104,000	$ 14,521,000	$ 43,625,000
2012	11,677,000	13,735,000	25,412,000
2013	9,805,000	12,939,000	22,744,000
2014	8,428,000	11,960,000	20,388,000
2015	7,707,000	11,398,000	19,105,000
Thereafter	68,082,000	97,349,000	165,431,000
Total	$ 134,803,000	$ 161,902,000	$ 296,705,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2010 and 2009:

	Airport	Marine & Other	Total Port
2010	$ 62,400,000	$ 2,700,000	$ 65,100,000
2009	$ 59,400,000	$ 3,500,000	$ 62,900,000

Marine & Other leases certain equipment under capital leases; there are no capital leases at the Airport. The following is a summary of Marine & Other assets leased under capital leases at June 30:

	2010	2009
Equipment	$ 943,240	$ 928,656
Less: accumulated depreciation	(443,249)	(311,293)
	$ 499,991	$ 617,363

5. Properties, continued:

Future minimum capital lease payments, together with the present value of the net minimum lease payments are as follows:

2011	$ 532,998
2012	477,098
2013	465,848
2014	451,930
2015	451,930
2016-2020	1,883,040
Total minimum lease payments	4,262,844
Less: amount representing interest	(1,054,986)
Present value of net minimum lease payments	$ 3,207,858

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $328,842 and $2,879,016, respectively.

6. Other Noncurrent Assets:

Other noncurrent belongings consist of the following:

	Airport	Marine & Other	Total
2010:			
Other	$	$ 782,958	$ 782,958
2009:			
Other	$	$ 820,151	$ 820,151

There are no Other Noncurrent Assets for the Airport for fiscal years 2009 and 2010.

7. Long-Term Debt:

	Bonds Payable at June 30, 2010		
	Pension	Revenue	Passenger Facility Charge Revenue
Limited Tax Pension bonds:			
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
6.77% to 7.41%, due serially through fiscal 2020	$ 8,291,465		
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000		
6.6%, due fiscal 2025	6,205,000		
2005 Series (issued in fiscal 2006, original issue $20,230,000):			
4.516% to 5.500%, due serially through fiscal 2014	1,605,000		
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Twelve (issued in fiscal 1999, original issue $214,275,000):			
4.75% to 5.25%, due serially through fiscal 2019		$ 62,070,000	
5.0%, due fiscal 2019		7,815,000	
5.0%, due fiscal 2029		64,595,000	
Series Fifteen (issued in fiscal 2001, original issue $173,410,000):			
4.25% to 5.5%, due serially through fiscal 2019		76,305,000	
5.0%, due fiscal 2024		27,995,000	
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.22%, due fiscal 2027		66,825,000	
currently 0.21%, due fiscal 2027		66,825,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		19,170,000	
5.0%, due fiscal 2020		6,340,000	
5.0%, due fiscal 2022		6,990,000	
5.25%, due fiscal 2027		20,870,000	
5.0%, due fiscal 2030		15,310,000	
5.5%, due fiscal 2039		63,285,000	
Passenger Facility Charge revenue bonds:			
Series 1999 (issued in fiscal 2000, original issue $132,110,000):			
5.375% to 5.75%, due serially through fiscal 2017			$ 39,775,000
5.5%, due fiscal 2019			11,755,000
Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):			
currently 0.30%, due fiscal 2025			29,000,000
currently 0.27%, due fiscal 2025			28,985,000
Totals, including $1,005,744, $23,320,000, and $4,870,000, respectively, due within one year	$ 71,421,465	$ 504,395,000	$ 109,515,000

7. Long-Term Debt, continued:

		Contracts and Loans Payable at June 30, 2010
City of Portland, local improvement district installment payment contract (issued in fiscal 2003, original amount $10,189,218), 5.32%, payable in monthly installments ranging from $34,973 due on July 1, 2010 to $55,887 due on April 1, 2023, including $431,967 due within one year	$	7,653,524
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available $2,000,000), 0.0%, payable in annual installments of $200,000 due March 31, 2011 through March 31, 2013, including $200,000 due within one year		574,820
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 1.67%, payable in annual interest-only payments with principal due in full September 23, 2012		8,116,653
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2009, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through March 19, 2011, followed by semi-annual installments from December 15, 2011 through July 15, 2031		1,477,874
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2010, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through September 10, 2011 followed by semi-annual installments from December 15, 2012 through July 15, 2032		618,066
Total, including $631,967 due within one year	$	18,440,937

Future debt service requirements on bonds, contracts and loans payable for the five succeeding fiscal years and in five year increments thereafter are:

	Airport				Marine & Other	
	Revenue		Passenger Facility Charge Revenue			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 23,320,000	$ 18,941,518	$ 4,870,000	$ 2,906,998	$ 1,637,711	$ 5,022,614
2012	24,765,000	17,997,012	5,145,000	2,623,712	1,770,789	5,128,045
2013	26,135,000	16,975,351	5,440,000	2,324,167	10,044,642	5,681,537
2014	27,440,000	15,881,363	5,750,000	2,014,572	1,912,048	5,396,182
2015	27,490,000	14,816,481	6,070,000	1,694,599	2,040,596	5,543,843
2016-2020	131,190,000	60,315,662	35,790,000	3,372,420	12,598,673	29,927,146
2021-2025	112,460,000	40,107,307	46,450,000	279,090	34,718,117	14,870,897
2026-2030	68,310,000	23,656,725			24,851,080	3,043,060
2031-2035	31,375,000	13,272,737			288,746	18,853
2036-2040	31,910,000	3,626,974				
	$ 504,395,000	$ 225,591,130	$ 109,515,000	$ 15,215,558	$ 89,862,402	$ 74,632,177

7. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2010 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 639,240,000		$ (25,330,000)	$ 613,910,000
less: current portion	(25,330,000)	$ (28,190,000)	25,330,000	(28,190,000)
Long-term portion outstanding	$ 613,910,000	$ (28,190,000)	$	$ 585,720,000
Marine & Other:				
Long-term debt outstanding	$ 80,378,806	$ 10,787,414	$ (1,303,818)	$ 89,862,402
less: current portion	(1,303,818)	(1,637,711)	1,303,818	(1,637,711)
Long-term portion outstanding	$ 79,074,988	$ 9,149,703	$	$ 88,224,691

In addition, at June 30, 2010 and 2009, the Port has accrued $6,038,312 and $5,454,496, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans are payable from revenues of the Port, including existing property tax levies.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

Port Ordinance No. 155, enacted November 10, 1971, and Ordinance No. 323, enacted October 9, 1985, both subsequently amended (Ordinances), authorize the issuance of Portland International Airport Revenue Bonds (Airport revenue bonds) to pay the costs of acquiring and constructing Airport and other Port improvements. Port Ordinance No. 323 further restricts sales of Airport revenue bonds except for the purpose of paying the costs of construction of additions, expansion, and improvements at the Airport and the costs of acquisition and construction of general aviation airports. Both Ordinances also allow for the issuance of refunding bonds. The revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any revenues or property of the Port not specifically pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

7. Long-Term Debt, continued:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.

- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met.

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2010 and 2009.

On July 1, 2005, contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2010 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain reductions, contingent on the Port managing operating expenses to a defined target level. The fiscal 2010 and 2009 discount reductions were $310,517 and $439,159, respectively. New contracts providing financial guarantees sufficient to meet the net revenues requirement for airline supported activities become effective on July 1, 2010; the financial provisions of these new contracts are similar to those of the prior contracts.

In prior years, the Port defeased or advance refunded various bonds, including $102,735,000 of Series Seven bonds, by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt service on the bonds. As a result, the trust account assets and the liability for the defeased or advance refunded bonds are not included in the financial statements. At June 30, 2010, $24,580,000 of Series Seven defeased debt was still outstanding.

In fiscal 2008, the Port issued Series Eighteen variable rate bonds, the proceeds of which were used to refund $134,295,000 of Series Seventeen bonds, representing all of the outstanding portions maturing after July 1, 2008, and to cash fund $3,972,960 in debt service reserve. The interest rate on the Series Eighteen bonds is generally reset weekly by remarketing agents, and cannot exceed 12%. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of five years at a variable interest rate based on the greater of the bank's prime rate or the federal funds rate plus 1 percent.

In fiscal 2009, the Port issued Series Nineteen bonds to pay, or to reimburse the Port for the payment of, costs of the construction, acquisition, equipment and installation of Port headquarters facilities and other improvements at the Portland International Airport, to capitalize a portion of the interest on the Series Nineteen bonds, and to pay costs of issuing the Series Nineteen bonds. The bonds have coupon rates ranging from 4.25 percent to 5.50 percent with maturities ranging from July 1, 2010 to July 1, 2038. Series Nineteen bonds maturing on or after July 1, 2019 are redeemable at the option of the Port on or after July 1, 2018 at 100 percent of the principal amount plus accrued interest. Series Nineteen bonds maturing on or after July 1, 2019 are also subject to mandatory redemption at par, prior to maturity, in part, by lot, beginning July 1, 2018, and on each July 1 thereafter.

7. <u>Long-Term Debt</u>, continued:

Series Twelve bonds maturing on or after July 1, 2010 are redeemable at the option of the Port at par. Series Twelve bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2014, and on each July 1 thereafter. Series Twelve bonds maturing July 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

Series Fifteen bonds maturing on or after July 1, 2012 are redeemable at the option of the Port on or after July 1, 2011 at 101 percent of the principal amount at such date and at decreasing rates thereafter. Series Fifteen bonds maturing July 1, 2023 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

All Airport revenue bonds, both principal and interest, are payable solely from revenues derived from the operation and related services of the Airport.

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

Port Ordinance No. 395-B, enacted June 10, 1999, authorized the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC revenue bonds) to pay the costs of construction of certain Federal Aviation Administration approved PFC projects. The PFC revenue bonds are backed by a pledge and assignment of PFC revenues. The PFC revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all PFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of

PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

In connection with the PFC revenue bonds, the Port has also covenanted to comply with PFC laws and regulations, noise regulations, and to manage the PFC program so that remaining PFC authority (as defined in Ordinance No. 395-B) less contractual commitments, shall exceed 105 percent of defined unpaid debt service.

In fiscal 2009, the Port issued Series 2009A Passenger Facility Charge Variable Rate Refunding Bonds (PFC refunding bonds), the proceeds of which were deposited in an irrevocable trust with an escrow agent to refund $56,445,000 of PFC Series 1999A bonds, representing all of the outstanding portions maturing after July 1, 2009. As a result, those bonds were considered defeased and the trust account assets and the liability for those bonds are not included in the financial statements. The defeased bonds were redeemed on July 1, 2009 at 101 percent of the principal amount. The PFC refunding bonds are a direct result of pay-fixed, receive variable interest rate swaps which commenced on July 1, 2009. The interest rate on the PFC refunding bonds is generally reset weekly by remarketing agents and cannot exceed 12 percent. Payments of principal and interest on the PFC refunding bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. In the event that PFC refunding bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable interest rate based on the greater of the bank's prime rate plus 2 percent, the federal funds rate plus 3 percent, or 10 percent.

7. <u>Long-Term Debt</u>, continued:

PFC Series 1999 bonds maturing on or after July 1, 2010 are redeemable at the option of the Port on or after July 1, 2009 at 101 percent of the principal amount at such date and at decreasing rates thereafter. PFC Series 1999 bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, on July 1, 2017, and July 1, 2018.

PFC Series 2009A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day.

The Port has reserved the right to use at any time any legally available funds to purchase for retirement any of the outstanding PFC Series 1999 bonds offered to the Port at any price deemed reasonable.

PFC revenue bonds, both principal and interest, are payable solely from PFC revenues.

DERIVATIVE INSTRUMENTS

At June 30, 2010, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (861,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (861,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (9,167,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (9,167,000)
E	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$34,791,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,687,000)
F	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$23,194,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,711,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538, and for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. Accordingly, the fair value of the hedging derivatives was $(29,454,000) at June 30, 2010 and is recorded on the Airport Balance Sheet as a non-current liability. The cumulative change in fair value of the at-market interest rate swap was recorded as a deferred outflow of $(29,454,000), and the unamortized balance of the borrowing is recorded on the Balance Sheet as a noncurrent liability of $12,496,122 at June 30, 2010.

7. Long-Term Debt, continued:

The fair values of the interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has three separate counterparties for its interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A, C, and E	AA- / Aa1
Derivative B and D	AAA / Aa1
Derivative F	A / A2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2010, none of the Airports interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps are variable-rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 0.2362 percent, while 68 percent of 1 month LIBOR is approximately 0.2369 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2010; therefore, no collateral has been posted for these derivative instruments. Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2010, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for these derivative instruments. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument E has a negative fair value at June 30, 2010; therefore, the Airport has posted $6,200,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport’s balance sheet).

7. **Long-Term Debt,** continued:

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2010:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 5,570,000	$ 275,372	$ 5,740,934	$ 11,586,306
2012	5,800,000	262,902	5,488,120	11,551,022
2013	5,820,000	250,389	5,228,434	11,298,823
2014	6,085,000	237,306	4,916,642	11,238,948
2015	7,970,000	220,171	4,517,620	12,707,791
2016-2020	47,175,000	792,835	16,070,902	64,038,737
2021-2025	40,880,000	311,321	5,921,143	47,112,464
2026-2030	14,350,000	14,588	318,364	14,682,952
	$ 133,650,000	$ 2,364,884	$ 48,202,159	$ 184,217,043

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 85,000	$ 165,017	$ 2,737,187	$ 2,987,204
2012	85,000	164,774	2,733,047	2,982,821
2013	90,000	164,517	2,728,671	2,983,188
2014	95,000	164,247	2,724,058	2,983,305
2015	100,000	163,962	2,719,209	2,983,171
2016-2020	11,080,000	777,463	12,447,854	24,305,317
2021-2025	46,450,000	279,090	3,960,482	50,689,572
	$ 57,985,000	$ 1,879,070	$ 30,050,509	$ 89,914,579

8. **Industrial Revenue Bonds:**

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port’s financial statements.

Following is a summary of industrial revenue bonds outstanding at June 30:

	2010	2009
Bonds issued for:		
Airport industrial facilities	$ 25,338,000	$ 25,338,000
Marine & Other facilities	109,100,000	111,950,000
Total bonds payable	$ 134,438,000	$ 137,288,000

9. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a defined benefit pension plan which has both agent multiple-employer and cost-sharing multiple-employer segments, administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes. PERS issues a publicly available financial report, which may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700.

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rate was 6.65 percent of annual covered payroll for fiscal year 2010, and 6.05 percent of annual covered payroll for fiscal years 2009 and 2008. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. These amounts were recorded as pension assets on the Port balance sheet. Of these amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as both assets and liabilities (due to Marine & Other). The assets are being amortized using methods and assumptions used in actuarial valuations. The actuarial amortization increased the balance of Port pension assets by $415,581, $597,431, and $737,440, for fiscal years 2010, 2009, and 2008, respectively, of which $201,487, $282,578, and $342,707, were applicable to the Airport. The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $894,182, $780,399, and $658,765, in fiscal 2010, 2009, and 2008, respectively, of which $444,022, $385,337, and $323,388, were applicable to the Airport.

For fiscal years 2010, 2009, and 2008 the Port's annual PERS contributions were $3,633,617, $5,431,144, and $5,255,495, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $1,713,699, $2,504,858, and $2,401,813, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation.

The Port's employer contribution rate to OPSRP, determined by an actuary using past PERS data, was 5.81 percent of annual covered payroll for general service members and 8.52 percent for police and fire members for fiscal year 2010, and 7.31 percent of annual covered payroll for general service members and 10.58 percent for police and fire members for fiscal years 2009 and 2008. The Port's fiscal 2010, 2009, and 2008 OPSRP contributions were $1,510,905, $1,537,527, and $1,381,623, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $560,845, $586,698, and $528,486, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

9. Pension Plans and Deferred Compensation Plan, continued:

The Port offers all its employees with six full months of service a deferred compensation plan created in accordance with IRC Section 457. The plan permits eligible employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Port's general creditors. The Port has little administrative involvement with the plan and does not perform the investing function. Therefore, the plan assets are not included on the balance sheet.

10. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out, and will not be offered to any employees not meeting eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, their spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health care costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an 'implicit subsidy' paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port.

The Port's other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Port's net OPEB obligation:

	Airport	Marine & Other
Annual required contribution	$ 324,000	$ 309,000
Interest on net OPEB obligation	39,000	13,000
Adjustment to annual required contribution	(56,000)	(19,000)
Annual OPEB cost (expense)	307,000	303,000
Contributions made	(281,000)	(408,000)
Increase (decrease) in net OPEB obligation	26,000	(105,000)
Net OPEB obligation - beginning of year	966,000	324,000
Net OPEB obligation - end of year	$ 992,000	$ 219,000

10. Postemployment Healthcare Benefits, continued:

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Airport:			
2010	$ 307,000	91.5%	$ 992,000
2009	$ 1,028,000	60.1%	$ 966,000
2008	$ 1,032,000	46.1%	$ 556,000
Marine & Other:			
2010	$ 303,000	134.7%	$ 219,000
2009	$ 840,000	82.0%	$ 324,000
2008	$ 860,000	79.9%	$ 173,000

A schedule of the funding progress of the plan appears below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2007	$0	$9,363,000	$9,363,000	0%	N/A	N/A
7/1/2009	$0	$3,182,000	$3,182,000	0%	N/A	N/A
Marine & Other						
7/1/2007	$0	$8,977,000	$8,977,000	0%	N/A	N/A
7/1/2009	$0	$3,394,000	$3,394,000	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2007 and 2009 actuarial valuations, the entry age normal actuarial cost method was used.

The July 1, 2009 actuarial assumptions included a 4.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eleven years. The July 1, 2007 actuarial assumptions included a 5.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after fourteen years. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

11. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions.

11. Risk Management, continued

The Airport is a full participant in the Port's risk management program. The Airport's expenses related to this program are recorded when incurred, with cash being paid to the Port's General Fund for ease of administration.

The Port self-insures for certain workers' compensation losses for amounts up to $1,000,000 per accident. For amounts in excess of self-insured limits, insurance in the amount of $10,000,000 per loss is maintained. Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimate for claims that have been incurred but not reported. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends through a case-by-case review of all claims. Effective May 8, 1993, certain workers' compensation losses incurred after such date are the responsibility of an independent marine terminal management company.

Changes in the reported liability for workers' compensation resulted from the following:

	Fiscal Year Ended June 30,	
	2010	2009
Beginning liability	$ 1,225,183	$ 1,157,554
Current year claims and changes in estimates	1,094,236	724,612
Claim payments	(748,717)	(656,983)
Ending liability	$ 1,570,702	$ 1,225,183

Approximately $644,900 and $518,900 of the liability was applicable to the Airport at June 30, 2010 and 2009, respectively.

12. Commitments and Contingencies:

At June 30, 2010, land acquisition and construction contract commitments aggregated approximately $87,000,000 for the Airport, $16,000,000 for Marine & Other, and $103,000,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Management of the Port does not believe that the ultimate resolution of these lawsuits and other contingencies which, for the most part, are normal to the Port's business, will have any material effect upon its financial statements.

The Port is subject to federal, state, and local environmental laws and regulations. Pursuant to these laws and regulations, the Port has identified a number of contaminated sites on Port properties that will require remedial investigation and action. Some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, or groundwater. In some cases, the Port has been designated by Federal or State government as a potentially responsible party (PRP) for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination.

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other (PRPs) as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $8,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2010. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port's ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $22,700,000 in estimated remaining costs for this cleanup at June 30, 2010. At another site, the

12. Commitments and Contingencies, continued:

Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2010. Both these sites are accounted for within the Marine & Other activity.

The Port is pursuing recovery of a substantial portion of these environmental costs from a variety of third parties, including insurance companies. As part of its recovery strategy, beginning in fiscal 2003, the Port entered into insurance buyout agreements with various insurance companies. Proceeds from these buyouts totaled $0 and $7,000,000 in fiscal 2010 and 2009, respectively. These amounts are shown as extraordinary items on the statement of revenues, expenses, and changes in net assets.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

Changes in estimated long-term environmental liabilities were as follows:

	2010			2009		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,175,000	$ 54,540,900	$ 55,715,900	$ 100,000	$ 47,478,900	$ 47,578,900
Accruals		(1,135,900)	(1,135,900)	1,075,000	7,062,000	8,137,000
Reclassifications (to) from current						
Ending liability	$ 1,175,000	$ 53,405,000	$ 54,580,000	$ 1,175,000	$ 54,540,900	$ 55,715,900

The Port leases from others, under operating leases, certain computer software, warehouse and office space, copiers, and submerged lands. These leases expire at varying times through fiscal 2016. Total rental expense (all minimum rentals) for operating leases approximated $2,727,000 and $2,816,000 for Marine & Other in 2010 and 2009, respectively, and $41,000 and $0 for the Airport in 2010 and 2009, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2011	$ 234,000	$ 358,000	$ 592,000
2012	233,000	131,000	364,000
2013	233,000	131,000	364,000
2014	233,000	131,000	364,000
2015	193,000	131,000	324,000
2016-2020		36,000	36,000
Total	$ 1,126,000	$ 918,000	$ 2,044,000

13. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $98,089,189 in the Airport PFC Fund as of June 30, 2010. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund. In the Airport PFC Fund, the Port overexpended one budget appropriation for Other expenditures as a result of the implementation of GASB 53. This overexpenditure of ($310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

14. Subsequent Event:

Subsequent to June 30, 2010, the Airport priced Series Twenty Airport revenue bonds, with the intent to close the transaction in early November, 2010. The Series Twenty bonds are anticipated to fund approximately $30 million in new construction at the Airport, to refund all of the outstanding Series Twelve Airport revenue bonds, and to fund issuance costs and a debt service reserve.

SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

The Port of Portland is a municipal corporation created in its present form by the 1971 merger of The Port of Portland and the Commission of Public Docks. A nine-member commission establishes and maintains Port policy for a staff under the guidance of an executive director.

The original Port of Portland was created in 1891 by the Oregon Legislative Assembly with the objective of dredging and maintaining a channel between Portland and the Pacific Ocean. As its operations and responsibilities increased, the Port acquired its aviation and land development interests.

The City of Portland in 1910 created the Commission of Public Docks to promote and develop maritime commerce through Portland Harbor and, in 1970, the voters approved a merger of these two organizations. In 1973, the Port district was expanded to include all of Multnomah, Clackamas, and Washington Counties.

For financial reporting and operating purposes, management considers the activities of the Port to be that of a unitary enterprise operation. For budgetary and bond ordinance requirement purposes only, the primary divisions of the accounts of the Port consist of the following funds (accounts):

General Fund

Used to finance the general operations of the Port and, subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are marine facilities operations, land sales and leases, and a property tax levy for Port improvements.

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, and interest on investments.

Airport Revenue Fund

This fund is to be held and administered by the Port as long as any Portland International Airport Revenue Bonds are outstanding. The monies deposited in this fund are not commingled with any other monies of the Port and are used and applied only in the manner as specified by Section 13, Ordinance No. 155 and Section 6, Ordinance No. 323. Airport operations are accounted for in this fund. Principal revenue sources are flight fees, rentals, parking, and concession income.

Airport Revenue Bond Fund

This fund is administered by a trustee appointed under Section 11, Ordinance No. 323. The monies in this fund are used solely for the payment of principal and interest due on Portland International Airport Revenue Bonds. Principal resources are revenue bond proceeds, interest, and transfers from the Airport Revenue Fund and the Airport Construction Fund.

Airport Construction Fund

The monies credited to this fund are used and applied solely to the payment of costs of additions, expansions, and improvements to the Airport in accordance with Section 12, Ordinance No. 155 and Section 8, Ordinance No. 323. Principal resources are interest, grants, and revenue bond proceeds.

PFC Fund

This fund is used to account for PFC revenue. Amounts credited to this fund are used to provide for debt service on Portland International Airport Passenger Facility Charge Revenue Bonds and to construct certain assets in accordance with Section 2, Ordinance No. 395-B. Principal resources are PFC revenue, bond proceeds, and interest.

PFC Bond Fund

This fund, created in accordance with Section 8, Ordinance No. 395-B, is administered by a trustee, for the payment of principal and interest on Portland International Airport Passenger Facility Charge Revenue Bonds. Principal resources are transfers from the PFC Fund, bond proceeds, and interest.

THE PORT OF PORTLAND
RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS
for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 87,890,702	$ 105,966,889	$ (18,076,187)
Bond Construction Fund	16,254,010	28,344,479	(12,090,469)
Airport Revenue Fund	167,579,789	70,670,328	96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 355,327,819	$ 445,786,356	(90,458,537)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			207,386,373
Internal costs on capital projects			12,596,565
Interest expense capitalized			11,159,878
Depreciation and amortization expense			(75,343,916)
Expenses that will be expended in future years			1,214,900
Contributions from governmental agencies			(72,171,724)
State loan proceeds			(10,787,413)
Bond and contract payable principal expenditures			31,752,851
Difference between property sale proceeds and loss on sales			(7,398,045)
Change in deferred revenues and certain rents, notes, and contracts receivable			1,562,081
Amortization of bond issuance costs			(1,748,609)
Expensed capital outlay expenditures			(4,138,585)
Other			968,558
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 4,594,377

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Funds:			
Airport Revenue Fund	$ 167,579,789	$ 70,670,328	$ 96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 251,183,107	$ 311,474,988	(60,291,881)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			179,041,894
Internal costs on capital projects			1,518,149
Interest expense capitalized			10,982,905
Depreciation and amortization expense			(55,334,095)
Expenses that will be expended in future years			(26,000)
Contributions from governmental agencies			(56,444,463)
Bond principal expenditures			29,603,041
Difference between property sale proceeds and loss on sales			(80,886)
Change in deferred revenues and certain rents, notes, and contracts receivable			430,629
Amortization of bond issuance costs			(1,692,490)
Expensed capital outlay expenditures			(2,508,215)
Intra-Port services received, provided, and overhead			(16,968,529)
Other			(1,232,542)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 26,997,517

* The Airport budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenues:			
Administration	$ 287,000	$ 251,610	$ (35,390)
Marine and Industrial Development	51,289,727	48,095,137	(3,194,590)
Navigation	14,192,728	12,826,917	(1,365,811)
General Aviation	3,172,982	3,125,184	(47,798)
	68,942,437	64,298,848	(4,643,589)
Tax and tax items:			
Current property tax levy - net	8,881,844	9,036,318	154,474
Interest on taxes		35,068	35,068
	8,881,844	9,071,386	189,542
Interest	2,672,000	3,583,058	911,058
State loan proceeds		10,787,413	10,787,413
Fixed asset sales and other		149,997	149,997
Total revenues	80,496,281	87,890,702	7,394,421
TRANSFERS FROM OTHER FUNDS:			
Bond Construction Fund	5,798,628	3,194,575	(2,604,053)
Airport Construction Fund	7,419,889	7,883,841	463,952
Airport Revenue Fund	19,790,707	20,739,929	949,222
Total transfers	33,009,224	31,818,345	(1,190,879)
Total revenues and transfers	113,505,505	119,709,047	6,203,542
BEGINNING WORKING CAPITAL	138,520,795	136,677,167	(1,843,628)
Total resources	$ 252,026,300	$ 256,386,214	$ 4,359,914

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2010

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Administration	$ 36,883,580	$ 300,000	$ 37,183,580	$ 33,703,721	$ 3,479,859
Marine and Industrial Development	51,444,326		51,444,326	45,622,350	5,821,976
Navigation	11,359,654	500,000	11,859,654	10,288,503	1,571,151
General Aviation	1,860,662	600,000	2,460,662	2,454,416	6,246
Long-term debt payments	7,224,980		7,224,980	6,857,017	367,963
System development charges/other	5,000	3,500,000	3,505,000	3,500,000	5,000
Other environmental	1,511,054	4,100,000	5,611,054	3,540,882	2,070,172
Contingencies	130,168,436	(9,000,000)	121,168,436		121,168,436
Total expenditures	240,457,692		240,457,692	105,966,889	134,490,803
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	10,985,000		10,985,000		10,985,000
Airport Revenue Fund	583,608		583,608	468,863	114,745
Total transfers	11,568,608		11,568,608	468,863	11,099,745
Total expenditures and transfers	$ 252,026,300	$	$ 252,026,300	106,435,752	$ 145,590,548
ENDING WORKING CAPITAL				149,950,462	
Reclass of cash from restricted to current				(4,604)	
ENDING WORKING CAPITAL PER BALANCE SHEET				$ 149,945,858	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 201,000	$ 526,749	$ 325,749
Grants and other	32,025,745	15,727,261	(16,298,484)
Total revenues	32,226,745	16,254,010	(15,972,735)
TRANSFERS FROM OTHER FUNDS:			
General Fund	10,985,000		(10,985,000)
Airport Revenue Fund	5,324,200	3,740,027	(1,584,173)
Total transfers	16,309,200	3,740,027	(12,569,173)
BEGINNING WORKING CAPITAL	10,000,000	30,883,874	20,883,874
Total resources	$ 58,535,945	50,877,911	$ (7,658,034)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 42,640,117	28,344,479	$ 14,295,638
Contingencies	10,000,000		10,000,000
Total expenditures	52,640,117	28,344,479	24,295,638
TRANSFERS TO OTHER FUNDS:			
General Fund	5,798,628	3,194,575	2,604,053
Airport Revenue Fund	97,200	38,495	58,705
Total transfers	5,895,828	3,233,070	2,662,758
Total expenditures and transfers	$ 58,535,945	31,577,549	$ 26,958,396
ENDING WORKING CAPITAL		$ 19,300,362	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenue - Portland International Airport	$ 170,759,369	$ 165,860,870	$ (4,898,499)
Interest	1,183,000	1,227,024	44,024
Fixed asset sales and other	465,000	491,895	26,895
Total revenues	172,407,369	167,579,789	(4,827,580)
TRANSFERS FROM OTHER FUNDS:			
General Fund	583,608	468,863	(114,745)
Bond Construction Fund	97,200	38,495	(58,705)
Airport Construction Fund	1,350,550	1,479,653	129,103
Total transfers	2,031,358	1,987,011	(44,347)
Total revenues and transfers	174,438,727	169,566,800	(4,871,927)
BEGINNING WORKING CAPITAL	20,000,000	20,287,015	287,015
Total resources	$ 194,438,727	189,853,815	$ (4,584,912)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Operating expenditures	$ 72,280,572	70,670,328	$ 1,610,244
System development charges/other	5,000		5,000
Contingencies	20,000,000		20,000,000
Total expenditures	92,285,572	70,670,328	21,615,244
TRANSFERS TO OTHER FUNDS:			
General Fund	19,790,709	20,739,929	(949,220)
Bond Construction Fund	5,324,200	3,740,027	1,584,173
Airport Construction Fund	29,134,668	24,124,806	5,009,862
Airport Revenue Bond Fund	47,903,578	48,407,995	(504,417)
Total transfers	102,153,155	97,012,757	5,140,398
Total expenditures and transfers	$ 194,438,727	167,683,085	$ 26,755,642
ENDING WORKING CAPITAL		$ 22,170,730	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 190,000	$ 59,795	$ (130,205)
Bond sale proceeds			
Total revenues	190,000	59,795	(130,205)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	47,903,578	48,407,995	504,417
Airport Construction Fund	2,078,000		(2,078,000)
Total transfers	49,981,578	48,407,995	(1,573,583)
Total revenues and transfers	50,171,578	48,467,790	(1,703,788)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	16,867,490	17,665,428	797,938
Total resources	$ 67,039,068	66,133,218	$ (905,850)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 50,171,578	49,832,875	$ 338,703
Total expenditures	50,171,578	49,832,875	$ 338,703
UNAPPROPRIATED BALANCE	16,867,490		
	$ 67,039,068		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 16,300,343	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Resources Original	Resources Transfers In (Out)	Resources Budget	Actual	Over (Under) Budget
REVENUES:					
Grants	$ 58,172,145		$ 58,172,145	$ 56,444,463	$ (1,727,682)
Interest and other	3,851,000		3,851,000	936,914	(2,914,086)
Total revenues	62,023,145		62,023,145	57,381,377	(4,641,768)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	29,134,669		29,134,669	24,124,806	(5,009,863)
PFC Fund	44,735,643		44,735,643	42,552,792	(2,182,851)
Total transfers	73,870,312		73,870,312	66,677,598	(7,192,714)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	73,536,896		73,536,896	101,464,895	27,927,999
Total resources	$ 209,430,353		$ 209,430,353	225,523,870	$ 16,093,517

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Budget	Actual	(Over) Under Budget
EXPENDITURES:					
Capital outlay	$ 181,465,706	$ 15,000,000	$ 196,465,706	179,041,894	$ 17,423,812
Contingencies	17,116,208	(15,000,000)	2,116,208		2,116,208
Total expenditures	198,581,914		198,581,914	179,041,894	19,540,020
TRANSFERS TO OTHER FUNDS:					
General Fund	7,419,889		7,419,889	7,883,841	(463,952)
Airport Revenue Fund	1,350,550		1,350,550	1,479,653	(129,103)
Airport Revenue Bond Fund	2,078,000		2,078,000		
PFC Fund				1,566,727	(1,566,727)
Total transfers	10,848,439		10,848,439	10,930,221	(2,159,782)
Total expenditures and transfers	$ 209,430,353	$	$ 209,430,353	189,972,115	$ 17,380,238
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 35,551,755	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Resources Original	Resources Transfers In (Out)	Resources Budget	Actual	Over (Under) Budget
REVENUES:					
Interest and other	$ 260,000		$ 260,000	$ 431,930	$ 171,930
Passenger facility charges	26,299,000		26,299,000	25,696,717	(602,283)
Total revenues	26,559,000		26,559,000	26,128,647	(430,353)
TRANSFERS FROM OTHER FUNDS:					
Airport Construction Fund				1,566,727	1,566,727
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	32,006,505		32,006,505	34,687,803	2,681,298
Total resources	$ 58,565,505		$ 58,565,505	62,383,177	$ 3,817,672

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Budget	Actual	(Over) Under Budget
EXPENDITURES:					
Other		$ 950,000	$ 950,000	1,260,936	$ (310,936)
Contingencies	$ 3,476,287	(950,000)	2,526,287		2,526,287
Total expenditures	3,476,287		3,476,287	1,260,936	2,526,287
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	10,353,575		10,353,575	10,495,231	(141,656)
Airport Construction Fund	44,735,643		44,735,643	42,552,792	2,182,851
Total transfers	55,089,218		55,089,218	53,048,023	2,041,195
Total expenditures and transfers	$ 58,565,505	$	$ 58,565,505	54,308,959	$ 4,567,482
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 8,074,218	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 416,000	$ 33,499	$ (382,501)
Total revenues	416,000	33,499	(382,501)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	10,353,575	10,495,231	141,656
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	10,770,975	10,914,263	143,288
Total resources	$ 21,540,550	21,442,993	$ (97,557)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 10,769,575	10,668,955	$ 100,620
Total expenditures	10,769,575	10,668,955	$ 100,620
UNAPPROPRIATED BALANCE	10,770,975		
	$ 21,540,550		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 10,774,038	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2010

ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund
		Marine & Other			Airport					
Current assets:										
Cash and cash equivalents	$ 38,789,976	$ 38,726,536	$ 38,726,536		$ 63,440	$ 63,440				
Equity in pooled investments	168,653,904	144,312,733	125,921,461	$ 18,391,272	24,341,171	24,341,171				
Receivables, net of allowance for doubtful accounts	20,298,557	12,360,081	8,792,548	3,567,533	7,938,476	7,938,476				
Prepaid insurance and other assets	4,211,776	1,677,282	1,491,004	186,278	2,534,494	2,534,494				
Total current assets	231,954,213	197,076,632	174,931,549	22,145,083	34,877,581	34,877,581				
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	134,533,139	8,285,238	8,285,238		126,247,901	9,786,487	$ 50,565,318	$ 43,330,715	$ 5,246,179	$ 17,319,202
Receivables	12,406,508				12,406,508		17,561	9,010,346	3,372,624	5,977
Total restricted assets	146,939,647	8,285,238	8,285,238		138,654,409	9,786,487	50,582,879	52,341,061	8,618,803	17,325,179
Land held for sale	16,634,231	16,634,231	16,634,231							
Depreciable properties, net of accumulated depreciation	1,034,713,113	166,504,007	166,504,007		868,209,106	868,209,106				
Nondepreciable properties	426,348,867	137,088,199	67,209,876	69,878,323	289,260,668	68,107,135		221,153,533		
Unamortized bond issue costs	21,811,656	839,512	839,512		20,972,144	17,205,318			3,766,826	
Pension assets	75,337,342	37,296,623	37,296,623		38,040,719	38,040,719				
Due from other funds		34,951,998 *	34,951,998 *							
Deferred outflow and other noncurrent assets	30,236,958	782,958	782,958		29,454,000		20,056,000		9,398,000	
Total noncurrent assets	1,752,021,814	402,382,766	332,504,443	69,878,323	1,384,591,046	1,001,348,765	70,638,879	273,494,594	21,783,629	17,325,179
Total assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 1,637,711	$ 1,637,711	$ 1,637,711							
Accounts payable	16,870,697	9,706,385	6,861,664	$ 2,844,721	$ 7,164,312	$ 7,164,312				
Book cash overdraft										
Accrued wages, vacation and sick leave pay	11,422,495	6,680,519	6,680,519		4,741,976	4,741,976				
Workers' compensation and other accrued liabilities	10,606,360	9,805,797	9,805,797		800,563	800,563				
Total current liabilities (payable from current assets)	40,537,263	27,830,412	24,985,691	2,844,721	12,706,851	12,706,851				
Restricted liabilities (payable from restricted assets):										
Long-term debt and other	29,603,041				29,603,041		$ 24,188,456		$ 544,585	$ 4,870,000
Accrued interest payable	11,775,221				11,775,221		10,094,080			1,681,141
Accounts payable	16,692,583	50,000	50,000		16,642,583			$ 16,642,583		
Contract retainage payable	146,723				146,723			146,723		
Total restricted current liabilities (payable from restricted assets)	58,217,568	50,000	50,000		58,167,568		34,282,536	16,789,306	544,585	6,551,141
Noncurrent liabilities:										
Long-term environmental and other accruals	88,360,644	56,739,645	56,739,645		31,620,999	2,166,999	20,056,000		9,398,000	
Long-term debt	679,983,003	94,263,003	94,263,003		585,720,000	481,075,000			104,645,000	
Deferred revenue and other	73,376,946	30,117,573	30,117,573		43,259,373	32,176,292	5,797,848		5,285,233	
Due to other funds					34,951,998 *	34,951,998 *				
Total noncurrent liabilities	899,938,161	181,170,221	181,170,221		753,719,938	550,370,289	60,136,384	16,789,306	119,872,818	6,551,141
Total liabilities	940,475,424	209,000,633	206,155,912	2,844,721	766,426,789	563,077,140	60,136,384	16,789,306	119,872,818	6,551,141
NET ASSETS										
Invested in capital assets, net of related debt	861,819,242	320,627,129	250,748,806	69,878,323	541,192,113	449,106,754	(23,320,000)	221,153,533	(100,878,174)	(4,870,000)
Restricted for capital and debt service	96,992,511	8,235,238	8,235,238		88,757,273	950,000	33,822,495	35,551,755	2,788,985	15,644,038
Unrestricted	84,688,850	61,596,398	42,296,036	19,300,362	23,092,452	23,092,452				
Total net assets	1,043,500,603	390,458,765	301,280,080	89,178,685	653,041,838	473,149,206	10,502,495	256,705,288	(98,089,189)	10,774,038
Total liabilities and net assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2010

Operating revenues:		
Airline revenues	$	84,997,225
Concessions and other rentals		79,674,270
Other		1,620,005
		166,291,500
Interest income - revenue fund and revenue bond fund		882,957
		167,174,457
Costs of operation and maintenance, excluding depreciation:		
Salaries, wages and fringe benefits		33,036,543
Contract, professional and consulting services		25,193,273
Materials and supplies		3,013,713
Utilities		5,980,700
Equipment rents, repair and fuel		967,508
Insurance		1,346,533
Rent		(676,610)
Travel and management expense		728,269
Allocation of general and administration expense of the Port of Portland		16,968,529
Other		1,495,457
		88,053,915
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$	79,120,542

* Presented in accordance with provisions of Ordinance Nos. 155 and 323 (ordinances authorizing issuance of Airport revenue bonds), which are different from generally accepted accounting principles.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
DEBT SERVICE COVERAGE REQUIREMENTS
for the year ended June 30, 2010

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the debt service requirement, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		$ 79,120,542
Debt service requirement:		
Interest and principal amount	$ 46,886,419	
	x 130%	
Total net revenues required		60,952,345
Excess of net revenues over 130% of debt service requirement		$ 18,168,197

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2010

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2009	$ 41,610,552	$ 2,068,454
Interest income	181,711	16,418
	41,792,263	2,084,872
Construction expenditures	41,792,263	
Transfers to revenue bond fund		2,084,872
Construction account, June 30, 2010	$	$

NOTE: This schedule is provided in compliance with Section 8d. of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
REVENUE BOND DEBT SERVICE REQUIREMENT
for the year ended June 30, 2010

Net revenues, per accompanying schedule of net revenues	$	79,120,542	
Less revenue bond fund interest income		(59,795)	
Applied to General Account, available to be applied to debt service of bonds	$	79,060,747	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	46,886,419	(2)
Ratio (1)/(2)		1.69	
Required ratio		1.30	

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
For the year ended June 30, 2010

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2009	$ 143,288	$ 10,770,975	$ 34,687,803
PFC revenues:			
PFC bond account	10,495,231		
Capital account			15,201,486
Interest earnings		33,499	430,353
Transfer from reserve account to bond account	33,499	(33,499)	
Bond payments to trustee	(10,668,955)		
Variable rate bond and interest rate swap costs			(1,228,462)
Costs of approved PFC projects			(40,986,065)
Other, net			(30,897)
Balances at June 30, 2010	$ 3,063	$ 10,770,975	$ 8,074,218

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

for the year ended June 30, 2010

Fiscal Year	Property Taxes Receivable June 30, 2009	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2010	Interest Collected
2009-10		$ 9,312,811	$ (8,757,768)	$ (228,688)	$ (26,286)	$ 300,069	$ 3,843
2008-09	$ 322,613		(184,643)		(12,816)	125,154	9,428
2007-08	97,052		(42,678)		(4,507)	49,867	5,839
2006-07	37,465		(18,584)		(2,306)	16,575	4,152
2005-06	12,593		(8,687)		(817)	3,089	2,152
2004-05 and prior	14,354		(1,728)		(1,073)	11,553	(111)
	$ 484,077	$ 9,312,811	$ (9,014,088)	$ (228,688)	$ (47,805)	$ 506,307	$ 25,303

Reconciliation to income from property taxes:

Current levy	$ 9,312,811
Deduct discounts allowed	(228,688)
Cancellations and adjustments	(47,805)
	$ 9,036,318

THE PORT OF PORTLAND
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2010

			2009-2010 Transactions			Outstanding June 30, 2010	
	Maturity Date	Outstanding at June 30, 2009	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 8,945,647		$ 654,182	$ 654,182	$ 8,291,465	$ 705,744
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	19,845,000		240,000	240,000	19,605,000	300,000
		72,315,647		894,182	894,182	71,421,465	1,005,744
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 12A, 4.00% to 5.25%	07/01/28	19,785,000		1,910,000	1,910,000	17,875,000	1,990,000
Series 12B, 4.00% to 5.25%	07/01/18	10,450,000		1,490,000	1,490,000	8,960,000	1,555,000
Series 12C, 4.00% to 5.25%	07/01/28	111,835,000		4,190,000	4,190,000	107,645,000	4,375,000
Series 15A, 4.00% to 5.00%	07/01/15	10,475,000		1,505,000	1,505,000	8,970,000	1,565,000
Series 15B, 4.50% to 5.375%	07/01/18	35,565,000		3,465,000	3,465,000	32,100,000	3,645,000
Series 15D, 4.50% to 5.50%	07/01/23	66,225,000		2,995,000	2,995,000	63,230,000	3,140,000
Series 18A, 0.22% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 18B, 0.21% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 19, 4.00% to 5.50%	07/01/38	131,965,000				131,965,000	1,480,000
Total Portland Int'l Airport Revenue Bonds		525,190,000		20,795,000	20,795,000	504,395,000	23,320,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	56,065,000		4,535,000	4,535,000	51,530,000	4,785,000
Series 2009A1, 0.30% *	07/01/24	29,000,000				29,000,000	45,000
Series 2009A2, 0.27% *	07/01/24	28,985,000				28,985,000	40,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		114,050,000		4,535,000	4,535,000	109,515,000	4,870,000
Total Port Bonds		$ 711,555,647		$ 26,224,182	$ 26,224,182	$ 685,331,465	$ 29,195,744
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 8,063,159		$ 409,635	$ 409,635	$ 7,653,524	$ 431,967
Oregon Department of Transportation, MMTF-0001, 0%	03/31/13		$ 574,820			574,820	200,000
Oregon Business Development Dept., B08005, 1.67%	09/23/12		8,116,653			8,116,653	
Oregon Business Development Dept., 040-188, 5.13%	07/15/30		1,477,874			1,477,874	
Oregon Business Development Dept., 040-189, 5.13%	07/15/32		618,066			618,066	
Total Contracts & Loans Payable		$ 8,063,159	$ 10,787,413	$ 409,635	$ 409,635	$ 18,440,937	$ 631,967
TOTAL PORT LONG-TERM DEBT		$ 719,618,806	$ 10,787,413	$ 26,633,817	$ 26,633,817	$ 703,772,402	$ 29,827,711

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2010

		2009 - 10 Transactions				
	Outstanding at June 30, 2009	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2010	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 14,784,354		$ 460,818		$ 14,323,536	$ 594,256
Series 2002B, 6.60% to 6.85%	46,812,328		2,965,950		43,846,378	2,965,950
Series 2005, 4.00% to 5.50%	12,665,038		981,318		11,683,720	970,669
	74,261,720		4,408,086		69,853,634	4,530,875
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 12A, 4.00% to 5.25%	6,393,009		956,303		5,436,706	863,000
Series 12B, 4.00% to 5.25%	1,809,972		496,835		1,313,137	423,981
Series 12C, 4.00% to 5.25%	60,557,900		5,468,750		55,089,150	5,270,568
Series 15A, 4.00% to 5.00%	1,678,934		467,803		1,211,131	403,506
Series 15B, 4.50% to 5.375%	8,945,651		1,782,009		7,163,642	1,590,928
Series 15D, 4.50% to 5.50%	28,986,055		3,391,419		25,594,636	3,230,375
Series 18A, 0.22% *	2,158,716		179,376	$ 769,450	1,209,890	140,888
Series 18B, 0.21% *	1,850,460		178,849	516,617	1,154,994	134,484
Series 19, 4.00% to 5.50%	135,261,403		7,843,559		127,417,844	6,883,788
Total Portland Int'l Airport Revenue Bonds	247,642,100		20,764,903	1,286,067	225,591,130	18,941,518
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	16,340,750		3,004,262		13,336,488	2,741,981
Series 2009A1, 0.30% *	1,319,828		70,061	259,774	989,993	86,865
Series 2009A2, 0.27% *	1,319,315		65,609	364,628	889,077	78,152
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	18,979,893		3,139,932	624,402	15,215,558	2,906,998
Total Port Bonds	$ 340,883,713		$ 28,312,922	$ 1,910,469	$ 310,660,322	$ 26,379,391
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 3,318,663		$ 419,068		$ 2,899,595	$ 396,736
Oregon Business Development Dept. B08005, 1.67%		$ 409,493			409,493	
Oregon Business Development Dept. 040-188, 5.13%		1,045,877	34,665		1,011,212	74,922
Oregon Business Development Dept. 040-189, 5.13%		458,243			458,243	20,081
Total Contracts & Loans Payable	$ 3,318,663	$ 1,913,613	$ 453,733		$ 4,778,543	$ 491,739
TOTAL PORT LONG-TERM DEBT	$ 344,202,376	$ 1,913,613	$ 28,766,655	$ 1,910,469	$ 315,438,865	$ 26,871,130

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 8,291,465	$ 705,744	$ 751,148	$ 792,268	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	832,780	
2.00% to 7.41%	-Interest		14,323,536	594,256	743,852	907,732	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220	
Series 2002B	-Principal	03/28/02	43,525,000										265,000	$ 43,260,000
6.60% to 6.85%	-Interest		43,846,378	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	14,186,878
Series 2005	-Principal	09/23/05	19,605,000	300,000	360,000	435,000	510,000	590,000	680,000	775,000	875,000	985,000	1,100,000	12,995,000
4.00% to 5.50%	-Interest		11,683,720	970,669	957,121	937,321	917,254	893,463	864,795	831,753	794,096	751,580	703,719	3,061,949
Total	-Principal		$ 71,421,465	$ 1,005,744	$ 1,111,148	$ 1,227,268	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 56,255,000
Total	-Interest		$ 69,853,634	$ 4,530,875	$ 4,666,923	$ 4,811,003	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 17,248,827
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 12A	-Principal	12/01/98	$ 17,875,000	$ 1,990,000	$ 2,090,000	$ 2,200,000	$ 2,315,000	$ 1,010,000	$ 1,060,000	$ 1,115,000	$ 1,165,000	$ 1,225,000	$ 295,000	$ 3,410,000
4.00% to 5.25%	-Interest		5,436,706	863,000	755,900	643,287	524,769	438,750	387,000	332,625	275,625	215,875	177,875	822,000
Series 12B	-Principal	12/01/98	8,960,000	1,555,000	1,640,000	1,720,000	1,805,000	1,480,000	330,000	135,000	145,000	150,000		
4.00% to 5.25%	-Interest		1,313,137	423,981	340,113	251,912	159,381	75,000	29,750	18,125	11,125	3,750		
Series 12C	-Principal	12/01/98	107,645,000	4,375,000	4,585,000	4,800,000	5,035,000	5,055,000	5,310,000	5,580,000	5,850,000	6,165,000	4,845,000	56,045,000
4.00% to 5.25%	-Interest		55,089,150	5,270,568	5,057,769	4,828,875	4,583,000	4,330,750	4,071,625	3,799,375	3,506,313	3,198,625	2,923,375	13,518,875
Series 15A	-Principal	04/03/01	8,970,000	1,565,000	1,630,000	1,720,000	1,800,000	1,890,000	365,000					
4.00% to 5.00%	-Interest		1,211,131	403,506	329,500	245,750	157,750	65,500	9,125					
Series 15B	-Principal	04/03/01	32,100,000	3,645,000	3,845,000	4,050,000	4,270,000	3,635,000	2,925,000	3,090,000	3,240,000	3,400,000		
4.50% to 5.375%	-Interest		7,163,642	1,590,928	1,389,634	1,177,456	953,856	741,409	565,109	409,250	251,000	85,000		
Series 15D	-Principal	04/03/01	63,230,000	3,140,000	3,335,000	3,475,000	3,665,000	3,865,000	4,110,000	4,305,000	4,550,000	4,790,000	5,080,000	22,915,000
4.50% to 5.50%	-Interest		25,594,636	3,230,375	3,060,406	2,881,644	2,689,638	2,482,563	2,263,249	2,031,837	1,788,325	1,531,475	1,272,750	2,362,374
Series 18A	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,045,000	3,985,000	4,855,000	5,080,000	4,435,000	4,510,000	4,705,000	27,615,000
0.22% **	-Interest		1,209,890	140,888	134,508	128,106	121,407	112,640	101,959	90,783	81,026	71,104	60,753	166,716
Series 18B	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	4,705,000	27,615,000
0.21% **	-Interest		1,154,994	134,484	128,394	122,283	115,899	107,531	97,335	86,657	77,354	67,872	57,992	159,193
Series 19	-Principal	11/13/08	131,965,000	1,480,000	1,840,000	2,350,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	3,245,000	106,455,000
4.00% to 5.50%	-Interest		127,417,844	6,883,788	6,800,788	6,696,038	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	5,772,475	63,634,585
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 504,395,000	$ 23,320,000	$ 24,765,000	$ 26,135,000	$ 27,440,000	$ 27,490,000	$ 26,505,000	$ 27,200,000	$ 26,760,000	$ 27,850,000	$ 22,875,000	$ 244,055,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 225,591,130	$ 18,941,518	$ 17,997,012	$ 16,975,351	$ 15,881,363	$ 14,816,481	$ 13,878,521	$ 12,994,502	$ 12,072,743	$ 11,104,676	$ 10,265,220	$ 80,663,743
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 1999B	-Principal	09/01/99	$ 51,530,000	$ 4,785,000	$ 5,060,000	$ 5,350,000	$ 5,655,000	$ 5,970,000	$ 6,295,000	$ 6,660,000	$ 7,015,000	$ 4,740,000		
5.00% to 5.75%	-Interest		13,336,488	2,741,981	2,458,938	2,159,650	1,850,325	1,530,637	1,185,481	825,513	453,613	130,350		
Series 2009A1	-Principal	06/24/09	29,000,000	45,000	45,000	45,000	45,000	50,000	50,000	55,000	60,000	1,395,000	$ 3,980,000	$ 23,230,000
0.30% **	-Interest		989,993	86,865	86,730	86,595	86,460	86,310	86,160	85,995	85,815	81,630	69,690	147,743
Series 2009A2	-Principal	06/24/09	28,985,000	40,000	40,000	45,000	50,000	50,000	55,000	55,000	60,000	1,395,000	3,975,000	23,220,000
0.27% **	-Interest		889,077	78,152	78,044	77,922	77,787	77,652	77,504	77,355	77,193	73,427	62,694	131,347
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 109,515,000	$ 4,870,000	$ 5,145,000	$ 5,440,000	$ 5,750,000	$ 6,070,000	$ 6,400,000	$ 6,770,000	$ 7,135,000	$ 7,530,000	$ 7,955,000	$ 46,450,000
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 15,215,558	$ 2,906,998	$ 2,623,712	$ 2,324,167	$ 2,014,572	$ 1,694,599	$ 1,349,145	$ 988,863	$ 616,621	$ 285,407	$ 132,384	$ 279,090
Total Port Bonds	-Principal		$ 685,331,465	$ 29,195,744	$ 31,021,148	$ 32,802,268	$ 34,528,640	$ 34,996,100	$ 34,446,806	$ 35,622,546	$ 35,663,815	$ 37,266,618	$ 33,027,780	$ 346,760,000
Total Port Bonds	-Interest		$ 310,660,322	$ 26,379,391	$ 25,287,647	$ 24,110,521	$ 22,865,499	$ 21,659,393	$ 20,561,605	$ 19,508,522	$ 18,410,595	$ 17,325,996	$ 16,359,493	$ 98,191,660

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
CONTRACTS PAYABLE:														
City of Portland LID	-Principal	04/01/03	$ 7,653,524	$ 431,967	$ 455,516	$ 480,349	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 696,515	$ 2,104,374
5.32%	-Interest		2,899,595	396,736	373,186	348,353	322,166	294,552	265,432	234,724	202,342	168,195	132,187	161,722
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	574,820	200,000	200,000	174,820								
Oregon Business Development Dept. B08005	-Principal	03/23/09	8,116,653			8,116,653								
1.67%	-Interest		409,493			409,493								
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,477,874		4,125	45,452	47,813	50,296	52,909	55,656	58,548	61,589	64,787	1,036,699
5.13%	-Interest		1,011,212	74,922	56,229	75,256	72,895	70,412	67,800	65,051	62,161	59,120	55,921	351,445
Oregon Business Development Dept. 040-189	-Principal	09/10/09	618,066			100	19,059	20,049	21,090	22,185	23,338	24,550	25,825	461,870
5.13%	-Interest		458,243	20,081	31,707	37,432	31,557	30,566	29,524	28,429	27,277	26,065	24,789	170,816
Total	-Principal		$ 18,440,937	$ 631,967	$ 659,641	$ 8,817,374	$ 573,408	$ 604,496	$ 637,270	$ 671,819	$ 708,246	$ 746,646	$ 787,127	$ 3,602,943
Total	-Interest		$ 4,778,543	$ 491,739	$ 461,122	$ 870,534	$ 426,618	$ 395,530	$ 362,756	$ 328,204	$ 291,780	$ 253,380	$ 212,897	$ 683,983
TOTAL PORT LONG-TERM DEBT	-Principal		$ 703,772,402	$ 29,827,711	$ 31,680,789	$ 41,619,642	$ 35,102,048	$ 35,600,596	$ 35,084,076	$ 36,294,365	$ 36,372,061	$ 38,013,264	$ 33,814,907	$ 350,362,943
TOTAL PORT LONG-TERM DEBT	-Interest		$ 315,438,865	$ 26,871,130	$ 25,748,769	$ 24,981,055	$ 23,292,117	$ 22,054,923	$ 20,924,361	$ 19,836,726	$ 18,702,375	$ 17,579,376	$ 16,572,390	$ 98,875,643

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
INDUSTRIAL DEVELOPMENT REVENUE BONDS:														
Public Grain Elevator Revenue Bonds:														
Columbia Grain, Inc. Project:	-Principal	12/19/84	$ 38,100,000					$ 38,100,000						
1984 Series, 0.57% *	-Interest		$ 977,265	$ 217,170	$ 217,170	$ 217,170	$ 217,170	$ 108,585						
Other Industrial Development Revenue Bonds:														
Delta Airlines Project:	-Principal	08/01/92	$ 8,038,000											$ 8,038,000
1992 Series, 6.20%	-Interest		6,229,450	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	1,245,890
Horizon Air Project:	-Principal	08/07/97	17,300,000											17,300,000
1997 Series, 0.30% *	-Interest		877,975	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	358,975
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000											71,000,000
2006 Series, 0.31% *	-Interest		5,717,325	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	3,492,725
Total Other	-Principal		$ 96,338,000											$ 96,338,000
Total Other	-Interest		$ 12,824,750	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 134,438,000					$ 38,100,000						$ 96,338,000
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 13,802,015	$ 989,886	$ 989,886	$ 989,886	$ 989,886	$ 881,301	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590

* Interest rate at June 30, 2010. Rate is variable, depending on prime.
Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

THE PORT OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Award Period	Federal CFDA Number/Contract #	Current Expenditures
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program (M):			
AIP-3-41-0025-20	07/14/08 - 06/30/10	20.106	$ 2,202
AIP-3-41-0025-21	06/08/09 - 06/30/10	20.106	2,227,236
AIP 3-41-0061-14	09/16/08 - 06/30/10	20.106	2,022,438
AIP-3-41-0048-53	07/10/06 - 06/30/10	20.106	122,174
AIP-3-41-0048-55	09/07/06 - 06/30/10	20.106	500
AIP-3-41-0048-57	05/06/08 - 06/30/10	20.106	130,310
AIP-3-41-0048-58	08/06/08 - 06/30/10	20.106	841,908
AIP-3-41-0048-59	02/12/09 - 06/30/10	20.106	1,237,217
ARRA - AIP-3-41-0048-60	03/01/09 - 06/30/10	20.106	5,603,883
AIP-3-41-0048-61	09/02/09 - 06/30/10	20.106	19,916,681
Maritime Administration			
American Recovery and Reinvestment Act of 2009 (M)	06/17/09 - 06/30/10	20.205	1,102,244
Federal Rail Administration			
Railroad Development	08/05/07 - 06/30/10	20.314	3,459,684
			36,666,477
U.S. Department of Homeland Security:			
Federal Emergency Management Agency			
Oregon Emergency Management Disaster Assistance	12/13/08 - 06/30/10	97.036	42,877
Office of Grants & Training			
FY2007 IPP - Port Security Grant Program	08/09/07 - 06/30/10	97.056	86,605
Office of Domestic Preparedness			
Urban Area Security Initiative FY07	07/01/07 - 06/30/10	97.067	78,475
Urban Area Security Initiative FY08	07/01/08 - 06/30/10	97.067	24,240
Transportation Security Administration			
National Explosives Detection Canine Team Program	10/01/04 - 06/30/10	97.072	220,531
Law Enforcement Officer Reimbursement Program	10/01/07 - 06/30/10	97.090	196,913
Airport Checked Baggage Screening Program	10/07/07 - 06/30/10	97.100	25,800,793
Advanced Surveillance Program	09/13/06 - 06/30/10	97.118	256,511
			26,706,945
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/09-06/30/10	39.003	26,710
U.S. Army Corps of Engineers:			
Direct:			
ARRA - Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	2,039,011
Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	10,783,915
			12,822,926
Total Expenditures of Federal Awards			$ 76,223,058

(M) Major federal programs as defined by OMB Circular A-133

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

The Port of Portland
Audit Comments and Disclosures Required by State Regulations
June 30, 2010

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

October 28, 2010

To the Board of Commissioners of the
Port of Portland

We have audited the financial statements of the Airport and Marine & Other activities of the Port of Portland (the “Port”), as of and for the year ended June 30, 2010, which collectively comprise the Port’s basic financial statements and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the Port’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be control deficiencies, significant deficiencies or material weaknesses. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over financial reporting and its operation that we consider to be control deficiencies, significant deficiencies or material weaknesses.

Accounting Records
We found the Port’s accounting records to be adequate for audit purposes.

Adequacy of Collateral Securing Depository Balances
Oregon Revised Statutes (“ORS”) Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 10%, 25%, or 110%, depending on the depository, of the greater of (a) all public funds held by the depository or (b) the average of the balances of public funds held by the depository, as shown on the last four immediately preceding treasurer reports. During the year ended June 30, 2010, we noted no instances where certificates maintained by depositories were not sufficient to secure the Port’s bank deposits to the maximum extent possible under statute.

Investments
Our review of deposit and investment balances indicated that, during the year ended June 30, 2010, the Port was in compliance with ORS Chapter 294 as it pertains to investment of public funds.

Legal Requirements Relating to Debt
The general obligation bonded debt of the Port is in compliance with the limitation imposed by ORS Chapter 778. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

Budget Compliance
A description of the budgeting process is included in the notes to the basic financial statements.

The Port appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2010 and the preparation and adoption of its budget for the year ended June 30, 2010. In the Airport PFC Fund, the Port overexpended one budget appropriation for the year ended June 30, 2010. This overexpenditure of $(310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

Insurance Policies and Fidelity Bonds
We have reviewed the Port's insurance and fidelity bond coverage at June 30, 2010. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the Port-owned property at June 30, 2010.

Public Contracts
The Port's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

Programs Funded from Outside Sources
Our reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, and compliance with requirements applicable to each major program and internal control over compliance and other matters in accordance with OMB A-133 are contained in a separate report dated October 28, 2010.

Financial Reporting Requirements
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

* * * * * *

This report is intended solely for the information of the Board of Commissioners, management, and the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

By: Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

This Appendix C to the Official Statement summarizes certain provisions of Ordinance No. 395-B (as amended and supplemented by Ordinance No. 422-B, the "Master Ordinance"), Ordinance No. 442-B (the "Series 2011 Bond Ordinance" and, together with the Master Ordinance, the "Ordinances") and the Supplemental Action of the Executive Director (the "Supplemental Action"), each as of the date of the Series 2011A PFC Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

The following is a summary of certain provisions of the Ordinances. The following summary is not a complete statement of all terms of the Ordinances and the language used in this summary may not be identical to the language used in the Ordinances. Owners and investors who are interested in the complete or precise language of the Ordinances should obtain and carefully review complete copies of the Ordinances which are on file and available for examination at the Port.

Definitions

Capitalized terms used in this summary of the Ordinances have the meanings assigned such terms in this "Definitions" section, and capitalized terms used in this summary that are not defined in this "Definitions" section have the meanings assigned such terms in the Master Ordinance or the Series 2011 Bond Ordinance.

"Accreted Value" means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the Series Ordinance as the amount representing the initial principal amount of such PFC Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such PFC Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the Series Ordinance authorizing the issuance of such PFC Bonds.

"Additional Pledged Revenue" means any income, receipt or revenue of the Port (other than PFC Revenue) legally available and pledged irrevocably by an ordinance of the Board to the payment of the principal of and interest on First Lien PFC Bonds and/or Subordinate Lien PFC Obligations.

"Aggregate Annual Debt Service" means Annual Debt Service for all Outstanding First Lien PFC Bonds and all First Lien PFC Bonds authorized but unissued under a Series Ordinance.

"Airport" means Portland International Airport.

"ANCA" means the Airport Noise and Capacity Act of 1990, as amended.

"Annual Debt Service" means the total amount of Debt Service for any PFC Bond or Series of PFC Bonds in any fiscal year or Base Period.

"Approved PFC Project" means any additions, betterments, extensions, other improvements of or related to the Airport or other costs incurred for any purpose at or related to the Airport from time to time (whether or not located at the Airport), including, without limitation, the acquisition of land, all of which shall have been authorized by the FAA and shall constitute an "Approved Project," as such term is defined in PFC Regulations Section 158.3.

"Average Annual Debt Service" means the aggregate dollar amount of Debt Service with respect to PFC Bonds through the scheduled maturities thereof (stated maturity dates or mandatory redemption dates with respect to term debt), divided by the number of years remaining during which PFC Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the year following the year of calculation).

"Balloon Maturity Bonds" means any PFC Bonds which are so designated in the Series Ordinance pursuant to which such PFC Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

"Base Period" means any consecutive 12-whole month period selected by the Port out of the 18 whole month period next preceding the date of issuance of an additional Series of PFC Bonds.

"Board" means the Board of Commissioners of the Port, or any successor thereto as provided by law.

"Bond Counsel" means Ater Wynne LLP or such other firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Port for any purpose under the Master Ordinance applicable to the use of that term.

"Capital Appreciation Bonds" means PFC Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such PFC Bonds; provided that if so provided in the Series Ordinance authorizing their issuance, PFC Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which PFC Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

"Code" means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

"Collecting Carriers" means air carriers and their agents who are required by the PFC Act to collect PFCs.

"Consultant" means at any time an independent consultant or consultant firm nationally recognized in aviation matters or other expert appointed by the Port to perform the duties of the Consultant as required by the Master Ordinance. The term Consultant shall also include an independent certified public accountant or public accounting firm appointed by the Port to make such calculation or to provide such certificate or an independent nationally recognized financial advisor or firm of financial advisors appointed by the Port for purposes of making calculations required by the Master Ordinance.

"Costs of Approved PFC Projects" means all costs paid or legally obligated to be paid by the Port in connection with the acquisition and construction of Approved PFC Projects, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the principal of and/or interest on PFC Bonds or any portion thereof issued to finance the costs of such Approved PFC Projects to the extent permitted by the PFC Act and the PFC Regulations; paying amounts required to meet any reserve requirement for such Series of PFC Bonds; paying or reimbursing the Port or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said Approved PFC Projects and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation if and to the extent permitted by the PFC Act, the PFC Regulation and State law.

"Costs of Issuance Account-2011A" means the subaccount of the PFC Fund by that name maintained by the Port for the purposed of holding certain proceeds of the Series 2011A PFC Bonds.

"Credit Facility" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument which obligates a third party to make payment or provide funds for the payment of financial obligations of the Port, including but not limited to payment of the principal of, interest on or purchase price of PFC Bonds or meeting reserve requirements therefor.

"Debt Service" means, for any period of time,

(1) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the Series Ordinance authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest, if any, payable during such period;

(2) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (A) the principal amount of such PFC Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (B) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such PFC Bonds, plus (C) all interest payable during such period on any such PFC Bonds Outstanding and with respect to PFC Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such PFC Bonds on the date(s) specified in the Series Ordinance authorizing such PFC Bonds;

(3) with respect to First Lien PFC Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such First Lien PFC Bonds during such period computed on the assumption that the amount of First Lien PFC Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the Series Ordinance authorizing the issuance of such First Lien PFC Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance; (ii) at an interest rate equal to the maximum rate payable by the Port with respect to such First Lien PFC Bonds; (iii) to provide for essentially level annual debt service of principal and interest over such period;

(4) with respect to all other Series of PFC Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and PFC Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such PFC Bonds during such period computed on the assumption that the amount of PFC Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the Series Ordinance authorizing the issuance of such PFC Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40 Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the Port with the approval of the Consultant, if applicable) selected by the Port and published within ten days prior to the date of calculation or, if such calculation is being made in

connection with the Executive Director's Certificate or the Independent Aviation Consultant's Certificate then within ten days prior to the date of such certificate, (iii) to provide for essentially level annual debt service of principal and interest over such period; and

(5) with respect to Derivative Products, the Port Payments required by contract to be paid to a Reciprocal Payor under any existing Derivative Product, offset by the Reciprocal Payments during the same period during the relevant period, on the assumption that if any such payment is not fixed at the time of execution and delivery of the Derivative Product, the amount of such payment will be calculated at the Estimated Average Derivative Rate prevailing during the remaining term of the Derivative Product.

With respect to any PFC Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the Series Ordinance authorizing the issuance of such PFC Bonds. Debt Service shall be net of any interest and principal funded out of PFC Bond proceeds or the proceeds of other funds or indebtedness.

"Debt Service" shall include reimbursement obligations to providers of Credit Facilities to the extent such reimbursement obligations are outstanding or as otherwise authorized in a Series Ordinance.

"Default" means any of the events specified in the Master Ordinance.

"Derivative Facility" means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for obligations under one or more Derivative Products.

"Derivative Payment Date" means any date specified in the Derivative Product on which a Port Payment is due and payable under the Derivative Product.

"Derivative Product" means a written contract or agreement between the Port and a Reciprocal Payor, which provides that the Port's obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, and (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the Port is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Port Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the Port, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments; i.e., the contract must provide for net payments;

(b) for which the Port's obligations to make all or any portion of Port Payments may be secured by a pledge of and lien on Revenues on an equal and ratable basis with the Outstanding PFC Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for Outstanding PFC Bonds;

(d) for which the Port Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product.

"Derivative Product Account" means the Derivative Product Account, if any, created and established under the Master Ordinance.

"Estimated Average Derivative Rate" means:

(a) for the variable rate payments to be made by either party at a First Lien level of security,

(i) if the Port is the variable rate payor, the maximum contractual rate specified in the Derivative Product contract, or

(ii) if the Reciprocal Payor is the variable rate payor, the lesser of the maximum contractual rate specified in such contract or the then-prevailing value of the variable rate formula, subject to provisions of subsection (c) hereof; and

(b) for the variable rate payments made by either party at a Subordinate Lien level of security,

(i) if the Port is the variable rate payor, the greater of the then-prevailing value of the variable rate formula or the average of the variable rate formula during the immediately preceding 12 months, or

(ii) if the Reciprocal Payor is the variable rate payor, the lesser of the then-prevailing value of the variable rate formula or the average of the variable rate formula during the immediately preceding 12 months; and

(c) when the variable rate to be used in a Derivative Product is a designated hedge of one or more specified maturities of the variable rate PFC Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified PFC Bonds; and

(d) if two or more Derivative Products each specify the same index and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to identical derivative principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraphs (a)(i) and (a)(ii) of this definition and, where applicable, with respect to the first of such Derivative Products to become effective.

"Executive Director" means the Executive Director, the Senior Director Chief Financial Officer, of the Port or such other person as may be designated from time to time by Ordinance of the Board or by the Executive Director.

"Executive Director's Certificate" means a certificate dated no earlier than 30 days earlier than the delivery of the Future First Lien PFC Project Bonds, executed by the Executive Director and stating that:

(i) the First Lien Sufficiency Covenant will be met upon the issuance of the Future First Lien PFC Project Bonds; and

(ii) Pledged Revenue earned during the Base Period (as shown in the audited or unaudited financial statements of the Port) was not less than 150% of Maximum Annual Debt Service on all First

Lien PFC Bonds that will be Outstanding upon the issuance of such Future First Lien PFC Project Bonds; *provided*, *however*, that in preparing such certificate, the Executive Director:

(1) shall take into account any Forecast PFC Rate Adjustment as if such new rate had been in effect during the entire Base Period and

(2) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the Executive Director's Certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then Outstanding.

"FAA" means the Federal Aviation Administration, or the successor to its powers and authority.

"FAA Final Notice" means a final notice from the FAA by certified mail to the Port and the Trustee pursuant to Section 158.85(d) of the PFC Regulations to terminate or reduce the Port's PFC Authority.

"FAA Notice" means a notice from the FAA by certified mail to the Port and the Trustee of suspected violation(s) of PFC Regulations or the Noise Act.

"Favorable Opinion of Bond Counsel" means, with respect to any action, a written legal opinion of Bond Counsel, to the effect that such action is permitted under the laws of the State and under applicable Ordinances of the Board, including the Master Ordinance and will not impair the exclusion of interest on a PFC Bond from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of such PFC Bond).

"First Lien Bond Account" means the special account of the Port authorized to be created by the Master Ordinance for the purpose of paying the principal of, interest on and redemption price, if any, on First Lien PFC Bonds.

"First Lien Payment Date" means each date on which the principal of and/or interest on First Lien PFC Bonds is scheduled to mature or to become due and payable.

"First Lien PFC Bonds" means the obligations of any Series identified as "First Lien PFC Bonds" in the Series Ordinance with respect to such Series.

"First Lien Reserve Account" means the special account authorized to be created pursuant to the Master Ordinance.

"First Lien Reserve Account Requirement" means the lesser of (i) Maximum Annual Debt Service with respect to Outstanding First Lien PFC Bonds; and (ii) with respect to each Series of PFC Bonds the maximum amount permitted by Section 148 of the Code.

"First Lien Sufficiency Covenant" means the continuous covenant of the Port to comply at all times with the First Lien Sufficiency Test unless the PFC Authority has been terminated.

"Fixed Rate Bonds" means those PFC Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Series Ordinance in which the rate of interest on such PFC Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the Series Ordinance authorizing their issuance, PFC Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

"Forecast PFC Rate Adjustment" means (i) any change in PFC Regulations that would result in a change in the amount of PFC collections or (ii) any increase in the rate of the levy of PFCs if legislation has been enacted to permit such increase in the rate of levy of PFCs and if the Port has taken all actions and has received all approvals required to impose such PFCs.

"Future First Lien PFC Project Bonds" means PFC Project Bonds issued in the future (after the issuance of the first two Series) as First Lien PFC Bonds pursuant to a Series Ordinance.

"Future First Lien PFC Refunding Bonds" means PFC Refunding Bonds (i.e., PFC Bonds that refund previously issued First Lien PFC Bonds) issued in the future as First Lien PFC Bonds pursuant to a Series Ordinance.

"Government Obligations" means general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States government.

"Independent Aviation Consultant" means a Consultant who is an independent consultant nationally recognized in aviation matters.

"Independent Aviation Consultant's Certificate" means a certificate dated no earlier than 30 days earlier than the delivery of the Future First Lien PFC Project Bonds, executed by an Independent Aviation Consultant and stating that:

(i) the First Lien Sufficiency Covenant is estimated to be met upon the issuance of the Future First Lien PFC Project Bonds; and

(ii) in each of the first five full fiscal years (commencing with the first such year following the date of issuance of the Future First Lien PFC Project Bonds) following the date of issuance of the Future First Lien PFC Project Bonds), the amount of Pledged Revenue in each such year is estimated to be not less than 150% of Maximum Annual Debt Service on all First Lien PFC Bonds to be Outstanding after the issuance of the proposed Future First Lien PFC Project Bonds; *provided*, *however*, that in computing the amount of Pledged Revenue, the Independent Aviation Consultant:

(1) shall take into account any Forecast PFC Rate Adjustment on the assumption that such Forecast PFC Rate Adjustment will be in effect during the full five-year period;

(2) may take into account any Additional Pledged Revenue estimated to be earned during the full five-year period only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the Independent Aviation Consultant's Certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or withdraw its then confirmation of rating on the First Lien PFC Bonds then Outstanding; and

(3) reasonable projections of PFC Revenue, based upon the methodology set forth in the certificate taking into account any projected change in the number of enplanements during the five-year period following the issuance of the Future First Lien PFC Project Bonds.

"Maximum Annual Debt Service" means the highest Annual Debt Service with respect to all First Lien PFC Bonds; including the Future First Lien PFC Project Bonds, if such calculation is made with respect to the delivery of a Executive Director's Certificate or an Independent Aviation Consultant's Certificate.

"Monthly First Lien Debt Service Deposit" means an approximately equal amount to be deposited monthly in the First Lien Bond Account, such that the amount projected to be on hand in the First Lien Bond Account (i) on the next succeeding First Lien Payment Date shall be sufficient to pay the principal of and interest on First Lien PFC Bonds then coming due, on the assumption that the deposit with respect to interest and with respect to principal shall be made in each month commencing with the month following the date of issuance of First Lien PFC Bonds or the date following which capitalized debt service is no longer available for deposit in the First Lien Bond Account, and (ii) on the next succeeding date Parity Port Payments are due and payable shall be sufficient to pay Parity Port Payments.

"Original Issue Discount Bonds" means PFC Bonds which are sold at an initial public offering price of less than 90% of their face value and which are specifically designated as Original Issue Discount Bonds in the Series Ordinance authorizing their issuance.

"Outstanding" in connection with PFC Bonds means, as of the time in question, all PFC Bonds authenticated and delivered under a Series Ordinance, except:

(a) PFC Bonds theretofore cancelled or required to be cancelled under a Series Ordinance;

(b) PFC Bonds which are deemed to have been paid in accordance with a Series Ordinance; and

(c) PFC Bonds in substitution for which other PFC Bonds have been authenticated and delivered pursuant to a Series Ordinance.

"Parity Port Payments" means Port Payments that are payable pursuant to a Derivative Product on a parity with First Lien PFC Bonds in accordance with the Master Ordinance.

"Parity Reciprocal Payor" means a Reciprocal Payor entitled to Parity Port Payments pursuant to a Derivative Product.

"Paying Agent" shall mean any person, firm, association, corporation or public body as designated and appointed from time to time by Ordinance of the Board or by a Series Ordinance to act as paying agent for one or more Series of PFC Bonds.

"PFC" means passenger facility charges authorized from time to time under the PFC Act.

"PFC Act" means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S. § 40117, as amended or replaced from time to time.

"PFC Authority" means the amount of PFCs imposed or to be imposed by the Port at the Airport, pursuant to the Records of Decision as the same may be amended from time to time, and any other records of decision (and amendments) relating to the amount of PFCs imposed or to be imposed by the Port at the Airport. For the purpose of the First Lien Sufficiency Covenant, the amount of PFC's authorized in each Record of Decision may be increased by 15% to the extent the Port is authorized without FAA approval to do so pursuant to the PFC Act and to the extent such authorization has not been used.

"PFC Bonds" means the bonds, notes or other evidences of indebtedness issued from time to time in Series pursuant to and under authority of the Master Ordinance. The term "PFC Bonds" may include reimbursement obligations of the Port to the issuer of a Credit Facility.

"PFC Bond Fund" means the fund of that name created pursuant to the Master Ordinance.

"PFC Bond Improvements" means Costs of Approved PFC Projects paid with proceeds of PFC Bonds.

"PFC Capital Account" means the account of that name created pursuant to the Master Ordinance.

"PFC Fund" means, collectively, all special accounts of the Port separately designated and maintained by the Port into which all PFC Revenue shall be recorded and created pursuant to the Master Ordinance.

"PFC Pay-as-You-Go Contractual Commitments" means contracts which have been duly authorized and executed for any capital costs of PFC Pay-as-You-Go Improvements.

"PFC Pay-as-You-Go Improvements" means Costs of Approved PFC Projects (since the Record of Decision issued in April 8, 1992).

"PFC Project Bonds" means PFC Bonds, the proceeds of which will be used in whole or in part to pay Costs of Approved PFC Projects or to refund PFC Bonds or other indebtedness of the Port not previously issued as First Lien PFC Bonds.

"PFC Refunding Bonds" means PFC Bonds, the proceeds of which will be used to refund other obligations constituting First Lien PFC Bonds.

"PFC Regulations" means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

"PFC Revenue" means all revenue earned by the Port from time to time from PFCs pursuant to PFC Authority imposed by the Port at the Airport pursuant to the PFC Act and PFC Regulations including any investment income with respect thereto including proceeds thereof and gains and losses from sales of investments after such revenue has been remitted to the Port as provided in the PFC Regulations, all of which are pledged to PFC Bonds.

"Pledged Revenue" means PFC Revenue, Additional Pledged Revenue, if any has been pledged to First Lien PFC Bonds, and interest earnings on the First Lien Reserve Account to the extent that such earnings are available for transfer to the First Lien Bond Account.

"Port" means The Port of Portland, an Oregon port district and political subdivision of the State, as now or hereafter constituted, or the corporation, authority, board, body, commission, department or officer succeeding to the principal functions of the Port or to whom the powers vested in the Port shall be given by law.

"Port Payments" means regularly scheduled payments required to be made by or on behalf of the Port under a Derivative Product and which are determined according to a formula set forth in a Derivative Product. However, "Port Payments" shall not include any termination payments, fees, charges or indemnifications.

“Projected Additional Pledged Revenue” means anticipated Additional Pledged Revenue provided that each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then Outstanding; unless such rating confirmation has previously been provided.

“Projected Aggregate First Lien Debt Service” means the aggregate amount of First Lien Annual Debt Service through the scheduled maturity(ies) of one or more Series of Outstanding First Lien PFC Bonds or through any optional redemption date together with premium, if any, applicable to such one or more Series of First Lien PFC Bonds, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such Series of First Lien PFC Bonds whether at maturity or redemption prior to stated maturity.

“Projected Aggregate Subordinate Lien Debt Service” means the aggregate amount of Subordinate Lien Annual Debt Service through the scheduled maturity(ies) of one or more Series of Outstanding Subordinate Lien PFC Bonds or through any optional redemption date together with premium, if any, applicable to such one or more Series of Subordinate Lien PFC Bonds, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such Series of Subordinate Lien PFC Bonds whether at maturity or redemption prior to stated maturity.

“Qualified Insurance” means any non-cancellable municipal bond insurance policy or surety bond with an initial term prior to the final maturity date of the First Lien PFC Bonds of at least five years, issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) by issuing its policies causes such insured obligations to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies; *provided*, *however*, that the issuer of any Qualified Insurance is required to be rated in one of the two highest Rating Categories by each Rating Agency then maintaining an underlying rating with respect to the Series of PFC Bonds being secured.

“Qualified Letter of Credit” means any irrevocable letter of credit with a minimum term prior to the final maturity date of First Lien PFC Bonds of five years issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by one or more of the Rating Agencies. If a Qualified Letter of Credit may expire in accordance with its terms prior to the stated maturity of such PFC Bonds to be secured, the letter of credit shall require that (unless the Qualified Letter of Credit is replaced with cash, Qualified Insurance or another Qualified Letter of Credit) it be drawn upon in full prior to its expiration for deposit into the First Lien Reserve Account; *provided*, *however*, that the issuer of any Qualified Letter of Credit is required to be rated in one of the two highest Rating Categories by each Rating Agency then maintaining an underlying rating with respect to the Series of PFC Bonds being secured.

“Rating Agencies” means Moody’s Investors Service or its successors and assigns and Standard & Poor’s Ratings Service or its successors and assigns, such other securities rating agency selected by the Port to provide a rating with respect to a Series of PFC Bonds, or any portion thereof, which Rating Agency, as of the applicable date, shall have assigned a rating to any portion of a Series of PFC Bonds.

“Reciprocal Payment” means any payment to be made to, or for the benefit of, the Port under a Derivative Product by the Reciprocal Payor.

"Reciprocal Payor" means any bank or corporation, partnership or other entity whose guarantor maintains or who maintains for itself at least one of two highest Rating Categories from a Rating Agency and which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder.

"Records of Decision" means the Records of Decision of the FAA relating to the Approved PFC Projects as may be issued, modified or amended from time to time.

"Registrar" means any person, firm, association, corporation or public body as designated and appointed from time to time by Ordinance of the Board or by a Series Ordinance, to act as registrar for one or more Series of PFC Bonds.

"Series" means any separate Series of PFC Bonds issued pursuant to the Master Ordinance. A Series of Bonds may be First Lien PFC Bonds or Subordinate Lien PFC Obligations.

"Series Ordinance" means an Ordinance authorizing the issuance of a Series of PFC Bonds, as such Ordinance may thereafter be amended or supplemented.

"State" means the State of Oregon.

"Subordinate Lien Obligations Account" means the special account of the Port authorized to be created pursuant to the Master Ordinance.

"Subordinate Lien Obligations Reserve Account" means the special account of the Port authorized to be created pursuant to the Master Ordinance.

"Subordinate Lien PFC Obligations" means the obligations of any Series identified as "Subordinate Lien PFC Bonds" in the Series Ordinance with respect to such Series.

"Term Bonds" means the Bonds of any Series identified as "Term Bonds" in the Series Ordinance with respect thereto.

"Trustee" means the Trustee appointed by the Executive Director pursuant to Supplemental Action and its successors and assigns any replacement thereof appointed pursuant to the Master Ordinance.

Purpose of PFC Bonds

PFC Bonds are issued, in one or more series, to provide funds to finance the Costs of Approved PFC Projects, including without limitation, the costs of additions, expansions and improvements to the Airport, the funding of PFC Bond reserves, to capitalize PFC Bond interest during construction, to pay costs of issuance and for any other lawful purpose of the Port.

Priority of Use of PFC Fund

Flow of Funds. The Port's PFC Revenue and Additional Pledged Revenue, if pledged to First Lien PFC Bonds or the obligation of the Port to make Parity Port Payments, shall be credited to the PFC Fund as earned. The PFC Fund is to be held separate and apart from all other funds and accounts of the Port. PFC Revenue shall be used only for the following purposes and in the following order of priority on or before the first day of each month and until so applied shall be pledged to the payment of and subject to a lien and charge in favor of Registered Owners of the PFC Bonds and Parity Reciprocal Payors:

First, to make the Monthly First Lien Debt Service Deposit into the First Lien Bond Account (but only to the extent that such Monthly First Lien Debt Service Deposit is not made from amounts held as capitalized interest);

Second, to make all payments required to be made into the First Lien Reserve Account and to replenish the First Lien Reserve Account in the amounts and at the times required by the Master Ordinance;

Third, to make all payments required to be made into any Subordinate Lien Obligations Account which may include but are not limited to termination payments, fees, charges or indemnification, required to be made by or on behalf of the Port under a Derivative Product provided that the Port has determined that PFC Revenue may be lawfully used to make such payment;

Fourth, to make all payments required to be made into any Subordinate Lien Obligations Reserve Account; and

Fifth, the remainder to the PFC Capital Account.

PFC Capital Account. The PFC Capital Account is a separate account of the Port. Money in the PFC Capital Account may be used and disbursed (i) to pay the Costs of Approved PFC Projects; or (ii) to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Approved PFC Projects if permitted by PFC Regulations, or to the extent permitted by PFC Regulations, for any other lawful Port purposes; (iii) for transfer to any fund or account for the purpose of paying the cost of improvements to the Airport to the extent such improvements constitute Approved PFC Projects, or (iv) to pay debt service on any other obligation incurred by the Port to pay Costs of Approved PFC Projects and, until so applied, shall be pledged to the payment of and subject to a lien and charge in favor of Registered Owners of the PFC Bonds.

Investment of PFC Funds. Money on hand in the PFC Fund may be invested in any legal investment for funds of the Port.

Authorization and Lien of PFC Bonds

The Port may issue PFC Bonds pursuant to the Master Ordinance for any purposes of the Port permitted by law. The PFC Bonds, Parity Port Payments and the lien thereof created are obligations only of the special accounts established under the Master Ordinance or in the Series Ordinance or Supplemental Ordinance authorizing such PFC Bonds or Parity Port Payments. The PFC Bonds and Parity Port Payments are payable solely from and secured solely by PFC Revenue and Additional Pledged Revenue, if any; *provided*, *however*, that any Series of PFC Bonds or Parity Port Payments also may be payable from and secured by a Credit Facility pledged specifically to or provided for such Series of PFC Bonds or Parity Port Payments.

So long as any PFC Bonds remain Outstanding or Parity Port Payments remain due, the Port irrevocably obligates and binds itself to set aside and pay into the special funds created for the payment of each Series of PFC Bonds and Parity Port Payments out of PFC Revenue and Additional Pledged Revenue, if any, on or before the date on which Parity Port Payments or the interest on or principal of and interest on the PFC Bonds become due, the amount necessary to pay such Parity Port Payments and interest or principal and interest coming due on the PFC Bonds of such Series. The foregoing sentence constitutes a pledge of PFC Revenue and Additional Pledged Revenue, if any, to the payment of PFC Bonds and Parity Port Payments. The amounts pledged to be paid into the First Lien Bond Account are a prior lien and charge upon the PFC Revenue superior to all other charges of any kind or nature whatsoever except for charges equal in rank that may be made to pay and secure the payment of the principal of and interest on First Lien PFC Bonds issued under authority of a Series Ordinance in accordance with the provisions of the Master Ordinance and Parity Port Payments. Neither the PFC Bonds nor the Parity Port Payments shall in any manner or to any extent constitute general obligations of the Port or of the State, or of any political subdivision of the State.

Authorization of Series of PFC Bonds

The Port may issue one or more Series of PFC Bonds by means of a Series Ordinance for any purpose of the Port for which PFC's may be used or for refunding purposes. All PFC Bonds issued shall be First Lien PFC Bonds or Subordinate Lien PFC Obligations.

Future First Lien PFC Project Bonds

The Port may issue one or more Series of Future First Lien PFC Project Bonds, provided that no Future First Lien PFC Project Bonds may be issued unless an Executive Director's Certificate or an Independent Aviation Consultant's Certificate is delivered on or before the date of issuance of any Future First Lien PFC Project Bonds.

Future First Lien PFC Refunding Bonds

The Port may issue Future First Lien PFC Refunding Bonds as follows:

Future First Lien PFC Refunding Bonds may be issued at any time for the purpose of refunding First Lien PFC Bonds upon delivery of an Executive Director's Certificate or Independent Aviation Consultant's Certificate. Future First Lien PFC Refunding Bonds also may be issued without an Executive Director's Certificate or Independent Aviation Consultant's Certificate if the Annual Debt Service on such Future First Lien PFC Refunding Bonds is not more than the Annual Debt Service on the First Lien PFC Bonds to be refunded were such refunding not to occur. This provision does not prevent the Port from issuing Future First Lien PFC Refunding Bonds that mature later than the First Lien PFC Bonds to be refunded.

Future First Lien PFC Refunding Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the Port the proceeds of which were used to pay the Costs of Approved PFC Projects, including Subordinate Lien PFC Obligations; *provided*, *however*, that prior to the issuance of such Future First Lien PFC Refunding Bonds, the Port must provide an Executive Director's Certificate or Independent Aviation Consultant's Certificate. Such Future Lien PFC Refunding Bonds also may be issued without an Executive Director's Certificate or an Independent Aviation Consultant's Certificate if the Port delivers a certificate of the Executive Director confirming compliance by the Port with the First Lien Sufficiency Covenant and stating that the Annual Debt Service on such Future First Lien PFC Refunding Bonds will be more than the Annual Debt Service on the First Lien PFC Bonds to be refunded were such refunding not to occur; provided that such provision shall not prevent the Port from issuing Future First Lien PFC Refunding Bonds that mature later than the First Lien Bonds to be refunded.

Future First Lien PFC Refunding Bonds may be issued for the purpose of refunding at any time within one year prior to maturity, any First Lien PFC Bonds for the payment of which sufficient PFC Revenue, or Additional Pledged Revenues, if any, are not available without the requirement of a Executive Director's Certificate or Independent Aviation Consultant's Certificate.

Subordinate Lien PFC Obligations

The Port may issue one or more Series of Subordinate Lien PFC Obligations for any purpose of the Port for which PFCs may be used or for refunding purposes, provided that:

(a) The maturity date of Subordinate Lien PFC Obligations may not be accelerated (not including any indirect acceleration through reimbursement obligations to the provider of a credit facility occurring as a result of the mandatory tender for purchase of Subordinate Lien PFC Obligations); and

(b) Following the occurrence of a Default, neither PFC Revenue nor Additional Pledged Revenue, if any, may be used to pay the principal of or interest on Subordinate Lien PFC Obligations unless all payments required to be made with respect to matured principal of and interest on First Lien PFC Bonds have been fully paid and discharged.

PFC Bond Fund

The Port has created the PFC Bond Fund as a special fund comprised of the First Lien Bond Account, the First Lien Reserve Account, the Subordinate Lien Obligations Account, and the Subordinate Lien Obligations Reserve Account.

First Lien Bond Account. The First Lien Bond Account is a special account created in the PFC Bond Fund for the purpose of paying and securing the payment of First Lien PFC Bonds and Parity Port Payments. The First Lien Bond Account is pledged to the payment of First Lien PFC Bonds and Parity Port Payments and to be held separate and apart from all other funds and accounts of the Port as a trust fund for the owners of the First Lien PFC Bonds and Parity Reciprocal Payors.

The Port irrevocably obligates itself for so long as any First Lien PFC Bonds remain Outstanding and for so long as any Parity Port Payments remain due to set aside and pay into the First Lien Bond Account from PFC Revenue or money in the PFC Fund including Additional Pledged Revenue, if pledged to be deposited therein, on or prior to the respective dates on which the same become due:

(a) amounts required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding First Lien PFC Bonds;

(b) amounts required to pay maturing principal or principal being redeemed of Outstanding First Lien PFC Bonds; and

(c) amounts required to pay Parity Port Payments.

The foregoing constitutes a pledge by the Port of PFC Revenue to the First Lien Bond Account. To the extent amounts in the First Lien Bond Account are insufficient to make the payments required by subsections (a), (b) and (c) above, such amounts shall be applied pro rata between payments on Outstanding First Lien PFC Bonds (as required by subsections (a) and (b) above) and Parity Port Payments (as required by subsection (c) above).

First Lien Reserve Account. The First Lien Reserve Account is a special account in the PFC Fund created for the purpose of securing the payment of the principal of, premium, if any, and interest on the First Lien PFC Bonds. The Port covenants and agrees that on the date of issuance of each Series of First Lien PFC Bonds, the amount on hand in the First Lien Reserve Account shall be sufficient to meet the First Lien Reserve Account Requirement taking into account the Outstanding PFC Bonds plus the Series proposed to be issued.

The First Lien Reserve Account Requirement shall be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. If the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the First Lien Reserve Account, all or a portion of the money on hand in the First Lien Reserve Account shall be transferred to the First Lien Bond Account.

If the balance on hand in the First Lien Reserve Account is sufficient to satisfy the First Lien Reserve Account Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the First Lien Bond Account and the First Lien Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding First Lien PFC Bonds, the amounts in the First Lien Reserve Account may be used to pay such principal, premium, if any, and interest. So long as the amounts left remaining on deposit in the First Lien Reserve Account is equal to the First Lien Reserve Account Requirement, excess amounts in the First Lien Reserve Account shall be transferred to the First Lien Bond Account. The Port also may transfer out of the First Lien Reserve Account any amounts required to prevent any First Lien PFC Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the First Lien Bond Account shall occur immediately prior to a First Lien Payment Date, such deficiency shall be made up from the cash or sale of investments in the First Lien Reserve Account. If a deficiency still exists immediately prior to a First Lien Payment Date and after the withdrawal of cash, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance for the First Lien PFC Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement shall be made over a twelve month period to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments of the Monthly First Lien Debt Service Deposit required to be made into the First Lien Bond Account pursuant to the Master Ordinance. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for the First Lien PFC Bonds, the issuer of such Qualified Letter of Credit or Qualified Insurance shall be entitled to exercise all remedies available at law or under the Master Ordinance; *provided*, *however*, that no acceleration of the First Lien PFC Bonds shall be permitted, and no remedies which adversely affect Registered Owners of the First Lien PFC Bonds shall be permitted. Any deficiency created in the First Lien Reserve Account by reason of any withdrawal therefrom shall be made up from the next available PFC Revenue but in no event later than within one year from Qualified Insurance or a Qualified Letter of Credit or out of Pledged Revenue after making necessary provision for the payments required to be made into the First Lien Bond Account within such year.

Pledge and Lien. The Port pledges to the timely payment of the PFC Bonds all its right, title and interest in and to the PFC Revenue, any Additional Pledged Revenue and any other moneys or revenues expressly pledged by the Port for such purpose.

Amounts pledged to be paid into the First Lien Bond Account and the First Lien Reserve Account are an equal and prior lien and charge upon the PFC Revenue and Additional Pledged Revenue, if any, superior to all other charges of any kind or nature whatsoever, except that the amounts so pledged are of equal lien to the lien and charge thereon of any lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of, premium, if any, and interest on any Future First Lien PFC Bonds.

Use of Excess Money. Amounts in the First Lien Bond Account not needed to pay the interest or principal and interest next coming due on any Outstanding First Lien PFC Bonds may be used to purchase or redeem and retire First Lien PFC Bonds.

Amounts in the First Lien Bond Account shall be used solely to pay principal of, interest on and premium, if any, on First Lien PFC Bonds, whether at maturity or redemption or purchase in advance of maturity of such First Lien PFC Bonds.

Amounts on hand in the First Lien Reserve Account in excess of the First Lien Reserve Account Requirement shall be transferred to the First Lien Bond Account.

Credit Facilities. To the extent that the Port shall have satisfied the First Lien Reserve Requirement with a Credit Facility, the Series Ordinance may provide additional covenants and prescribe additional procedures with respect to such Credit Facility not inconsistent with the Master Ordinance.

Subordinate Lien PFC Obligations. In connection with the issuance of Subordinate Lien PFC Obligations, the Port is authorized to set up a Subordinate Lien Obligations Account and a Subordinate Lien Reserve Account.

Specific Covenants

The Port covenants as follows with the owners and holders of each of the First Lien PFC Bonds and Parity Reciprocal Payors for as long as any First Lien PFC Bonds remain Outstanding or the Port is obligated to make Parity Port Payments.

(a) *First Lien Sufficiency Covenant*. The Port shall comply at all times with the First Lien Sufficiency Covenant, unless the PFC Authority has been terminated. The Port shall within 60 days after the close of each Fiscal Year confirm that it was in compliance with the First Lien Sufficiency Covenant as of the last day of such Fiscal Year. First Lien Sufficiency Covenant as of the last day means that the results of the following calculation shall exceed 1.05 at all times:

PFC Authority:

Less: costs paid to date of PFC Pay-As-You-Go Improvements
Less: PFC Pay-as-You-Go Contractual Commitments
Less: debt service paid to date on all PFC Bonds
Less: Projected Aggregate Subordinate Lien Debt Service
Plus: funds on deposit in the Subordinate Lien Obligations Account and the Subordinate Lien Obligations Reserve Account and Additional Pledged Revenue

Divided by:

Projected Aggregate First Lien Debt Service, less funds on deposit in the First Lien Bond Account and the First Lien Reserve Account.

If the First Lien Sufficiency Covenant is not met, the Port shall:

(i) redeem or defease First Lien PFC Bonds and/or Subordinate Lien PFC Obligations in amounts sufficient to permit the Port to comply with the First Lien Sufficiency Covenant; and/or

(ii) identify and use Additional Pledged Revenue sufficient to permit a Consultant to certify compliance with the First Lien Sufficiency Covenant; and/or

(iii) obtain an amendment to existing PFC Authority or new PFC Authority and/or

(iv) identify and use other legally available funds of the Port to pay PFC Pay-as-You-Go Improvements not already paid, in an amount sufficient (together with amounts realized as a result of the other options identified above) to meet the First Lien Sufficiency Covenant.

If the First Lien Sufficiency Covenant is not met, and the steps in (i) through (iv) above have not been taken, the Port shall not spend any money on deposit in the PFC Capital Account except to pay debt service on the First Lien PFC Bonds, to make deposits to the First Lien Reserve Account, to pay debt service on Subordinate Lien PFC Obligations or to make deposits in a reserve account for Subordinate Lien PFC Obligations.

The failure of the Port to meet the First Lien Sufficiency Covenant shall not constitute a Default unless, prior to curing such failure, the Port fails to take one of the actions described in (i) through (iv) above and, while such failure continues, the Port disburses money from the PFC Capital Account for purposes other than the payment of debt service on PFC Bonds or required deposits to reserve accounts therefor.

(b) *Maintenance of the Airport*. The Port will at all times keep and maintain or cause to be maintained the Airport in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(c) *Property and Liability Insurance*. The Port will keep all operating facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board or the Executive Director shall deem necessary for the protection of the Port and of the owners of PFC Bonds then Outstanding.

(d) *Books and Records; Audits*. The Port will keep and maintain proper books of account and records for the Airport in accordance with generally accepted accounting principles applicable to enterprises such as the Airport. In accordance with Port Ordinance No. 155, the Port shall cause the financial statements of the Airport to be audited annually by a qualified certified public accountant or a qualified firm of certified public accountants. Such audit shall contain (1) a schedule of PFC activity, including PFC Revenue, proceeds of PFC Bonds, interest earnings on the proceeds of PFC Bonds, the amount of PFC Revenue transferred to the PFC Bond Fund for debt service on the PFC Bonds, and Costs of Approved PFC Projects incurred; and (2) a schedule showing the status of all funds and accounts created by the Master Ordinance.

(e) *Compliance with Law*. The Port will comply with all provisions of the PFC Act, ANCA, the PFC Authority and the PFC Regulations applicable to the Port and all provisions thereof, and will not take any action or omit to take any action with respect to PFC Revenue, the Approved PFC Projects, the Airport or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination or reduction of the Port's authority to impose passenger facility charges or prevent the collection and use of the PFC Revenue as contemplated by the Master Ordinance. The Port covenants that all amounts in the PFC Fund will be used in compliance with all provisions of the PFC Act and the PFC Regulations applicable to the Port and all provisions of the PFC Authority. Without limiting the generality of the foregoing, the Port covenants that, to the extent necessary to comply with the foregoing covenant:

(i) The Port will begin implementation of the Approved PFC Projects within the time periods set forth in the PFC Regulations;

(ii) The Port (A) will impose PFCs to the full extent such impositions have been authorized and approved by the FAA in Records of Decision, (B) will not unilaterally decrease the level of the passenger facility charge to be collected from any passenger unless prior to such decrease, the Executive Director (A) certifies that taking into account such decrease in passenger facility charges, the Port reasonably projects that it will continue to meet the First Lien Sufficiency Covenant for as long as First Lien PFC Bonds are outstanding; and (B) Pledged Revenue earned during the Base Period (as shown in the audited or unaudited financial statements of the Port) was not less than 150% of Maximum Annual Debt Service on all outstanding First Lien PFC Bonds; *provided*, *however*, that in preparing such certificate, the Executive Director:

(1) shall take into account such decrease in passenger facility charges as if such decrease had been in effect during the entire Base Period and

(2) may take into account any Additional Pledged Revenue only if each Rating Agency then maintaining a rating on First Lien PFC Bonds has confirmed, on or prior to the date of the Executive Director's Certificate that such Additional Pledged Revenue will not in and of itself cause such Rating Agency to reduce or to withdraw its then current underlying rating on the First Lien PFC Bonds then Outstanding.

(iii) The Port will not impose any noise or access restriction at the Airport not in compliance with ANCA;

(iv) The Port will take all action reasonably necessary to cause all Collecting Carriers to collect and remit to the Port all PFCs at the Airport required by the PFC Regulations to be so collected and remitted; and

(v) The Port will contest any attempt by the FAA to terminate, reduce or suspend the Port's authority to impose, receive or use PFC at the Airport prior to the charge expiration date or the date total approved passenger facility charge revenue has been collected.

(f) *Operation and Maintenance*. The Port covenants that it will not take any action or omit to take any action that would cause the FAA, the Department of Transportation or any other state or federal agency to suspend or to revoke the Port's operating certificates for the Airport, that it will at all times use reasonable efforts to keep the Airport open for take-offs and landings and that it will use reasonable efforts to obtain in a timely manner all permits and approvals required to construct and operate the Approved PFC Projects.

Derivative Products

The following shall be conditions precedent to the use of any Derivative Product on a parity with any Series of PFC Bonds:

(a) *General Parity Tests*. The Derivative Product must satisfy the requirements for First Lien PFC Bonds, as described in the Master Ordinance or the applicable Series Ordinance authorizing a series of Subordinate Lien PFC Obligations.

(b) *Opinion of Bond Counsel*. The Port shall obtain an opinion of Bond Counsel on the due authorization and execution and delivery of such Derivative Product opining that the action proposed to be taken by the Port is authorized or permitted State law and is not prohibited by the Ordinances that authorized the issuance of the Outstanding PFC Bonds, as such Ordinances may be amended or supplemented from time to time and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any PFC Bonds issued on a tax-exempt basis.

(c) *Payments*. Each Derivative Product shall set forth the manner in which the Port Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(d) *Supplemental Agreements to Govern Derivative Products*. Prior to entering into a Derivative Product, the Board shall adopt an Ordinance, which shall:

(1) create and establish a Derivative Product Account or provide for some other way to account for the use of a Derivative Product; establish general provisions for the retention of PFC Revenue in amounts sufficient to make, when due, Port Payments;

(2) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(3) set forth such other matters as the Port deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Master Ordinance.

Except as may be otherwise provided in the Ordinance establishing a Derivative Product Account, additional PFC Bonds may be delivered in connection with any Derivative Product. The Master Ordinance may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product and, *provided*, *further*, that termination payments under Derivative Products may not attain a parity lien with any First Lien PFC Bonds.

Adoption of Supplemental Ordinances Without Consent

The Port may enact an Ordinance or Ordinances to amend or supplement the Master Ordinance for any one or more of the following purposes, without the consent or concurrence of the owner of any PFC Bond:

(a) To provide for the issuance of a Series of PFC Bonds and to prescribe the terms and conditions of issuance, payment or redemption of such PFC Bonds including provisions relating to defaults with respect to Subordinate Lien PFC Obligations;

(b) To add covenants and agreements of the Port to further securing the payment of the PFC Bonds not contrary to or inconsistent with the Master Ordinance;

(c) To prescribe further limitations and restrictions upon the issuance of PFC Bonds and/or Derivative Products and the incurring of indebtedness by the Port payable from the PFC Revenue not contrary to or inconsistent with the limitations and restrictions then in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Port by the terms of the Master Ordinance;

(e) To confirm as further assurance any pledge or provision for payment of the PFC Bonds under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Ordinance of the PFC Revenue or of any other moneys, securities or funds;

(f) To cure any ambiguity or defect or inconsistent provision in the Master Ordinance or to insert provisions clarifying matters or questions arising under the Master Ordinance, and such modifications will not materially and adversely affect the security for the payment of any PFC Bonds;

(g) To qualify the Master Ordinance under the Trust Indenture Act of 1939, as amended as long as there is no material adverse effect on the security for the payment of PFC Bonds;

(h) To obtain or maintain a rating with respect to any Series of PFC Bonds;

(i) To modify the provisions of the Master Ordinance to obtain from any Rating Agency a rating on any Series of PFC Bonds or any portion thereof which is higher than the rating which would be assigned without such modification;

(j) To modify the provisions of the Master Ordinance as necessary to conform the Master Ordinance to the Records of Decision; or

(k) To modify any of the provisions of the Master Ordinance in any other respects; provided that such modifications shall not materially and adversely affect the security for the payment of any PFC Bond. Without the specific consent of the owner of each PFC Bond, no Ordinance amending or supplementing the provisions of the Master Ordinance or of any Series Ordinance shall (1) permit the creation of a lien or charge on the PFC Revenue superior or prior to the payment of the First Lien PFC Bonds; (2) reduce the percentage of PFC Bondowners of which are required to consent to any such Ordinance amending or supplementing the provisions of the Master Ordinance; (3) give to any PFC Bond or PFC Bonds any preference over any other PFC Bond or PFC Bonds secured by the Master Ordinance; or (4) violate the PFC Act or any PFC Authority or PFC Regulation. No Ordinance amending or supplementing the Master Ordinance or any Series Ordinance shall change the date of payment of the principal of any PFC Bond, or reduce the principal amount or Accreted Value of any PFC Bond, or change the rate or extend the time of payment of interest thereof, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any PFC Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Ordinance authorizing the issuance of such PFC Bond) without the specific consent of the owner of that PFC Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a Series of PFC Bonds without its written assent thereto.

Amendment of Master Ordinance and Adoption of Supplemental Ordinances With Consent

(a) *Amendments With Registered Owners Consent*. The Master Ordinance may be amended from time to time by a Supplemental Ordinance approved by the Registered Owners of a majority in aggregate principal amount of the First Lien PFC Bonds or Subordinate Lien PFC Obligations, as the case may be, then Outstanding; provided, that (A) no amendment shall be made which affects the security of some but fewer than all of the Registered Owners of the Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, without the consent of the Registered Owners of a majority in aggregate principal amount of the PFC Bonds so affected, and (B) except as expressly authorized, no amendment which alters the interest rates on any Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, the maturity dates or interest payment dates of any Outstanding First Lien PFC Bonds or a lien of Subordinate Lien PFC Obligations, as the case may be, without the consent of the Registered Owners of all Outstanding PFC Bonds affected.

(b) *Amendments With Consent of Issuers of Credit Facilities*. Any amendment to the Master Ordinance shall require the prior written consent of the issuer(s) of Credit Facilities with respect to First Lien PFC Bonds so long as such issuer has not failed to honor a claim for payment. A Series Ordinance shall <u>not</u> be considered as an amendment to the Master Ordinance. In addition, to the extent that any Series of PFC Bonds is secured by a Credit Facility, the issuer of the Credit Facility shall be considered to be the sole Registered Owner for purposes of granting consents, waivers or approvals required or permitted to be obtained under the Master Ordinance so long as the provider of such Credit Facility is not then in default of its obligations under such Credit Facility.

(c) *Approval of FAA*. The approval of the FAA of any supplement or amendment to the Master Ordinance shall be required only to the extent that such amendment or supplement conflicts or is inconsistent with the then currently effective PFC Authority.

Master Ordinance Constitutes a Contract with Registered Owner

The Master Ordinance is adopted under the authority of and in full compliance with the Constitution and laws of the State, including particularly ORS 778.005 to ORS 778.990, as amended and supplemented. The FAA is a third party beneficiary with respect to its rights under the Master Ordinance. The Master Ordinance shall be deemed to be and constitute a contract between the Port and the Registered Owners. The covenants, pledges, representations and warranties contained in the Master Ordinance or in closing documents executed in connection with the PFC Bonds, other covenants and agreements set forth in the Master Ordinance to be performed by or on behalf of the Port shall be contracts for the equal benefit, protection and security of the Registered Owners, all of which shall be of equal rank without preference, priority or distinction of any of such PFC Bonds over any other thereof, except as expressly provided in or pursuant to the Master Ordinance. So long as the obligations of the Port to any Parity Reciprocal Payor have not been discharged and satisfied, such Parity Reciprocal Payor is a third party beneficiary of the Master Ordinance.

Defaults

Any one or more of the following events shall constitute a "Default" under the Master Ordinance and each Series Ordinance:

(a) The Port shall fail to make payment of the principal of any First Lien PFC Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity;

(b) The Port shall fail to make payments of any installment of interest on any First Lien PFC Bonds when the same shall become due and payable;

(c) The Port shall default in the observance or performance of any other covenants, or agreements on the part of the Port contained in the Master Ordinance, and such default shall have continued for a period of 60 days after the Port shall have received notice of the same from the Trustee; *provided*, *however*, that a breach of a covenant that results in a violation of the PFC Act, ANCA, PFC Authority or the PFC Regulations shall not be a Default under the Master Ordinance unless and until such violation results in a termination or reduction in the Port's authority to impose or to impose and use PFCs.

(d) An admission of insolvency by the Port or a filing by the Port of a petition under Chapter 9 of the United States Bankruptcy Code.

A future Series Ordinance authorizing Subordinate Lien PFC Obligations may provide for additional events constituting defaults with respect thereto if such defaults shall not result in a Default under the Master Ordinance.

Remedies and Other FAA Provisions

Upon the occurrence of a Default under the Master Ordinance, the Port will notify the Trustee of such Default. Upon receipt of an FAA Notice (a "Notice Event"), the Port immediately shall notify the

Trustee of the occurrence of such Notice Event. In addition, (i) upon the receipt of an FAA Notice or (ii) following a Default and receipt of a request from the Registered Owners of a majority in principal amount of the Outstanding PFC Bonds, the Port shall immediately transfer the balance on hand in the PFC Fund, to the Trustee. Within 60 days after FAA Final Notice, the Port shall cause to be delivered to the FAA, a projection based upon reasonable estimates of future enplanements at the Airport, of future PFC collections and future Debt Service on PFC Bonds. Within 60 days after any FAA Final Notice, the Trustee shall create and begin to fund an escrow account to be known as the "Termination Redemption Account." Notwithstanding anything in the Master Ordinance to the contrary, in the event PFC collections during the five-year termination period specified in the FAA Final Notice, exceed the amount necessary to pay scheduled Debt Service on the PFC Bonds during such five-year period, the FAA will direct the Trustee to transfer and deposit in the Termination Redemption Account on a monthly basis (after making provision for the payment of current Debt Service on the Outstanding PFC Bonds, the remaining PFC Revenue received by the Port or the Trustee in that month. As directed by the FAA, the Trustee shall invest such PFC Revenue in United States Treasury obligations until, and redeem PFC Bonds on the first date on which all of such PFC Bonds are subject to redemption at par taking into account the required 30-day redemption notice of any Supplemental Ordinance. The Trustee shall take such actions as are required of the Trustee in the Records of Decision. The Trustee may initiate earlier redemption of PFC Bonds if the Trustee receives an opinion of certified public accountant or another consultant that such earlier redemption would better serve the holders of all of the Outstanding PFC Bonds. Upon receipt of indemnity and assurances to its satisfaction that its expenses shall be paid, the Trustee:

(i) upon receipt of an FAA Notice, to the extent permitted by law, shall act upon the direction of the FAA with respect to PFC Revenue after PFC Bonds have been paid, and/or

(ii) following the occurrence of a Default, the Trustee in its own name and as the trustee of an express trust, may take any or all of the following actions:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Registered Owners and require the Port to carry out any agreements with or for the benefit of the Registered Owners of PFC Bonds and to perform its or their duties under the Master Ordinance and any Series Ordinance;

(b) bring suit upon the PFC Bonds;

(c) by action or suit in equity require the Port to account as if it were the trustee of an express trust for the Registered Owners of PFC Bonds; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of PFC Bonds.

The FAA shall have only those rights or remedies set forth in the then currently effective PFC Authority.

The Trustee shall give notice of all Defaults known to the Trustee, to the Registered Owners no later than 90 days after the occurrence thereof. The Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or responsible officers, of the Trustee in good faith determine that the withholding of such notice is in the interest of the Registered Owners.

Application of PFC Revenue and Other Funds After Default

If a Default shall occur and be continuing, all PFC Revenue and any other funds then held or thereafter received by the Trustee under the Master Ordinance shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Registered Owners of the PFC Bonds and payment of reasonable fees and charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and in connection with the performance of its powers and duties under the Master Ordinance;

(b) To the payment of the principal of and interest then due on the PFC Bonds subject to the Master Ordinance, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due to First Lien PFC Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any First Lien PFC Bonds which shall have become due, whether at maturity or by call for redemption; and

Third: To the payment to the persons entitled thereto of all installments of interest then due on any Subordinate Lien PFC Obligations; and

Fourth: To the payment to the persons entitled thereto of all installments of unpaid principal of any Subordinate Lien PFC Obligations which shall have been due, whether at maturity or by calling for redemption.

(c) To the Port.

Trustee to Represent Registered Owners

The Trustee is irrevocably appointed (and the successive respective Registered Owners of the PFC Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as Trustee and true and lawful attorney-in-fact of the Registered Owners of the PFC Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Registered Owners under the PFC Bonds, the Master Ordinance, any Series Ordinance and applicable provisions of any law.

Upon the occurrence and continuance of a Default or other occasion giving rise to a right in the Trustee to represent the Registered Owners, the Trustee in its discretion may, and upon the written request of the Registered Owners of not less than 51% in aggregate principal amount of the PFC Bonds then Outstanding, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefor (which indemnity is a condition precedent to its duties under the Master Ordinance), shall, proceed to protect or enforce its rights or the rights of such Registered Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement, or in aid of the execution of any power granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Registered Owners under the Master Ordinance, each Series Ordinance or any law. Upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the PFC Revenue and other assets pledged under the Master Ordinance, pending such proceedings. All rights of action under the Master Ordinance or the PFC Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the PFC Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Registered Owners of such PFC Bonds, subject to the Master Ordinance.

Registered Owners' Direction of Proceedings

The Registered Owners of a majority in aggregate principal amount of the PFC Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Ordinance, upon indemnification satisfactory to the Trustee in accordance with law and the Master Ordinance, and that the Trustee shall have the right to decline to follow any such direction which in the sole discretion of the Trustee would be unjustly prejudicial to Registered Owners not parties to such direction. The Trustee shall not be responsible for the propriety of or liable for the consequences of following such a direction given by the Registered Owners of a majority in aggregate principal amount of the PFC Bonds Outstanding.

Limitation on PFC Bond Registered Owners' Right to Sue

No Registered Owner of any PFC Bond shall have the right to institute any suit, action or proceeding at law or in equity for the protection or enforcement of any right or remedy under the Master Ordinance, any Series Ordinance or any other applicable law unless the Registered Owners of not less than 51% in aggregate principal amount of the PFC Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such suit, action or proceeding in its own name; and such Registered Owner or Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request; and the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are to be conditions precedent to the exercise by any Registered Owner of PFC Bonds of any remedy under the Master Ordinance or under law; it being understood and intended that no one or more Registered Owners of PFC Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Ordinance or the rights of any other Registered Owners, or to enforce any right under the Master Ordinance, or any Series Ordinance or other applicable law with respect to the PFC Bonds, except as provided in the Master Ordinance, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Ordinance for the benefit and protection of all Registered Owners of the Outstanding PFC Bonds.

Duties, Immunities and Liabilities of Trustee

The Trustee shall, before the receipt of an FAA Notice or a Default, and after the curing of all Defaults which may have occurred or withdrawal or Ordinance of an FAA Notice, perform such duties specifically imposed upon it as set forth in the Master Ordinance and no implied duties or responsibilities shall be read into the Master Ordinance against the Trustee. The Trustee shall, during the existence of any Default (which has not been cured) or following receipt of an FAA Notice and before Ordinance, exercise such of the rights and powers vested in it by the Master Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; provided that, if in the reasonable opinion of the Trustee any such action may tend to invoke expense or liability to the Trustee, it shall not be obligated to take such action unless it is first furnished with funds for payment of such expense or with indemnity satisfactory to it.

The Trustee may be removed by the Port upon 30 days' advance written notice to the Trustee, unless a Default has occurred and is continuing, and upon written request of the issuers of all Credit Facilities then in effect with respect to PFC Bonds (so long as such issuer(s) is/are not in default of its/their obligations) shall, remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Registered Owners of not less than a majority in aggregate principal amount of the PFC Bonds then Outstanding (or their attorneys duly authorized in writing) or, without the necessity of advance written notice, if at any time the Trustee shall cease to be eligible in accordance with the Master Ordinance, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving 30 days' advance written notice of such resignation to the Port and the FAA and by giving the Registered Owners notice of such resignation by first class mail at the addresses shown on the Bond Register. To discharge this obligation, the Trustee shall deliver a form of such notice to the Registrar with a request to distribute the same to Registered Owners. Upon receiving such notice of resignation, the Port shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Registered Owner (on behalf of himself and all other Registered Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Master Ordinance shall signify its acceptance of such appointment by executing and delivering to the Port and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee. At the request of the Port or the request of the successor Trustee, the predecessor Trustee shall, at the expense of the Port, execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the rights, title and interest of such predecessor Trustee in and to any property held by it under the Master Ordinance and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to such trusts and conditions and other provisions of the Master Ordinance. Upon request of the successor Trustee, the Port shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Master Ordinance to the FAA and to the Registered Owners at the addresses shown on the Bond Register. The successor Trustee shall effect this notice by giving a form of notice to the Registrar with a request to mail such notice to the Registered Owners.

The Trustee and Tender Agent shall not resign or be removed until an alternate Trustee and Tender Agent has been appointed, the alternate has accepted such appointment, and any applicable Credit Facilities, Liquidity Facilities or other applicable documentation has been transferred to such alternate.

The Trustee shall have no responsibility with respect to any information, statement or recital in the official statement or other disclosure material prepared or distributed with respect to the PFC Bonds.

The Trustee's rights to immunities, indemnity, and protection from liability under the Master Ordinance and its rights to payment of fees and expenses shall survive its resignation or removal and the final payment or defeasance of the PFC Bonds or the discharge of the Master Ordinance.

Supplemental Action

The Executive Director may by supplemental action appoint the Trustee, enter into covenants or agreements necessary to obtain ratings on the PFC Bonds, to obtain Qualified Insurance, to obtain any other Credit Facility or as may be necessary to comply with the requirements of the Records of Decision, which covenants or agreements shall be considered covenants made pursuant to and incorporated in the Master Ordinance.

Defeasance

In the event that money and/or noncallable Government Obligations maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of any PFC Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, and, if such PFC Bonds are to be redeemed prior to maturity, irrevocable notice, or instructions to give notice of such redemption has been delivered to the Registrar, then no further payments need be made into the First Lien Bond Account or any account therein for the payment of the principal of, premium, if any, and interest on the PFC Bonds and such PFC Bonds shall then cease to be entitled to any lien, benefit or security of the Master Ordinance, except the right to receive the funds so set aside and pledged and notices of early redemption, if any, and such PFC Bonds shall no longer be deemed to be Outstanding.

An opinion of bond counsel shall be given reliance upon (i) a verification report of certified public accountants engaged for such purpose to the effect that the escrow deposit will produce amounts sufficient to pay the principal of and interest on the defeased PFC Bonds when due as provided in the authorizing series Ordinance or resolution and the escrow agreement, and (ii) a certificate of the escrow agent, to the effect that it has received the escrow deposit and acquired the Government Obligations in accordance with escrow agreement, the Port has met the requirements of ORS 287A.195 and OAR 170-55-005 and the amount of money and investments credited to or deposited with the escrow agent with respect to the defeased PFC Bonds shall be deducted from the amount of the Port's outstanding indebtedness for any constitutional or statutory debt limitation, if any.

Within 45 days of any defeasance of PFC Bonds, the Port shall provide notice of defeasance of PFC Bonds to Registered Owners of PFC Bonds being defeased, to the Municipal Bond Insurer and to the MSRB.

Series 2011 Bond Ordinance

Purchase. The Port reserves the right to purchase any of the Series 2011A PFC Bonds offered to the Port at any price deemed reasonable to the Executive Director.

Disposition of the Proceeds of Sale of Series 2011A PFC Bonds. Pursuant to the Series Ordinance, the Port will create a special subaccount of the Port called the Costs of Issuance Account-2011A. The amount on deposit in the Costs of Issuance Account-2011A shall be utilized to pay costs incurred in connection with the issuance and sale of the Series 2011A PFC Bonds, to the extent designated by the Port.

All or part of the proceeds of the Series 2011A PFC Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to port districts of the State of Oregon by law which will mature prior to the date on which such money shall be needed provided, however, such proceeds shall not be invested in the obligations of any municipality with a credit rating lower than that of the Port. Interest earnings on the Costs of Issuance Account-2011A shall be retained in Costs of Issuance Account-2011A.

Any part of the proceeds of the Series 2011A PFC Bonds remaining in the Costs of Issuance Account-2011A after June 30, 2012 shall be transferred to the First Lien Bond Account.

Amendment of Master Ordinance. Pursuant to the Series Ordinance, the Board has authorized the Master Ordinance to be amended pursuant to the Master Ordinance to update certain outdated section references to portions of the Oregon Revised Statutes. In such connection, the Supplemental Action executed and delivered pursuant to the Series Ordinance may set forth such amendments to applicable portions of the Master Ordinance, all as may be necessary or desirable in the judgment of the Executive Director executing the same. Such amendments shall become effective only upon the Port obtaining the consent of the issuers of all Credit Facilities with respect to First Lien PFC Bonds, all as required by the Master Ordinance.

Supplemental Action. The Executive Director is authorized, on behalf of the Port to execute and deliver a supplemental action certificate specifying the actions taken by the Executive Director pursuant to the Series Ordinance, and execute and deliver any other certificates, documents or agreements which the Executive Director determines are desirable to issue, sell, deliver, manage or administer the Series 2011A PFC Bonds in accordance with the Series Ordinance.

SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL ACTION

The following is a summary of certain provisions of the Supplemental Action. This summary is not a complete statement of all terms of the Supplemental Action and the language used in this summary may not be identical to the language used in the Supplemental Action. Owners and investors who are interested in the complete or precise language of the Supplemental Action should obtain and study complete copies of the Supplemental Action which are on file and available for examination at the Port.

Definitions

Unless the context clearly requires otherwise, capitalized terms used in this summary of the Supplemental Action have the meanings assigned such terms in this "Definitions" section, and capitalized terms used in this section that are not defined in this "Definitions" section have the meanings assigned such terms in the body of the Official Statement, the Supplemental Action or the "Definitions" section under the heading "Summary of Certain Provisions of the Ordinances."

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the States in which the Trustee is performing its functions under the Series 2011A Bond Documents, the State of New York or in any State in which the office of the Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

"Interest Payment Date" means each January 1 and July 1 (or the next Business Day if January 1 or July 1 is not a Business Day, with the same effect as if made on the day such payment was due) of each year, commencing on the date set forth in the Supplemental Action.

"Maturity Date" means July 1, 2031.

"Owner," when used with respect to a Series 2011A PFC Bond, means the Person in whose name such Series 2011A PFC Bond is registered.

"PFC Ordinances" means the Master Ordinance and the Series 2011A Bond Ordinance.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Redemption Price" means, with respect to any Series 2011A PFC Bond (or portion thereof), the principal amount of such Series 2011A PFC Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series 2011A PFC Bond and the Series 2011A Bond Documents.

"Series 2011A Bond Documents" means the Supplemental Action, as it may be amended in accordance with its terms and the PFC Ordinances, including the Series 2011A Bond Ordinance.

"Series 2011A Bond Ordinance" means Ordinance No. 442-B of the Port, as amended and supplemented.

Purchase in Lieu of Redemption

Whenever Series 2011A PFC Bonds are subject to redemption, they may instead be purchased at the option of the Port at a purchase price equal to the Redemption Price. The Port shall give written notice thereof and of the Series 2011A PFC Bonds of the subseries and maturity to be so purchased to the Trustee. The Trustee shall select the particular Series 2011A PFC Bonds of such subseries and maturity to be so purchased in the manner as provided in Supplemental Action for the selection of Series 2011A PFC Bonds to be redeemed in part. Promptly thereafter, the Trustee shall give notice of the purchase of such Series 2011A PFC Bonds at the times and in the manner provided in the Supplemental Action for notice of redemption. All such purchases may be subject to conditions to the Port's obligation to purchase such Series 2011A PFC Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required above, then, if sufficient money to pay the purchase price of such Series 2011A PFC Bonds is held by the Trustee, the purchase price of the Series 2011A PFC Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Series 2011A PFC Bonds (other than Series 2011A PFC Bonds held by the Securities Depository) to be purchased at the office or offices specified in such notice, and, in the case of Series 2011A PFC Bonds presented by other than the Owner, together with a written instrument of transfer duly executed by the Owner or the Owner's duly authorized attorney. Payment of the purchase price of such Series 2011A PFC Bonds shall be made, upon the request of the Owner of $1,000,000 or more in principal amount of Series 2011A PFC Bonds to be so purchased, by wire transfer to such Owner at the wire transfer address in the continental United States to which such Owner has prior to the purchase date directed in writing the Trustee to wire such purchase price. No purchased Series 2011A PFC Bond shall be considered to be no longer outstanding by virtue of its purchase and each such purchased Series 2011A PFC Bond that is not held by the Securities Depository shall be registered in the name or at the direction of the Port.

Establishment of Accounts

The Supplemental Action creates and establishes with the Trustee, special trust subaccounts within the First Lien Bond Account, as follows, the Series 2011A Bonds Interest Account and the Series 2011A Bonds Principal Account.

Series 2011A Bonds Interest Account. Whenever the Port, pursuant to the Master Ordinance, is required to make deposits from the PFC Fund into the First Lien Bond Account for the purpose of paying interest on the Series 2011A PFC Bonds, such deposits shall be made into the Series 2011A Bonds Interest Account.

The Port shall deposit into the Series 2011A Bonds Interest Account:

(i) an amount that, together with any other moneys previously deposited and available in the Series 2011A Bonds Interest Account to pay interest on Series 2011A PFC Bonds, will equal the installment of interest falling due on the next succeeding Series 2011A PFC Bond Interest Payment Date; plus

(ii) the interest and any premium due in connection with the redemption of Series 2011A PFC Bonds called for redemption prior to maturity.

All moneys on deposit, from time to time, in the Series 2011A Bonds Interest Account shall be used, invested (such investments to be rated at least as high as the then-current short term ratings on the Series 2011A PFC Bonds), and applied in the same manner as, and shall otherwise be subject to all terms and conditions, provided in the Master Ordinance with respect to moneys on deposit in the First Lien Bond Account. For purposes of investment, moneys on deposit in the Series 2011A Bonds Interest Account may be commingled with other moneys on deposit in the First Lien Bond Account.

Series 2011A Bonds Principal Account.

The Port shall cause to be deposited into the Series 2011A Bonds Principal Account on the first Business Day of each month to and including the first Business Day of the month next preceding the final Maturity Date of the Series 2011A PFC Bonds, in approximately equal installments, an amount so that there shall be on deposit in said Series 2011A Bonds Principal Account funds sufficient to redeem the Series 2011A PFC Bonds on each mandatory redemption date in accordance with the mandatory redemption schedule for the Series 2011A PFC Bonds, and to pay the amount remaining due on the Series 2011A PFC Bonds on their final Maturity Date.

The Port shall also deposit into the Series 2011A Bonds Principal Account an amount sufficient to pay when due the principal of Series 2011A PFC Bonds called for redemption prior to maturity.

The moneys on deposit from time to time in the Series 2011A Bonds Principal Account shall be used, invested (such investments to be rated at least as high as the then-current short term ratings on the Series 2011A PFC Bonds), and applied, and shall otherwise be subject to all terms and conditions, provided in the Master Ordinance with respect to moneys on deposit in the First Lien Bond Account. For purposes of investment, moneys on deposit in the Series 2011A Bonds Principal Account may be commingled with other moneys on deposit in the First Lien Bond Account.

Amendments

Except as otherwise specifically provided in the Supplemental Action, any amendments to the Supplemental Action shall be made in the same manner as amendments of Master Ordinance. If the Series 2011A PFC Bonds are not held by the Securities Depository, the Port shall amend the Supplemental Action, which amendment shall not require the consent of the Owners, to the extent required to conform the notices, payment provisions and other administrative provisions of the Series 2011A PFC Bonds to the then current practices and procedures in the municipal bond market for securities that are similar to the Series 2011A PFC Bonds.

Springing Amendment to Master Ordinance

Upon the Port obtaining the consent of the Registered Owners of a majority in aggregate principal amount of the First Lien PFC Bonds or the Port obtaining the consent of the issuers of all Credit Facilities with respect to the First Lien PFC Bonds, all as required by the Master Ordinance, references in the PFC Ordinances to outdated sections of the Oregon Revised Statutes ("ORS") shall be amended as follows:

(i) ORS 288.594 shall refer to ORS 287A.310 and

(ii) ORS 288.677 shall refer to ORS 287A.195.

APPENDIX D

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011A PFC Bonds. The Series 2011A PFC Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011A PFC Bond certificate will be issued for each maturity of the Series 2011A PFC Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2011A PFC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A PFC Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A PFC Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A PFC Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011A PFC Bonds, except in the event that use of the book-entry system for the Series 2011A PFC Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2011A PFC Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A PFC Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A PFC Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Series 2011A PFC Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A PFC Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A PFC Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A PFC Bond documents. For example, Beneficial Owners of Series 2011A PFC Bonds may wish to ascertain that the nominee holding the Series 2011A PFC Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2011A PFC Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A PFC Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A PFC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Series 2011A PFC Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2011A PFC Bonds at any time by giving reasonable notice to the Port or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A PFC Bond certificates are required to be printed and delivered.

10. The Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011A PFC Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Port believes to be reliable, but the Port takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$75,670,000
THE PORT OF PORTLAND

PORTLAND INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE REVENUE BONDS,
SERIES 2011A (NON-AMT)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by The Port of Portland (the "Port") in connection with the issuance of the Port's Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (Non-AMT) (the "Bonds"). The Bonds are authorized pursuant to Ordinance No. 395-B enacted on June 10, 1999, as amended and supplemented, and Ordinance No. 442-B enacted September 14, 2011, as supplemented by the Supplemental Action of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Bonds dated November ___, 2011 (collectively, the "Ordinances"). The Port covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriters of the Bonds in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinances, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the final official statement for the Bonds dated October 26, 2011.

"Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports. The Port shall not later than nine (9) months after the end of the Port's fiscal year (which shall be April 1 of each year, so long as the Port's fiscal year ends on June 30), commencing with the report for the fiscal year ended June 30, 2011, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Port may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Port's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number. The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the Annual Report described in Section 4 on or prior to the date set forth in this Section 3.

SECTION 4. Content of Annual Reports. The Port's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Port for the preceding fiscal year, prepared in accordance with the laws of the State of Oregon and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board, or its successor, and generally of the type included in the Official Statement under the heading "Appendix B—Audited Financial Statements." If the Port's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the Port, the Annual Report shall also include the following historical financial information and operating data of the type set forth in the Official Statement:

(i) Under the heading "THE PFC PROGRAM AT THE PORT":

1. Any change in the expiration date, in the rate or in the total amount of PFCs the Port is authorized to impose or use, including any updates to Table 1 entitled "PFC Authority" under the heading "—PFC Authority" and any change in exemptions;

2. In Table 2 entitled "Historical PFC Revenue and PFC Debt Service under the heading "—Historical PFC Revenue, PFC Debt Service and First Lien Sufficiency Covenant;"

3. In Table 3 entitled "Historical First Lien Sufficiency Covenant" under the heading "—Historical PFC Revenue, PFC Debt Service and First Lien Sufficiency Covenant;" and

(ii) Under the heading "PORTLAND INTERNATIONAL AIRPORT":

1. In Table 7 entitled "Airlines Serving the Airport" under the heading "—Airlines Serving the Airport;"

2. Information regarding the number of origin and destination passengers at the Airport under the caption "—Historical Traffic and Activity," but only to the extent that information is readily available to the Port;

3. In the column entitled "Total Enplaned Passengers" in Table 8 entitled "Historical Enplaned Passengers" under the heading "—Historical Traffic and Activity;"

4. In Table 9 entitled "Enplaned Passengers By Airline" under the heading "—Historical Traffic and Activity;" and

5. In Table 10 entitled "Historical Total Cargo Tonnage" under the heading "—Air Cargo Operations."

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Port or related public entities, which have been made available to the public on the MSRB's website. The Port shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Port shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the Port.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Port in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Port, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Port.

(b) The Port shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving the Port or the sale of all or substantially all of the assets of the Port, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

SECTION 6. Format for Filings with MSRB. Any notice to or report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Port's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, and notwithstanding the provisions of Section 9 hereof, the Port may rescind its obligations under this Disclosure Certificate, in whole or in part, if (a) it obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require this Disclosure Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) it notifies and provides the MSRB a copy of such opinion and of the cancellation of this Disclosure Certificate.

SECTION 8. Enforceability and Remedies. The Port agrees, that this Disclosure Certificate is intended to be for the benefit of Holders or Beneficial Owners of the Bonds and shall be enforceable by or on behalf of any such Holder or Beneficial Owner; provided that, the right of any Holder or Beneficial Owner to challenge the adequacy of the information furnished hereunder shall be limited to an action for specific performance or mandamus. Any such action for specific performance or mandamus may be instituted only in Multnomah County, Oregon District Court or in U.S. District Court for the District of Oregon. Any failure by the Port to comply with the provisions of this undertaking shall not be an Event of Default under the Ordinances. This Disclosure Certificate confers no rights on any person or entity other than the Port and Holders or Beneficial Owners of the Bonds.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Port, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Port shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Choice of Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws, and official interpretations thereof.

SECTION 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Port chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the Port shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port, the Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November ___, 2011.

THE PORT OF PORTLAND

By ____

Vincent Granato
Director of Financial & Administrative Services
and Chief Financial Officer

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

November ___, 2011

The Port of Portland
Portland, Oregon

$75,670,000
The Port of Portland, Oregon
Portland International Airport Passenger Facility Charge Revenue Bonds
Series 2011A (Non-AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Port of Portland (the "Port") in connection with the issuance of $75,670,000 aggregate principal amount of The Port of Portland, Oregon Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (Non-AMT) (the "Bonds"), issued pursuant to the authority of Ordinance No. 442-B enacted on September 14, 2011, as supplemented by the Supplemental Action of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Bonds dated November ___, 2011 (collectively, the "Bond Ordinance"). The Bonds are issued in accordance with the provisions of the Port's Ordinance No. 395-B enacted on June 10, 1999, as amended and supplemented (collectively, the "Prior Ordinances"). The Bond Ordinance and the Prior Ordinances are collectively referred to herein as the "Ordinances." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinances.

In such connection, we have reviewed the Ordinances, the Tax Certificate, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Port, certificates of the Port, Wells Fargo Bank, National Association, as trustee (the "Trustee"), and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Port. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinances and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinances and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against port districts in the State of Oregon. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Ordinances or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Port.

2. The Bond Ordinance has been duly and legally enacted by, and constitutes a valid and binding obligation of, the Port.

3. The Ordinances create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the PFC Revenue (as defined in the Ordinances), subject to the provisions of the Ordinances permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinances.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of Oregon personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

THE PORT OF PORTLAND, OREGON • PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS, SERIES 2011A

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