

At the original issuance of the Series Eighteen Bonds, Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel to the Port, delivered an opinion to the effect that (i) under existing law and assuming compliance with certain covenants of the Port, interest on the Series Eighteen Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series Eighteen Bond for any period during which such Series Eighteen Bond is held by a “substantial user” of the facilities refinanced by the Series Eighteen Bonds, or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended; (ii) interest on the Series Eighteen Bonds is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; and (iii) interest on the Series Eighteen Bonds is exempt from Oregon personal income tax under existing law. A copy of the opinion of Bond Counsel delivered at original issuance of the Series Eighteen Bonds is attached to this Reoffering Memorandum as Appendix F. Such opinion spoke only as of the date of initial issuance and delivery of the Series Eighteen Bonds and will not be reissued in connection with this reoffering. In connection with the delivery of the Letters of Credit and the reoffering of the Series Eighteen Bonds, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Port, will deliver an opinion to the effect that the delivery of the Letters of Credit, by itself, will not adversely affect the exclusion of interest on the Series Eighteen Bonds from gross income for federal income tax purposes. Special Counsel is not delivering any opinion on the current tax status of the Series Eighteen Bonds. See “TAX MATTERS.”

\$122,280,000

THE PORT OF PORTLAND, OREGON
Portland International Airport Refunding Revenue Bonds
Series Eighteen (Multimodal Variable Rate)

\$61,140,000 Subseries Eighteen A (CUSIP No. 735240 WB5) **\$61,140,000 Subseries Eighteen B** (CUSIP No. 735240 WA7)

Dated: June 11, 2008

Due: July 1, 2026

The Port of Portland (the “Port”) is reoffering its Portland International Airport Refunding Revenue Bonds, Subseries Eighteen A (the “Subseries Eighteen A Bonds”) and Subseries Eighteen B (the “Subseries Eighteen B Bonds,” together with the Subseries Eighteen A Bonds, the “Subseries Eighteen Bonds,” and each, a “Subseries”), in connection with the substitution of the initial Credit Facility that secured the payment of principal of 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, all as described herein.

The Series Eighteen Bonds are being reoffered in denominations of \$100,000 and integral multiples thereof within a Subseries. Each Subseries will be in the Weekly Mode unless and until that Subseries is converted by the Port to a different interest rate mode as described herein. Series Eighteen Bonds that are converted to another interest rate mode will be subject to mandatory purchase on such date at a purchase price equal to the principal amount thereof, plus accrued interest. This Reoffering Memorandum describes the Series Eighteen Bonds only while in the Weekly Mode or the Daily Mode.

Interest on the Series Eighteen Bonds is payable on the first Business Day of each month, calculated on the basis of a 365-day year for the number of days actually elapsed. The interest rate for each Subseries will be determined by the applicable Remarketing Agent each Wednesday and will remain in effect from such Wednesday through the Tuesday of the following week, as more fully described herein. The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, serves as the trustee, registrar and paying agent for the Series Eighteen Bonds.

The Series Eighteen Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which acts as securities depository for the Series Eighteen Bonds. Purchases of beneficial interests in the Series Eighteen Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their interests in the Series Eighteen Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series Eighteen Bonds, payments of principal of and interest on the Series Eighteen Bonds will be made directly to DTC or its 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.

Payments of principal of and interest on the Subseries Eighteen A Bonds and the purchase price of Subseries Eighteen A Bonds that are subject to optional or mandatory purchase and not remarketed are payable from draws on an irrevocable direct-pay letter of credit (the “Subseries Eighteen A Letter of Credit”) issued by U.S. Bank National Association (the “Subseries Eighteen A Bank”). Payments of principal of and interest on the Subseries Eighteen B Bonds and the purchase price of Subseries Eighteen B Bonds that are subject to optional or mandatory purchase and not remarketed are payable from draws on an irrevocable direct-pay letter of credit (the “Subseries Eighteen B Letter of Credit,” together with the Subseries Eighteen A Letter of Credit, the “Letters of Credit,” and each, a “Letter of Credit”) issued by Wells Fargo Bank, National Association (the “Subseries Eighteen B Bank,” together with the Subseries Eighteen A Bank, the “Banks,” and each, a “Bank”).



If a Letter of Credit is not extended it will terminate on July 3, 2014, subject to prior termination as more fully described herein. Each Subseries is subject to mandatory purchase prior to termination of the applicable Letter of Credit at a purchase price equal to the principal amount thereof, plus accrued interest.

The Series Eighteen Bonds are subject to purchase on any Business Day at the option of their Owners at a price equal to principal amount thereof, plus accrued interest, upon notice given not less than five Business Days prior to the purchase date, as more fully described herein. The Series Eighteen Bonds are subject to optional and mandatory sinking fund redemption, and to mandatory purchase prior to maturity, all as described herein.

The ratings for each Subseries are based solely on the credit of the applicable Bank, and the Port does not expect to have funds available to pay the purchase price of such Subseries that are subject to optional or mandatory purchase and not remarketed. Investors who purchase the Series Eighteen Bonds should assume that the only credit supporting a Subseries is that of the applicable Bank.

The Series Eighteen Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances described herein. The Series Eighteen Bonds are not secured by any tax revenues or taxing power of the Port or the State of Oregon or its agencies, instrumentalities or political subdivisions.

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

The Series Eighteen Bonds will be reoffered subject to receipt of the opinions of Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Special Counsel to the Port, and to certain other conditions. Certain legal matters will be passed upon for the Remarketing Agents by their counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that the Series Eighteen Bonds will be available for reoffering on or about July 6, 2011.

J.P. Morgan
 (Remarketing Agent for the Subseries Eighteen A Bonds)

BofA Merrill Lynch
 (Remarketing Agent for the Subseries Eighteen B Bonds)

June 27, 2011.

No dealer, broker, salesperson or other person has been authorized by the Port or the Remarketing Agents to give any information or to make any representations with respect to the Series Eighteen Bonds other than those contained in this Reoffering Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Memorandum 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 Eighteen 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 Remarketing Agents have provided the following sentence for inclusion in this Reoffering Memorandum: The Remarketing Agents have reviewed the information set forth in this Reoffering Memorandum 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 Remarketing Agents do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Reoffering Memorandum 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 Reoffering Memorandum 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 Reoffering Memorandum. 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 Reoffering Memorandum, 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 Reoffering Memorandum 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 Reoffering Memorandum.

CUSIP numbers are included in this Reoffering Memorandum for convenience of the holders and potential holders of the Series Eighteen 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 Eighteen Bonds will remain the same after the date of reoffering of the Series Eighteen Bonds by the Remarketing Agents. The Port is not responsible for the selection of CUSIP numbers, nor is any representation made as to their correctness on the Series Eighteen Bonds or as indicated herein.

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

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

Kirkpatrick & Lockhart Preston Gates Ellis LLP	Bond Counsel
Orrick, Herrington & Sutcliffe LLP	Special Counsel
Seattle-Northwest Securities Corporation	Financial Advisor
PricewaterhouseCoopers LLP	Independent Accountants

Trustee

The Bank of New York Mellon Trust Company, N.A.
Seattle, Washington

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REOFFERING MEMORANDUM

\$122,280,000

THE PORT OF PORTLAND, OREGON

Portland International Airport Refunding Revenue Bonds Series Eighteen (Multimodal Variable Rate)

\$61,140,000

Subseries Eighteen A

\$61,140,000

Subseries Eighteen B

INTRODUCTION

This Reoffering Memorandum, including the cover, inside cover, table of contents and appendices, is being provided by The Port of Portland (the “Port”) to furnish information in connection with the reoffering by the Port of its Portland International Airport Refunding Revenue Bonds, Subseries Eighteen A (the “Subseries Eighteen A Bonds”) and Subseries Eighteen B (the “Subseries Eighteen B Bonds,” together with the Subseries Eighteen A Bonds, the “Series Eighteen Bonds,” and each, a “Subseries”). The Series Eighteen Bonds are being reoffered in connection with the issuance by the Banks of the Letters of Credit in substitution for the initial Credit Facility that secured the payment of principal of 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. The Series Eighteen Bonds were issued on June 11, 2008, in the aggregate principal amount of \$138,890,000 to refund \$134,295,000 aggregate principal amount of the Port’s outstanding Portland International Airport Revenue Bonds, Series Seventeen (the “Series Seventeen Bonds”), to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Eighteen Bonds. Unless otherwise provided in this Reoffering Memorandum, capitalized terms used herein have the meanings set forth in the Series Eighteen Bond Certificate, the Series Eighteen Bond Ordinance and the Airport Revenue Bond Ordinances described below. A summary of certain provisions of the Airport Revenue Bond Ordinances is attached to this Reoffering Memorandum as Appendix B.

The Port, a port district of the State of Oregon (the “State”), owns and operates the Portland International Airport (as more fully defined in the Airport Revenue Bond Ordinances, the “Airport”) and two general aviation airports. In addition to its aviation operations, the Port also owns, operates, develops or maintains public maritime terminals, a dredge, business and industrial parks and other properties.

Series Eighteen Bonds

The Series Eighteen Bonds were issued pursuant to the provisions of Sections 778.145 through 778.175 and Chapter 287A of the Oregon Revised Statutes, as amended, and pursuant to Port Ordinance No. 155, enacted by the Board of Commissioners of the Port (the “Board”) on November 10, 1971, as amended, restated and supplemented (“Ordinance No. 155”); Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented (“Ordinance No. 323”); and Port Ordinance No. 427-B, enacted by the Board on March 12, 2008 (the “Series Eighteen Bond Ordinance”). Ordinance No. 155 and Ordinance No. 323 are referred to collectively as the “Airport Revenue Bond Ordinances.” The terms and administrative provisions of the Series Eighteen Bonds are described in a Certificate of the Executive Director that is dated June 11, 2008, the date of the Series Eighteen Bonds (the “Series Eighteen Bond Certificate”). The form of the Series Eighteen Bond Certificate is attached to this Reoffering Memorandum as Appendix C. The Series Eighteen Bond Certificate, the Series Eighteen Bond Ordinance and the Airport Revenue Bond Ordinances are referred to together as the “Series Eighteen Bond Documents.”

The Series Eighteen Bonds are multimodal bonds issued in the Weekly Mode, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Interest is payable on the first Business Day of each month, calculated on the basis of a 365-day year for the number of days actually elapsed. The interest rate for each Subseries is determined by the Remarketing Agent for that Subseries each Wednesday and remains in effect from each Wednesday through the Tuesday of the following week, as described herein. The Bank of New York Mellon Trust Company, N.A., Seattle, Washington (the “Trustee”), serves as the trustee, registrar and paying agent for the SLBs, including the Series Eighteen Bonds.

The Series Eighteen Bonds are subject to tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, at the option of their Owners on any Business Day, upon notice given not less than five Business Days prior to the purchase date, as described herein. The Series Eighteen Bonds are subject to optional and mandatory sinking fund redemption, and to mandatory purchase prior to maturity as described herein.

The Port may convert a Subseries to a different interest rate mode as described herein. If the Port converts a Subseries to a different interest rate mode, that Subseries will be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest.

The Port has entered into interest rate swap agreements which the Port has allocated to the Series Eighteen Bonds. See “PORTLAND INTERNATIONAL AIRPORT—Interest Rate Swaps.”

Security and Sources of Payment

Letters of Credit. Payments of principal of and interest on the Subseries Eighteen A Bonds and the purchase price of Subseries Eighteen A Bonds that are subject to optional or mandatory purchase and not remarketed are payable from draws on an irrevocable direct-pay letter of credit (the “Subseries Eighteen A Letter of Credit”) issued by U.S. Bank National Association (the “Subseries Eighteen A Bank”). Payments of principal of and interest on the Subseries Eighteen B Bonds and the purchase price of Subseries Eighteen B Bonds that are subject to optional or mandatory purchase and not remarketed are payable from draws on an irrevocable direct-pay letter of credit (the “Subseries Eighteen B Letter of Credit,” together with the Subseries Eighteen A Letter of Credit, the “Letters of Credit,” and each, a “Letter of Credit”) issued by Wells Fargo Bank, National Association (the “Subseries Eighteen B Bank,” together with the Subseries Eighteen A Bank, the “Banks,” and each, a “Bank”). **The ratings for each Subseries are based solely on the credit of the applicable Bank, and the Port does not expect to have funds available to pay the purchase price of such Subseries that are subject to optional or mandatory purchase and not remarketed. Investors who purchase the Series Eighteen Bonds should assume that the only credit supporting a Subseries is that of the applicable Bank.**

Net Revenues. The Series Eighteen Bonds were issued as “SLBs” under the Airport Revenue Bond Ordinances, and as such are also secured by a prior pledge of the Net Revenues of the Airport, on a parity with the pledge of the Net Revenues securing payment of the Port’s other outstanding SLBs. As of May 31, 2011, the Port had outstanding \$504,420,000 in aggregate principal amount of SLBs (including the Series Eighteen Bonds). The Port has no obligations outstanding secured by a pledge of Net Revenues that is prior to the pledge securing the SLBs, and the Port has covenanted in the Airport Revenue Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs. The Series Eighteen Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Eighteen Bonds are not secured by any tax revenues or taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Rate Covenant. Under the Airport Revenue Bond Ordinances, the Port has covenanted to impose rates, rentals, fees and other charges in connection with the Airport that produce Net Revenues in each Fiscal Year at least equal to 130% of the SLB Debt Service Requirement for such Fiscal Year for all SLBs then Outstanding. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Rate Covenant.”

Additional Bonds and Parity Reimbursement Agreements. In connection with the issuance of the Subseries Eighteen A Letter of Credit, the Port will enter into a Reimbursement Agreement dated as of July 1, 2011 (the “Subseries Eighteen A Reimbursement Agreement”), with the Subseries Eighteen A Bank. See “THE LETTERS OF CREDIT” and “THE SUBSERIES EIGHTEEN A BANK.” In connection with the issuance of the Subseries Eighteen B Letter of Credit, the Port will enter into a Reimbursement Agreement dated as of July 1, 2011 (the “Subseries Eighteen B Reimbursement Agreement,” together with the Subseries Eighteen A Reimbursement Agreement, the “Reimbursement Agreements,” and each, a “Reimbursement Agreement”), with the Subseries Eighteen B Bank. See “THE LETTERS OF CREDIT” and “THE SUBSERIES EIGHTEEN B BANK.” The Airport Revenue Bond Ordinances permit the Port to issue bonds (“Additional SLBs”) and enter into certain reimbursement agreements (“Parity Reimbursement Agreements”) that are secured by a pledge of Net Revenues and amounts in the SLB Fund and the SLB Construction Account that is on a parity with the pledge securing the Series Eighteen Bonds. Additional SLBs and Parity Reimbursement Agreements are both referred to as “SLBs.” Additional SLBs may be issued to pay costs related to the Airport and costs of acquisition and construction of General Aviation Airports, and to refund SLBs. The Airport Revenue Bond Ordinances impose restrictions on issuing Additional SLBs and entering into Parity Reimbursement Agreements. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Additional Bonds” and “—Parity Reimbursement Agreements.” Each Reimbursement Agreement constitutes a Parity Reimbursement Agreement and therefore an SLB for purposes of the Airport Revenue Bond Ordinances, except with respect to certain payments under such Reimbursement Agreement that constitute Junior Lien Obligations (defined below). See “PORTLAND INTERNATIONAL AIRPORT—Other Obligations.”

Special Amendments. In the Series Eighteen Ordinance, the Port reserved the right to make certain amendments to the Airport Revenue Bond Ordinances. The Owners of the Series Eighteen Bonds are deemed to have consented to all of these amendments. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Special Amendments.”

Continuing Disclosure

The Port has covenanted for the benefit of the holders of the Series Eighteen Bonds to provide certain financial information and operating data and to give notices of certain material events. See “CONTINUING DISCLOSURE” and Appendix E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Additional Information

Brief descriptions of the Series Eighteen Bonds, the Series Eighteen Bond Certificate, the Series Eighteen Bond Ordinance, the Airport Revenue Bond Ordinances, the Letters of Credit, the Reimbursement Agreements, the Airline Agreements and certain other documents are included in this Reoffering Memorandum (including the appendices hereto). Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and agreements and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, agreement, statute, report or other instrument. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Reoffering Memorandum. The information herein is subject to change without notice, and neither the delivery of this Reoffering Memorandum 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 hereof.

This Reoffering Memorandum is not to be construed as a contract between the Port or the Board and the purchasers or Owners of any of the Series Eighteen Bonds.

SOURCES AND USES OF SERIES EIGHTEEN BOND PROCEEDS

The Series Eighteen Bonds are being reoffered in connection with the issuance by the Banks of the Letters of Credit in substitution for the initial Credit Facility that secured the payment of principal of 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. The Series Eighteen Bonds were issued on June 11, 2008, in the aggregate principal amount of \$138,890,000 to refund \$134,295,000 aggregate principal amount of the outstanding Series Seventeen Bonds, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Eighteen Bonds. The sources and uses of Series Eighteen Bond proceeds, rounded to the nearest dollar, are set forth in Table 1.

**TABLE 1
SOURCES AND USES OF SERIES EIGHTEEN BOND PROCEEDS**

Sources	Total
Principal Amount	\$ 138,890,000
Other Port Funds	4,595,000
Total Sources	\$ 143,485,000
 Uses	
Redemption of Series Seventeen Bonds	\$ 4,595,000
Refunding of Series Seventeen Bonds	134,295,000
SLB Reserve Account ⁽¹⁾	3,972,960
Costs of Issuance ⁽²⁾	622,040
Total Uses	\$ 143,485,000

(1) See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account.”

(2) Includes, among other things, legal, accounting, trustee and rating agency fees, printing costs, letter of credit fees and underwriters’ discount.

Source: The Port.

THE SERIES EIGHTEEN BONDS

General

The Series Eighteen Bonds are dated June 11, 2008, and mature on July 1, 2026, subject to optional and mandatory sinking fund redemption as described in “Redemption” under this heading. The Series Eighteen Bonds are subject to optional tender for purchase as described in “Optional Tender for Purchase” under this heading and mandatory purchase as described in “Mandatory Purchase” under this heading.

The Series Eighteen Bonds bear interest in the Weekly Mode unless and until converted to the Commercial Paper Mode, the Daily Mode, the Indexed Mode, the Term Rate Mode or the Fixed Rate Mode, in each case upon the terms and conditions described in “Conversion to Another Mode” under this heading. See “CERTAIN RISK FACTORS—Certain Considerations Relating to Variable Rate Demand Obligations.”

The Series Eighteen Bonds are issued initially in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Series Eighteen Bonds is to be determined as described in “Determination of Interest Rates” under this heading and is payable on the first Business Day of each month, on any Mode Change Date and on the Maturity Date (each, an “Interest Payment Date”). Interest on the Series Eighteen Bonds is to be calculated on the basis of a 365-day year for the actual number of days elapsed.

This Reoffering Memorandum describes the Series Eighteen Bonds only while in the Weekly Mode or the Daily Mode.

DTC and its Book-Entry System

The Series Eighteen Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The administrative procedures of DTC apply to the Series Eighteen Bonds in accordance with the Port’s letter of representations with DTC. See Appendix D—“DTC AND ITS BOOK-ENTRY SYSTEM.”

Individual purchases of Series Eighteen Bonds are to be made in Authorized Denominations in book-entry form only. Purchasers will not receive certificates representing their interest in the Series Eighteen Bonds, except as described in Appendix D—“DTC AND ITS BOOK-ENTRY SYSTEM.”

Neither the Port nor the Trustee has any responsibility or obligation to DTC Participants or to the persons for whom they act as nominee with respect to the Series Eighteen Bonds regarding (i) the accuracy of any records maintained by DTC or any nominee or DTC Participants with respect to any ownership interest in the Series Eighteen Bonds; (ii) the delivery to any participant or correspondent or to any other person of any notice with respect to the Series Eighteen Bonds, including any notice of redemption; (iii) the selection by DTC of the beneficial interests in Series Eighteen Bonds to be redeemed prior to maturity; or (iv) the payment to any nominee, participant, correspondent, or any other person other than the registered Owner, of any amount with respect to principal of or interest on the Series Eighteen Bonds.

If DTC ceases to act as a depository the Port is required to select another securities depository. If the Port does not replace DTC, the Trustee is required to register and deliver to the beneficial owners replacement Series Eighteen Bonds in the form of fully registered Series Eighteen Bonds in accordance with instructions from Cede & Co.

If the Series Eighteen Bonds cease to be in book-entry form the Port is required to amend the Series Eighteen Bond Certificate to the extent required to conform the notices, payment provisions and other administrative provisions of the Series Eighteen Bonds to the then current practices and procedures in the municipal bond market for securities that are similar to the Series Eighteen Bonds. Such amendments do not require the consent of Owners.

Payment of Series Eighteen Bonds

While the Series Eighteen Bonds are in book-entry form, payment of Series Eighteen Bond principal and interest will be made by wire transfer to DTC or its nominee on the payment date. If the Series Eighteen Bonds cease to be in book-entry form, the principal or redemption price of the Series Eighteen Bonds will be payable by check at the designated corporate trust office of the Trustee, and interest on the Series Eighteen Bonds will be paid to the person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the close of business on the day (whether or not a Business Day) immediately preceding the applicable Interest Payment Date (the “Record Date”). Payment of the interest on the Series Eighteen Bonds will be made by wire transfer in immediately available funds to an account within the United States of America designated by such Owner, and, if the Series Eighteen Bonds are not in book-entry form, will be made by check mailed by first class mail to such Owner at its address as it appears on such registration books, or, upon the written request of any Owner of at least \$1,000,000 in aggregate principal amount of Series Eighteen Bonds, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

Any such interest not so punctually paid or duly provided for will cease to be payable to the Bondowner on such Record Date and will be paid to the person in whose name the Series Eighteen Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to DTC or its nominee as registered Owner not less than 10 days prior to such Special Record Date.

Remarketing Agents

The Port has appointed J.P. Morgan Securities LLC as Remarketing Agent for the Subseries Eighteen A Bonds and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent for the Subseries Eighteen B Bonds. Each Remarketing Agent is required to use its best efforts to offer for sale all Series Eighteen Bonds of the applicable Subseries, or any portions thereof, as to which notice of optional tender has been given or that are subject to mandatory purchase. Each Remarketing Agent may resign or suspend its duties immediately, in certain circumstances, as set forth in the applicable Remarketing Agreement. Each Remarketing Agent may be removed as set forth in the applicable Remarketing Agreement. See “CERTAIN RISK FACTORS—Certain Considerations Relating to Variable Rate Demand Obligations.”

Determination of Interest Rates

The interest on each Subseries will accrue at the rate of interest per annum determined by the applicable Remarketing Agent on and as of (i) for Series Eighteen Bonds in the Weekly Mode, each Wednesday or, if Wednesday is not a Business Day, the next Business Day succeeding such Wednesday, and (ii) for Series Eighteen Bonds in the Daily Mode, each Business Day (each, a “Rate Determination Date”), in each case as the minimum rate of interest which, in the judgment of that Remarketing Agent under then-existing market conditions, would result in the sale of such Subseries on that Rate Determination Date at a price equal to the principal amount of such Subseries plus accrued interest, if any (for Series Eighteen Bonds in the Weekly Mode, the “Weekly Rate,” and for Series Eighteen Bonds in the Daily Mode, the “Daily Rate”). Such determination shall be conclusive and binding upon the Owners.

Each Remarketing Agent is required to establish the Weekly Rate for the applicable Subseries in the Weekly Mode by 10:00 a.m. New York City time on each Rate Determination Date. The Weekly Rate will be in effect from and including each Wednesday to and including the following Tuesday. Each

Remarketing Agent is required make the Weekly Rate available after 10:00 a.m. New York City time on the Rate Determination Date by telephone to any Owner.

Each Remarketing Agent is required to establish the Daily Rate for the applicable Subseries in the Daily Mode by 10:00 a.m. New York City time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day.

If (i) the applicable Remarketing Agent fails or is unable to determine the interest rates with respect to any Subseries, or (ii) the method of determining the interest rate with respect to any Subseries is held to be unenforceable by a court of law of competent jurisdiction, then in each such case such Subseries will thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered an opinion of counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which such rate was determined in the case of clause (i) and from the date on which interest was legally paid in the case of clause (ii), at an annual rate equal to the SIFMA Municipal Swap Index prior to the date such rate is determined.

See Appendix C—“FORM OF SERIES EIGHTEEN BOND CERTIFICATE.”

Optional Tender for Purchase

The Owners of Series Eighteen Bonds may elect to have their Series Eighteen Bonds (or portions of those Series Eighteen Bonds in any amount equal to an Authorized Denomination) purchased on any Business Day at a price equal to the principal amount thereof, plus accrued interest, upon delivery of an irrevocable written notice of tender by telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication and an irrevocable telephonic notice to the applicable Remarketing Agent and the Trustee (i) for Series Eighteen Bonds in the Weekly Mode, not later than 4:00 p.m. New York City time, on the Business Day five Business Days prior to the applicable purchase date, and (ii) for Series Eighteen Bonds in the Daily Mode, not later than 10:30 a.m. New York City time, on the Business Day that is the applicable purchase date.

Such notice of tender must state the CUSIP number, Subseries designation, bond number (if the Series Eighteen Bonds are not registered in the name of DTC or its nominee) and the principal amount of such Series Eighteen Bond and that such Series Eighteen Bond shall be purchased on the purchase date specified in such notice.

Payment of the purchase price will be made only if the Series Eighteen Bond so delivered to the Trustee conforms in all respects to the description thereof in such notice. An Owner who gives the notice of tender as set forth above may repurchase the Series Eighteen Bonds so tendered on such purchase date if the applicable Remarketing Agent agrees to sell the Series Eighteen Bonds so tendered to such Owner. Such notices of tender may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Series Eighteen Bonds.

See Appendix C—“FORM OF SERIES EIGHTEEN BOND CERTIFICATE.”

Mandatory Purchase

Conversion to a Mode Other than the Fixed Rate Mode. Series Eighteen Bonds to be changed from one Mode to another Mode (other than the Fixed Rate Mode) at the election of the Port are subject to mandatory purchase on the Mode Change Date. The Trustee is required to give notice of such mandatory purchase to DTC or its nominee as registered Owner of the Series Eighteen Bonds subject to

mandatory purchase no less than five Business Days for Series Eighteen Bonds which are to be changed to a Mode of 360 days or less and no less than 15 days for Series Eighteen Bonds which are to be changed to a Mode of more than 360 days or an Indexed Mode, each prior to the Mandatory Purchase Date.

Conversion to the Fixed Rate Mode. Series Eighteen Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change Date at a purchase price equal to the principal amount of such Subseries, plus accrued interest. The Trustee is required to give notice of such mandatory purchase as part of the notice of change of Mode to be sent to the Owners described in “Conversion to Another Mode” under this heading.

Substitution or Expiration of Letter of Credit. On each Substitute Liquidity Facility Date and Substitute Credit Facility Date, and on the second Business Day preceding each Expiration Date, the applicable Subseries is subject to mandatory purchase at a purchase price equal to the principal amount of such Subseries, plus accrued interest. However, such Subseries will not be subject to mandatory purchase on the Substitute Liquidity Facility Date or Substitute Credit Facility Date or the second Business Day preceding each Expiration Date if on or prior to the 15th day prior to such Substitute Liquidity Facility Date, Substitute Credit Facility Date or Expiration Date, the Port has furnished to the Trustee an agreement to extend the applicable Letter of Credit. The Trustee is required to give notice of such mandatory purchase to DTC or its nominee as registered Owner of the Series Eighteen Bonds no less than 10 days prior to such Mandatory Purchase Date. The failure to give such notice with respect to any Series Eighteen Bond shall not affect the validity of the mandatory purchase of any other Series Eighteen Bond with respect to which notice was so given.

Termination of Letter of Credit. On each Termination Date, the applicable Subseries is subject to mandatory purchase at a price equal to the principal amount thereof, plus accrued interest, if any, with respect thereto to the Termination Date. The Trustee is required to give notice of such mandatory purchase to DTC or its nominee as registered Owner of the Series Eighteen Bonds as soon as practicable, but no later than two Business Days after receipt of notice of termination from the applicable Bank.

See Appendix C—“FORM OF SERIES EIGHTEEN BOND CERTIFICATE.”

Tender Provisions

Tender. All Series Eighteen Bonds to be purchased on any date must be delivered to the principal corporate office of the Trustee at or before 11:00 a.m. New York City time on such date. See Appendix D—“DTC AND ITS BOOK-ENTRY SYSTEM.”

Undelivered Bonds. If the Owner of a Series Eighteen Bond (or portion thereof) that is subject to purchase fails to deliver such Series Eighteen Bond to the Trustee for purchase on the purchase date, and if the Trustee is in receipt of the purchase price therefor, such Series Eighteen Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Series Eighteen Bond (or portion thereof) shall be transferred to the purchaser thereof. Any Owner who fails to deliver such Series Eighteen Bond for purchase shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said Series Eighteen Bond to the Trustee.

Draws on the Letters of Credit. On each date on which Series Eighteen Bonds of a Subseries are required to be purchased, the Trustee shall give notice to the applicable Bank in accordance with the terms of the applicable Letter of Credit prior to 12:00 noon, New York City time of the amount equal to the purchase price of all Series Eighteen Bonds of such Subseries tendered or deemed tendered less the aggregate amount of remarketing proceeds paid to the Trustee, so that the Trustee receives from the

applicable Bank by 2:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Series Eighteen Bonds of such Subseries on such date, to enable the Trustee to pay the purchase price in connection therewith. If the applicable Bank has not paid the full amount required at the times required, the Port is required to transfer Net Revenues to the Trustee by 2:00 p.m. New York City time on such date, in immediately available funds, in an amount sufficient, together with the proceeds of the remarketing of the applicable Subseries on such date, to enable the Trustee to pay the purchase price in connection therewith.

Purchase. At or before close of business New York City time on each date on which Series Eighteen Bonds are required to be purchased and upon receipt by the Trustee of the aggregate purchase price of the tendered Series Eighteen Bonds, the Trustee is required to pay the purchase price of such Series Eighteen Bonds to the Owners by bank wire transfer in immediately available funds. The Trustee is required to pay such purchase price from the following sources and in the following order of priority: (1) remarketing proceeds, (2) proceeds from a draw on the applicable Letter of Credit and (3) Net Revenues transferred to the Trustee by the Port for such purpose.

Inadequate Funds for Tenders. If the funds available are inadequate for the purchase of all Series Eighteen Bonds of a Subseries tendered on any date on which Series Eighteen Bonds are required to be purchased, no purchase of the Series Eighteen Bonds of such Subseries shall be consummated and the Trustee, after any applicable grace period, is required to return all tendered Series Eighteen Bonds of such Subseries to the Owners thereof and return all remarketing proceeds to the applicable Remarketing Agent for return to the persons providing such money.

See Appendix C—“FORM OF SERIES EIGHTEEN BOND CERTIFICATE.”

Conversion to Another Mode

Each Subseries may be changed to the Commercial Paper Mode, the Daily Mode, the Indexed Mode, the Term Rate Mode or the Fixed Rate Mode and back to the Weekly Mode. All Series Eighteen Bonds of a Subseries must be in the same Mode. Series Eighteen Bonds to be changed from one Mode to another Mode are subject to mandatory purchase on the Mode Change Date. See “Mandatory Purchase” under this heading.

Conversion to a Mode Other than the Fixed Rate Mode

- (1) **Notice.** The Port is required to give written notice to the Owners of the applicable Subseries of its intention to effect a change in the Mode from the Mode then prevailing to another Mode specified in such written notice no later than the fifth Business Day preceding the proposed Mode Change Date.
- (2) **Conditions Precedent.** The Mode Change Date must be a Business Day. The Trustee and the Remarketing Agent must have received on the Mode Change Date an opinion of Bond Counsel, dated the Mode Change Date, to the effect that the conversion is permitted under the Series Eighteen Bond Documents and will not, in and of itself, result in the inclusion of interest on the Series Eighteen Bonds in gross income for federal income tax purposes. If there is no Liquidity Facility in effect to provide funds for the purchase of the applicable Subseries on the Mode Change Date, the remarketing proceeds available on the Mode Change Date must be not less than the amount required to purchase all of the Series Eighteen Bonds of such Subseries at a price equal to the principal amount of such Subseries, plus accrued interest, if any (unless the Port, in its sole discretion, elects

to transfer to the Trustee the amount of such deficiency on or before the Mode Change Date).

- (3) **Failure to Satisfy Conditions Precedent.** If the foregoing conditions have not been satisfied by the Mode Change Date, the new Mode shall not take effect, and all Series Eighteen Bonds of such Subseries shall be changed to a Daily Mode.
- (4) **Revocation of Election.** The Port may revoke its election to effect a conversion of the interest rate on the Series Eighteen Bonds to another Mode by giving written notice of such revocation to the Trustee at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

Conversion to the Fixed Rate Mode

- (1) **Notice.** The Trustee is required to give a notice of the proposed conversion to DTC or its nominee as registered Owner not less than 15 days prior to the proposed Mode Change Date.
- (2) **Conditions Precedent.** The Mode Change Date must be a regularly scheduled Interest Payment Date. Not less than seven Business Days prior to the date on which the Trustee is required to notify the registered Owners of the conversion, the Port is required to file with the Trustee an opinion of Bond Counsel to the effect that such conversion will not adversely affect the validity of the Series Eighteen Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series Eighteen Bonds would otherwise be entitled. The Port must also file with the Trustee an opinion of Bond Counsel to the same effect dated the Mode Change Date. Not later than 12:00 noon, New York City time, on the Business Day prior to the Mode Change Date, the applicable Remarketing Agent is required to determine the Fixed Rate and prior to the conversion, to determine a serial bond maturity schedule or combination of serial maturities and term bonds.
- (3) **Failure to Satisfy Conditions Precedent.** If the foregoing conditions have not been satisfied by the Mode Change Date, the new Mode will not take effect, and all Series Eighteen Bonds of such Subseries shall be changed to a Daily Mode.
- (4) **Revocation of Election.** The Port may revoke its election to effect a conversion of the interest rate on the Series Eighteen Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Trustee at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

See Appendix C—“FORM OF SERIES EIGHTEEN BOND CERTIFICATE.”

Redemption

Optional Redemption. The Series Eighteen Bonds are subject to redemption prior to their stated Maturity Date, at the option of the Port, in whole on any date or in part on any Business Day at a redemption price equal to the principal amount of Series Eighteen Bonds called for redemption, without premium. Optional redemption of Series Eighteen Bonds requires the prior written consent of the applicable Bank.

Mandatory Sinking Fund Redemption. The Series Eighteen Bonds of each Subseries are to be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date, on July 1st in the years and the principal amounts (after credit as provided below) as follows:

Year	Subseries Eighteen A Bonds	Subseries Eighteen B Bonds
2012	\$2,910,000	\$2,910,000
2013	3,045,000	3,040,000
2014	3,985,000	3,985,000
2015	4,855,000	4,855,000
2016	5,080,000	5,085,000
2017	4,435,000	4,430,000
2018	4,510,000	4,515,000
2019	4,705,000	4,705,000
2020	4,935,000	4,930,000
2021	5,155,000	5,155,000
2022	3,295,000	3,295,000
2023	3,450,000	3,450,000
2024	3,605,000	3,610,000
2025	3,785,000	3,780,000
2026	3,390,000	3,395,000

If requested to do so by the Port not less than 60 days in advance of a mandatory sinking fund redemption date, the Trustee is required to reduce the amount of Series Eighteen Bonds of any Subseries to be redeemed on any such redemption date by the amount of Series Eighteen Bonds of such Subseries previously redeemed as described above under “Optional Redemption” or delivered to the Trustee for cancellation, and which have not previously formed the basis for such a reduction.

Selection of Series Eighteen Bonds for Redemption. Whenever provision is made for the redemption of less than all of the Series Eighteen Bonds of a Subseries or any given portion thereof, the Trustee is required to select the Series Eighteen Bonds of such Subseries to be redeemed, in Authorized Denominations, by lot, in any manner.

Notice of Redemption. While the Series Eighteen Bonds are in book-entry form the Trustee is required to give DTC or its nominee notice of redemption not less than 15 days prior to the date fixed for redemption. While the Series Eighteen Bonds are in book-entry form the Trustee is required to give notice of redemption in accordance with the rules of DTC. If the Series Eighteen Bonds cease to be in book-entry form notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Owners of the Series Eighteen Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Failure by the Trustee to give such notice of redemption to any one or more of the Owners of the Series Eighteen Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed. Any such notice may be conditional and may be rescinded by the Port no later than five Business Days prior to the date specified for redemption. The Trustee is required to give notice of such rescission, as soon thereafter as practicable, in the same manner as notice of such redemption was given.

Effect of Notice of Redemption. Notice of redemption having been duly given and not having been rescinded, the Series Eighteen Bonds (or portions thereof) so called for redemption shall become due and payable on the date fixed for redemption designated in such notice at the redemption price specified in such notice plus interest accrued thereon to the date fixed for redemption, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Series Eighteen Bonds (or portions thereof) so called for redemption being held by the Trustee, interest on the Series Eighteen Bonds so called for redemption shall cease to accrue, and the Owners of those Series Eighteen Bonds (or portions thereof) shall have no rights in respect thereof except to receive payment of such redemption price and accrued interest.

THE LETTERS OF CREDIT

General

Each Bank will issue its Letter of Credit pursuant to the applicable Reimbursement Agreement. Each Letter of Credit will support the payment of the principal of and interest on the applicable Subseries of Series Eighteen Bonds only and the purchase price of such Subseries of Series Eighteen Bonds tendered for purchase and not remarketed only, and not the other Subseries of Series Eighteen Bonds. The following summarizes certain provisions of each Letter of Credit and each Reimbursement Agreement, to which documents reference is made for the complete provisions thereof. The Letters of Credit are substantially similar and the Reimbursement Agreements are substantially similar. Accordingly, the majority of the discussion below is general and applies equally to each Letter of Credit and each Reimbursement Agreement. Investors should obtain and review a copy of each applicable Reimbursement Agreement and each applicable Letter of Credit in order to understand all of the terms of those documents. The provisions of any substitute letter of credit and related reimbursement agreement may be different from those summarized below.

Any reference herein to the Series Eighteen Bonds, to any Letter of Credit or to any Reimbursement Agreement shall be deemed to mean the Series Eighteen Bonds of a certain Subseries or the Letter of Credit supporting a certain Subseries of Series Eighteen Bonds or the particular Reimbursement Agreement, unless context or use clearly indicate otherwise.

Letters of Credit

Each Letter of Credit is an irrevocable transferable obligation of the applicable Bank. Each Letter of Credit will be issued in an amount equal to the aggregate outstanding principal amount of the applicable Subseries of Series Eighteen Bonds, plus 53 days' interest thereon at the rate of 12% per annum (the "Cap Interest Rate"). The Trustee, upon compliance with the terms of such Letter of Credit, is authorized to draw up to (a) an amount sufficient (i) to pay principal of the applicable Subseries of Series Eighteen Bonds when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the purchase price of such Subseries of Series Eighteen Bonds delivered for purchase pursuant to a demand for purchase by the Owner thereof or a mandatory tender for purchase and not remarketed (a "Liquidity Drawing") equal to the principal amount of such Subseries of Series Eighteen Bonds, plus (b) an amount not to exceed 53 days' of accrued interest on such Subseries of Series Eighteen Bonds at the Cap Interest Rate (i) to pay interest on such Subseries of Series Eighteen Bonds when due and (ii) to pay the portion of the purchase price of such Subseries of Series Eighteen Bonds delivered for purchase pursuant to a demand for purchase by the Owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Series Eighteen Bonds. No drawing shall be made for Bank Bonds (as defined in each Reimbursement Agreement) or for Series Eighteen Bonds bearing interest at a rate other than the Weekly Rate or the Daily Rate or for Series Eighteen Bonds owned by or on behalf of, or for the benefit or account of, the Port.

The amount available under each Letter of Credit will be automatically reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to a drawing to pay interest on the applicable Subseries of Series Eighteen Bonds (an “Interest Drawing”), the amount available under the applicable Letter of Credit will be automatically reinstated effective on the open of business on the fifth calendar day from the date of such drawing unless the Trustee shall have received notice from the applicable Bank prior to the close of business on the fourth calendar day from the date of such drawing that any Event of Default under the applicable Reimbursement Agreement shall have occurred and as a consequence thereof, such Letter of Credit will not be reinstated and such Bank shall direct the Trustee to cause a mandatory tender of the applicable Subseries of Series Eighteen Bonds, thereby causing the applicable Letter of Credit to expire 10 days following the Trustee’s receipt of such notice. See “THE SERIES EIGHTEEN BONDS—Mandatory Purchase—Termination of Letter of Credit.” With respect to a Liquidity Drawing, the applicable Letter of Credit will automatically be reduced by an amount equal to the amount of such Liquidity Drawing. Prior to the Conversion Date (defined below), upon a remarketing of the applicable Subseries of Series Eighteen Bonds (or portions thereof) previously purchased with the proceeds of such Liquidity Drawing, the obligation of the applicable Bank to honor drawings under such Letter of Credit will be automatically reinstated in an amount set forth in a reinstatement certificate concurrently upon receipt by such Bank of such reinstatement certificate and the amount set forth therein.

Each Letter of Credit will terminate on the earliest of the close of business of the applicable Bank on (a) the stated expiration date (July 3, 2014, unless renewed or extended); (b) the earlier of (i) the date which is one Business Day following the date on which all of the Series Eighteen Bonds of the applicable Subseries have been converted to bear interest at a rate other than the Weekly Rate or the Daily Rate (the “Conversion Date”) and (ii) the date on which such Bank honors a drawing under such Letter of Credit on or after the Conversion Date; (c) the date of receipt by such Bank of a certificate from the Trustee specifying that no Series Eighteen Bonds of such Subseries remain outstanding, within the meaning of the Series Eighteen Bond Documents, all drawings required to be made under the Series Eighteen Bond Documents and available under such Letter of Credit have been made and honored, or that a substitute credit facility has been issued in substitution for such Letter of Credit pursuant to the Series Eighteen Bond Documents and the applicable Reimbursement Agreement; (d) the date on which a Stated Maturity Drawing (as defined in such Letter of Credit) is honored by such Bank; or (e) the date which is 10 days following the date the Trustee receives a written notice from such Bank specifying the occurrence of an “Event of Default” under such Reimbursement Agreement and directing the Trustee to cause a mandatory tender of such Subseries of Series Eighteen Bonds.

Events of Default Under the Reimbursement Agreements

Pursuant to each Reimbursement Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to each Reimbursement Agreement for a complete listing of all Events of Default thereunder.

(a) The Port shall fail to pay (i) any principal of or interest on any Drawing (as defined in such Reimbursement Agreement), Liquidity Advance (as defined in such Reimbursement Agreement) or Bank Bond as and when due under such Reimbursement Agreement or (ii) any other amount payable to the Bank under such Reimbursement Agreement, the Fee Agreement (as defined in such Reimbursement Agreement) or any of the other Basic Documents (as defined in such Reimbursement Agreement) within three Business Days after the same shall have become due and payable; or

(b) any representation, warranty, certification or statement made by the Port in such Reimbursement Agreement or in any other Basic Document, or in any amendment thereto, or in any certificate, financial statement or other document delivered pursuant to such Reimbursement Agreement

or any other Basic Document shall (in any such case) have been incorrect or untrue in any material respect when made or deemed to have been made; or

(c) the Port shall default in the due observance or performance of certain covenants set forth in such Reimbursement Agreement; or

(d) the Port shall default in the due performance or observance of any term, covenant or agreement contained in such Reimbursement Agreement (other than those covered by paragraph (a) or (c) of this subheading “Events of Default Under the Reimbursement Agreements”) and such default, if capable of being remedied, shall remain unremedied for 30 days after the occurrence thereof; *provided*, that if such default is of such a nature that it can be corrected but not within such 30-day cure period, then that default shall not constitute an Event of Default so long as the Port institutes corrective action within such 30-day cure period and diligently pursues that action to completion, but in no event shall such cure period be extended beyond 60 days after the occurrence of such default; or

(e) any material provision of such Reimbursement Agreement or any of the Basic Documents shall cease to be valid and binding, or the Port shall contest any such provision, or the Port or any agent or trustee on its behalf shall deny that it has any or further liability under such Reimbursement Agreement or any of the Basic Documents to which it is a party; or

(f) (i) the Port shall (A) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (B) not pay, or admit in writing its inability to pay, its debts generally as they become due, (C) make an assignment for the benefit of creditors, (D) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (E) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (F) take any corporate action in furtherance of any matter described in parts (i)(A) through (i)(E) above, or (G) fail to contest in good faith any appointment or proceeding described in clause (f)(ii) hereof; or (ii) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Port or any substantial part of any of its property, or a proceeding described in clause (f)(i)(E) hereof shall be instituted against the Port and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 30 or more days; or

(g) any pledge or security interest created by the Series Eighteen Bond Documents or such Reimbursement Agreement to secure any amount due under such Reimbursement Agreement or under the Fee Agreement or under any other Basic Document to which the Port is a party shall fail to be fully enforceable with the priority required under such Reimbursement Agreement or the Series Eighteen Bond Documents, as the case may be, by reason of a final, non-appealable judgment of a court of competent jurisdiction; or

(h) the Port shall default in the due performance or observance of any material term, covenant or agreement contained in any Basic Document or an “event of default” shall occur and be continuing under any Basic Document and the same shall not have been cured within any applicable cure period; or

(i) (i) a default shall occur under any evidence of debt secured by or payable from the Revenues on a basis that is senior to or on parity with the applicable Subseries of Series Eighteen Bonds

issued, assumed, or guaranteed by the Port under any indenture, agreement or other instrument under which the same may be issued and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such debt (whether or not such maturity is in fact accelerated) or (ii) any principal of or interest on such debt secured by or payable from the Revenues on a basis that is senior to or on parity with the Series Eighteen Bonds shall not be paid when and as due (whether by lapse of time, acceleration or otherwise) and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, agreement or other instrument under which such debt was issued; or

(j) any final and non-appealable judgment or court order for the payment of money in excess of \$10,000,000 and payable from Revenues shall be rendered against the Port, and such judgment or court order shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged or satisfied; or

(k) (i) Moody's (if Moody's assigns a Rating (as defined in such Reimbursement Agreement)) shall lower its Rating below "A3" (or its equivalent) or S&P or Fitch (if Fitch assigns a Rating) shall lower its respective Rating below "A-" (or its equivalent), (ii) any Rating Agency shall withdraw its Rating, other than as a result of debt maturity, redemption, defeasance or nonapplication or (iii) any Rating Agency shall suspend its Rating, other than as a result of debt maturity, redemption or defeasance; or

(l) a debt moratorium, debt restructuring, debt adjustment or comparable restrictions shall be imposed on any debt of the Port secured by Revenues shall have been declared by the Port or any governmental authority with appropriate jurisdiction.

Remedies Under the Reimbursement Agreements

Following the occurrence of any of the above described Events of Default, the applicable Bank may take any one or more of the following actions, among others. Reference is made to the applicable Reimbursement Agreement for a complete listing of all consequences of Events of Default thereunder.

(a) declare the Obligations (as defined in such Reimbursement Agreement) of the Port under such Reimbursement Agreement to be immediately due and payable, and the same shall thereupon become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Port; provided that, if an Event of Default described in paragraph (f) of the subheading "Events of Default Under the Reimbursement Agreements" has occurred, all Obligations of the Port under such Reimbursement Agreement will be automatically accelerated on the date of the occurrence of such Event of Default without presentment, demand, protest or notice of any kind, all of which are expressly waived by the Port;

(b) deliver a notice of such default to the Trustee, directing the Trustee to cause a mandatory tender of all of Series Eighteen Bonds of the applicable Subseries, and stating that the applicable Letter of Credit will terminate on the 10th day following the date of receipt by the Trustee of such notice;

(c) pursue any rights and remedies available to it under such Reimbursement Agreement or under the other Basic Documents; and

(d) pursue any other action available at law or in equity, including, without limitation, specific performance.

Certain Rights of the Banks

The Port and each Bank may agree at any time to alter, modify or amend the terms of the applicable Reimbursement Agreement, including the events of default listed therein, without notice to or consent of any Owner. Furthermore, any such event of default may be unilaterally waived without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any prospective purchaser of the Series Eighteen Bonds that the occurrence of an event of default under the such Reimbursement Agreement will necessarily result in the call of any or all of such Series Eighteen Bonds for redemption.

Except as provided in the next sentence, if a Bank has not failed to pay a properly presented conforming draw on the applicable Letter of Credit, then such Bank shall be deemed to be the sole Owner of the Outstanding Series Eighteen Bonds of the applicable Subseries for purposes of giving approval or consent and directing remedies and Trustee actions under the Series Eighteen Bond Documents. Such Bank shall not be permitted to consent to, or approve of, any changes in the payment dates or interest rates of Outstanding Series Eighteen Bonds of such Subseries or changes that reduce or limit the obligations of such Bank under such Letter of Credit, unless those changes only take effect after a mandatory tender or redemption of then Outstanding Series Eighteen Bonds of such Subseries.

To the extent any provision in the Series Eighteen Bond Documents requires the Port or the Trustee to obtain or procure the consent, direction, approval or request of a Bank, the Port or the Trustee (as the case may be) shall be required to obtain or procure such consent, direction, approval or request in all instances, except during any time in which (i) such Bank has failed to pay a properly presented conforming draw or notice of presentment under the applicable Letter of Credit, which failure is continuing; (ii) such Letter of Credit shall at any time for any reason be finally determined under applicable law, by a court of competent jurisdiction, to be null and void and not valid and binding on such Bank, or the validity or enforceability thereof is being contested by such Bank or by any governmental agency or authority which has taken control of the assets of such Bank in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to act on behalf of such Bank; or (iii) such Letter of Credit is no longer in effect and any and all of the Port's obligations under the applicable Reimbursement Agreement have been paid in full.

Substitution of Letter of Credit

At any time, the Port may obtain or provide for the delivery to the Trustee a Substitute Liquidity Facility or Substitute Credit Facility with respect to a Subseries of Series Eighteen Bonds. On or prior to the date on which a Substitute Liquidity Facility or Substitute Credit Facility is obtained and delivered to the Trustee, the Port is required to furnish to the Trustee an opinion of Bond Counsel to the effect that the delivery thereof, by itself, (1) is lawful under Chapters 777 and 778 of the Oregon Revised Statutes and is authorized or permitted by the Series Eighteen Bond Documents, and (2) will not adversely affect the exclusion of interest on Series Eighteen Bonds from gross income for federal income tax purposes, nor adversely affect the validity of the applicable Subseries of Series Eighteen Bonds. On each such Substitute Liquidity Facility Date or Substitute Credit Facility Date, the applicable Subseries of Series Eighteen Bonds are subject to mandatory purchase at a purchase price equal to the principal amount of such Series Eighteen Bonds, plus accrued interest. See "THE SERIES EIGHTEEN BONDS—Mandatory Purchase."

THE SUBSERIES EIGHTEEN A BANK

The information under this heading has been provided solely by the Subseries Eighteen A Bank. This information has not been verified independently by the Port or the Remarketing Agents. The Port

and the Remarketing Agents make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

U.S. Bank National Association (“USBNA”) is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At March 31, 2011, USBNA reported total assets of \$306 billion, total deposits of \$215 billion and total shareholders’ equity of \$32 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices (“Call Report”), for the quarter ended March 31, 2011. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the “SEC”). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this section, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

THE SUBSERIES EIGHTEEN B BANK

The information under this heading has been provided solely by the Subseries Eighteen B Bank. This information has not been verified independently by the Port or the Remarketing Agents. The Port and the Remarketing Agents make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

Wells Fargo Bank, National Association (the “Subseries Eighteen B Bank”) is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Subseries Eighteen B Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California (“Wells Fargo”).

Effective at 11:59 p.m. on December 31, 2008, Wells Fargo acquired Wachovia Corporation and its subsidiaries in a stock-for-stock merger transaction. Information about this merger has been included in filings made by Wells Fargo with the Securities and Exchange Commission (“SEC”). Copies of these filings are available free of charge on the SEC’s website at www.sec.gov or by writing to Wells Fargo’s Corporate Secretary at the address given below.

Each quarter, the Subseries Eighteen B Bank files with the FDIC financial reports entitled “Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices,” commonly referred to as the “Call Reports.” The Subseries Eighteen B Bank’s Call Reports are prepared in accordance with regulatory accounting principles, which may differ from

generally accepted accounting principles. The publicly available portions of the Call Reports contain the most recently filed quarterly reports of the Subseries Eighteen B Bank, which include the Subseries Eighteen B Bank's total consolidated assets, total domestic and foreign deposits, and total equity capital. These Call Reports, as well as the Call Reports filed by the Subseries Eighteen B Bank with the FDIC after the date of this Reoffering Memorandum, may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Subseries Eighteen B Letter of Credit will be solely an obligation of the Subseries Eighteen B Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Subseries Eighteen B Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Subseries Eighteen B Letter of Credit will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the Subseries Eighteen B Bank, and is furnished solely to provide limited introductory information regarding the Subseries Eighteen B Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Subseries Eighteen B Bank since the date hereof.

SECURITY AND SOURCE OF PAYMENT FOR THE SLBS

Pledge of Revenues

The Series Eighteen Bonds are payable from the Net Revenues that are available for deposit in the General Account and from money in the SLB Fund and SLB Construction Account. Pursuant to the Airport Revenue Bond Ordinances, the Port has pledged to the payment of all Outstanding SLBs (including the Series Eighteen Bonds) and to the payment of all Scheduled Swap Obligations: (1) all Revenues, (2) all money on deposit, from time to time, in the SLB Construction Account and (3) all money on deposit, from time to time, in the SLB Fund.

"Revenues" includes all amounts derived by the Port from its ownership or operation and management of the Airport, including, among other things, all amounts derived from rates, rentals, fees and charges imposed by the Port for the use and services of the Airport, but not including (1) proceeds from the sale of bonds or grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements, (2) passenger facility charges or similar charges that are imposed under the authority of federal law and are limited by federal law to expenditure on specific projects or activities and/or on debt service and financing costs related to specific projects or activities or (3) tax revenues or tax-derived revenues.

"Net Revenues" means for any past period the aggregate of the Revenues actually paid into the Airport Fund during such past period, and for any future period the aggregate of the Revenues estimated to be paid into the Airport Fund during such future period, minus for any such past period the aggregate of the Costs of Operation and Maintenance of the Airport actually paid or accrued during such past period, or minus for any such future period the aggregate of the Costs of Operations and Maintenance of the Airport estimated to be paid or accrued during such future period, as the case may be.

Limited Obligations

The Series Eighteen Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Eighteen Bonds are not secured by any tax revenues or taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Funds Under the Airport Revenue Bond Ordinances

Airport Fund. 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.

General Account; Flow of Funds. On the first business day of each month, after paying the Costs of Operation and Maintenance, the Port is required to credit the balance of the Revenues in the Airport Fund to a separate account in the Airport Fund held by the Port (the “General Account”). The Port is required to credit Net Revenues in the General Account to the following Funds in the following order of priority:

FIRST: to the SLB Interest Account, until all required deposits to that account have been made;

SECOND: to the SLB Serial Bond Principal Account, until all required deposits to that account have been made;

THIRD: to the SLB Term Bond Principal Account, until all required deposits to that account have been made;

FOURTH: to the SLB Reserve Account, until all required deposits to that account have been made;

FIFTH: to the Port for deposit in the JLO Fund described under this heading, until all required deposits to that fund have been made; and

SIXTH: to the Port for deposit in the TLO Fund described under this heading, until all required deposits to that fund have been made.

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.

SLB Fund. The SLB Fund, which is held by the Trustee, consists of the SLB Interest Account, the SLB Serial Bond Principal Account, the SLB Term Bond Principal Account and the SLB Reserve Account. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The SLB Fund.”

SLB Interest Account. For SLBs such as the Series Eighteen Bonds and any Qualified Swap for which interest or Qualified Swap Obligations are due semi-annually, or less frequently, the Port is required to transfer amounts in the General Account to the Trustee for deposit in the SLB Fund, which is held by the Trustee, in monthly installments so that, together with other funds available or scheduled to be available therein, there will be sufficient money available to make such payments when due. For SLBs and any Qualified Swap for which interest or Qualified Swap Obligations are due more frequently than

semi-annually, the Port is required to transfer amounts in the General Account to the Trustee for deposit in the SLB Fund so that, together with other funds available or scheduled to be available therein, there will be sufficient money available to make such payments when due. Payments received by the Port under an agreement to enter into a Qualified Swap and any regularly scheduled payment that is received by the Port (or the Trustee on behalf of the Port) from a Qualified Swap Provider under a Qualified Swap that exceeds the amount paid by the Port, are required be deposited in the SLB Interest Account.

SLB Serial Bond Principal Account. On the first business day of each month, the Port is required to pay to the Trustee, from moneys in the General Account for deposit in the SLB Serial Bond Principal Account, an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs maturing serially becomes due and payable, the aggregate of the amounts on deposit in this account will equal the amount of serially maturing principal on such SLBs on such principal payment date.

SLB Term Bond Principal Account. On the first business day of each month, the Port is required to pay to the Trustee, from moneys in the General Account for deposit in the SLB Term Bond Principal Account, an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which SLB Term Bonds are subject to mandatory redemption, the aggregate of such amounts will equal the amount of SLB Term Bond principal due by mandatory redemption.

SLB Reserve Account. The Airport Revenue Bond Ordinances require the Port to maintain in the SLB Reserve Account an amount equal to the maximum SLB Debt Service Requirement for all SLBs outstanding in any future Fiscal Year (as further defined below, the “SLB Reserve Fund Requirement”), except that (1) the SLB Reserve Fund Requirement in respect of the SLBs of any series may be funded initially in equal monthly installments over four years and (2) as described in the following paragraph, debt service reserve insurance may be substituted for any portion of the SLB Reserve Fund Requirement. In the event that the balance in the SLB Reserve Account is reduced below the SLB Reserve Fund Requirement, on the first business day of any month the Port is required to pay to the Trustee from Revenues in the General Account an amount equal to 20% of that month’s other deposits to the SLB Fund until the amount on deposit in the SLB Reserve Account is equal to the SLB Reserve Fund Requirement.

The Airport Revenue Bond Ordinances permit the Port to substitute debt service reserve insurance for any portion of the SLB Reserve Fund Requirement, provided that the insurance is issued by a company rated, when the debt service reserve insurance is purchased by the Port, in the highest category by Standard & Poor’s, Moody’s Investors Service, A.M. Best Company or any comparable service. The SLB Reserve Fund Requirement has been satisfied by a combination of cash and the surety bonds issued by the providers, in the amounts and expiring on the dates, all as set forth in Table 2.

TABLE 2
SLB RESERVE ACCOUNT

Provider	Expiration Date	Amount
MBIA Insurance Corporation ⁽¹⁾	July 1, 2015	\$11,195,436
Financial Guaranty Insurance Company	July 1, 2023	9,670,775
Financial Guaranty Insurance Company ⁽¹⁾	July 1, 2025	1,180,750
Financial Guaranty Insurance Company ⁽¹⁾	July 1, 2026	13,423,219
Financial Guaranty Insurance Company ⁽¹⁾	July 1, 2028	10,770,756
Financial Guaranty Insurance Company ⁽¹⁾	July 1, 2028	3,490,190
Total Surety Bonds		\$49,731,126
Cash		21,154,313
Total Cash and Surety Bonds		\$70,885,439
SLB Reserve Fund Requirement		\$48,612,797

(1) Reinsured by National Public Finance Guarantee Corporation, a wholly-owned subsidiary of MBIA Inc.

Source: The Port.

SLB Construction Account. The Port has created the SLB Construction Account to hold certain proceeds of SLBs. The SLB Construction Account is held by the Port. Money credited to the SLB Construction Account may be applied solely (1) to pay the Costs of Construction of additions, expansions and improvements at the Airport, (2) to pay the costs of the acquisition and construction of General Aviation Airports or (3) the payment of Subordinate Lien Bonds and Scheduled Swap Obligations. The Port is required to transfer money in the SLB Construction Account to the Trustee for deposit in the SLB Interest Account in accordance with the schedule contained in the Capitalized Interest Certificate. Other withdrawals of money on credit to the SLB Construction Account may be made only in accordance with applicable law and upon a written requisition for such payment signed by an officer or employee of the Port.

JLO Fund. The Junior Lien Obligation Fund (the “JLO Fund”) is held by the Trustee. The Port is required to set aside and pay into the JLO Fund from the first money available in the General Account after required payments to the SLB Fund: (1) an amount sufficient, with other amounts available in the JLO Fund, to pay any Other Swap Obligations when due; and (2) any amounts the Port subsequently agrees to deposit into the JLO Fund for the benefit of Junior Lien Obligations. The Port currently has no bonds that are Junior Lien Obligations outstanding, but certain obligations under the Reimbursement Agreements, obligations under a reimbursement agreement securing the payment of the Series 2009A PFC Bonds (defined below), Other Swap Obligations (including termination payments) under the Series Eighteen Swaps (defined below) and the Port’s repayment obligations under a non-revolving credit facility are payable from the JLO Fund. See “PORTLAND INTERNATIONAL AIRPORT—Other Obligations” and “—Interest Rate Swaps” and Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The JLO Fund.”

TLO Fund. The Third Lien Obligation Fund (the “TLO Fund”) is held by the Port. 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 (defined below) are payable from the TLO

Fund. See “PORTLAND INTERNATIONAL AIRPORT—Interest Rate Swaps” and “—Other Obligations” and Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The TLO Fund.”

Authorized Aviation-Related Purposes. The Airport Revenue Bond Ordinances permit any Revenues remaining in the General Account after the transfers described above to be used by the Port for any lawful aviation-related use or purpose pertaining to the Airport or to aviation or air transport interests of the Port, including general aviation facilities. The Port has reserved the right to amend the Airport Revenue Bond Ordinances to permit the Port to apply Revenues remaining in the General Account to any Port purpose. See “Special Amendments” under this heading.

Rate Covenant

In the Airport Revenue Bond Ordinances, the Port has covenanted to impose and prescribe a schedule of rates, rentals, fees and other charges for the use and services of the facilities and commodities furnished by the Airport, to revise the same from time to time whenever necessary and to collect the income, receipts and other money derived therefrom, so that (1) Revenues will be sufficient to discharge all claims, obligations and indebtedness payable from or secured by the Revenues and (2) the Net Revenues in each Fiscal Year will be at least equal to 130% of the SLB Debt Service Requirement for such Fiscal Year for all SLBs then Outstanding. The Port has reserved the right to amend the definition of “SLB Debt Service Requirement” to accommodate balloon obligations. See “Special Amendments” under this heading.

Additional Bonds

The Port has covenanted in the Airport Revenue Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs. The Airport Revenue Bond Ordinances permit the Port to issue Additional SLBs if, among other requirements, a report is filed with the Trustee evidencing that either projected Net Revenues will be, or historical Net Revenues were, sufficient to meet the debt service coverage tests set forth in the Airport Revenue Bond Ordinances. The Port may issue Completion Bonds (as defined in the Airport Revenue Bond Ordinances) and certain refunding bonds without demonstrating compliance with debt service coverage tests. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Additional Bonds.”

Parity Reimbursement Agreements

The Port may enter into a Parity Reimbursement Agreement, such as the Reimbursement Agreements, which constitutes an SLB, only if: (1) the agreement requires the Port to repay amounts paid by the provider under the related Liquidity Facility or Credit Facility in substantially equal annual amounts over a period of no less than five years; and (2) the obligations of the Port under the agreement are not subject to acceleration unless all SLBs are accelerated or subject to tender. The limitation in clause (1) of the preceding sentence does not apply to the Port’s obligation to pay the provider of the Liquidity Facility or Credit Facility for: (a) amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a “direct-pay” Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days; (b) interest required to be paid by the Port on amounts drawn under the Liquidity Facility or Credit Facility; or (c) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement are to be treated as Costs of Operation and Maintenance of the Airport. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Parity Reimbursement Agreements.”

Special Amendments

In the Airport Revenue Bond Ordinances, the Port has reserved the right to make the following changes to the Airport Revenue Bond Ordinances without the consent of the Owners of the Series Eighteen Bonds:

(a) To amend the definition of “Airport” to add any facilities operated by the Port whether or not such facilities are related to aviation.

(b) To provide that the Airport Fund (other than the SLB Fund) may be invested in any securities that are legal investments for the Port under the laws of the State.

(c) To provide that the SLB Fund may be invested only in Investment Securities, and to define Investment Securities to include those securities that are then typically permitted for the investment of debt service and the reserve funds of revenue bonds that have credit ratings similar to the credit ratings then in effect for the SLBs.

(d) To permit the Port’s obligations under derivative products (including interest rate swaps, collars, hedges, caps and similar transactions) to be treated as SLBs and to make other changes which are desirable in order to permit use of derivative products in connection with SLBs.

(e) To permit obligations that are subordinate to the SLBs to be issued for any lawful Port purpose.

(f) To provide that balloon obligations will be treated as if they were refinanced with long-term obligations for purposes of calculating the SLB Debt Service Requirement and making certain deposits to the SLB Fund.

(g) To provide that any “put” or other right of Owners to require the purchase of SLBs shall not be treated as a maturity or mandatory redemption and may be ignored when calculating the SLB Debt Service Requirement and the amounts to be deposited to the SLB Fund, but only if bond insurance, a line or letter of credit, a standby bond purchase agreement or other liquidity or credit enhancement is in effect which is expected to pay for the purchase of the SLBs when the Owners exercise that right, if the SLBs are not remarketed or refunded.

(h) To provide that certain amounts in the SLB Serial Bond Principal Account and the SLB Term Bond Principal Account may be used for redemption or purchase for cancellation of SLBs.

(i) To reduce the SLB Reserve Fund Requirement to an amount equal to the maximum amount of proceeds of tax-exempt bonds which the Code permits to be deposited in a reserve account without yield restriction, and to specify either that separate reserve accounts will be held for each series of SLBs, or that a single reserve account will secure all series of SLBs.

(j) To modify the requirements for funding the Rebate Account or to eliminate the Rebate Account.

(k) To combine Ordinance No. 155 and Ordinance No. 323, to delete outdated provisions, to delete provisions that interfere with the business operations of the Port but that do not provide substantial security for owners of SLBs, to clarify and simplify the remaining

provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

By purchasing the Series Eighteen Bonds, the Owners of the Series Eighteen Bonds are deemed to have consented to all of the amendments described in the preceding paragraph, and the Port may subsequently make any of those amendments without the consent of the Owners of the Series Eighteen Bonds.

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. The portion of the Port's general administrative expense that is attributable to the Airport is charged to the Airport as a Cost of Operation and Maintenance. The Airport Fund, into which all of the Port's operating revenues from the Airport are deposited, is held by the Port as a separate enterprise fund. Revenues from the Airport are accounted for separately from revenues from the Port's other activities, including the Port's General Aviation Airports, although after all required deposits are made in connection with the SLBs and any Junior Lien Obligations, remaining Net Revenues may be applied to pay certain costs of the Port's other aviation interests, including costs at the General Aviation Airports. The Port has reserved the right to amend the Airport Revenue Bond Ordinances to add to the definition of "Airport" any facilities operated by the Port, whether or not such facilities are related to aviation, and thus to consolidate the revenues and expenses of the Airport with those of the Port's other operations. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances," "—Pledge of Revenues" and "—Special Amendments."

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 3.

**TABLE 3
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
Paul A. Rosenbaum, Treasurer	Chairman and CEO, Rentrak Corporation	June 2011
Ken Allen, Commissioner	Executive Director, AFSCME Counsel 75	September 2012
Peter Bragdon, Commissioner	Vice President and General Counsel, Columbia Sportswear Company	September 2011
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

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 since December 2004. 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 89% of total Airport passengers in the Fiscal Year ended June 30, 2010 (“FY 2010”), with the remaining 11% of Airport passengers having connected between flights.

According to calendar year 2009 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 calendar year 2009 data provided by the FAA, was the busiest medium-hub airport in calendar year 2009 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 1.45%, 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 3.0% between 2002 and 2009, compared with 3.3% for the State and 3.9% for the United States. In 2009, 38.5% of households in the Air Trade Area had household incomes of \$60,000 or more, compared with 35.4% in the State and 37.4% in the United States. From 1999 to 2009, the compounded annual growth rate of the Air Trade Area civilian labor force was 0.9%, compared with 0.9% for the State and 1.0% for the United States. In July 2010, the unemployment rate in the Air Trade Area was 10.4%, compared with 10.6% in the State and 9.7% in the United States.

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 of asphalt concrete construction and 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 9,825 feet long) are fully instrumented. Runway 3-21, the northeast/southwest crosswind runway, is 6,000 feet in length 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.

A state of the art in-line baggage screening system is currently under construction and when completed in June 2011, all checked bags will be screened in an area beyond public spaces. This new system will allow the Transportation Security Administration to more efficiently screen bags for banned substances, but will also allow 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. Eight rental car companies operate at the Airport: five

provide on-Airport service counters and vehicles, and the other three provide on-Airport service kiosks and have passenger pick-up and drop-off 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. Flightcraft 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.

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

General. The Airport capital improvement program through FY 2016 (the "CIP") is estimated to cost approximately \$796.9 million (including design, engineering, construction, escalation for inflation and contingency amounts), and includes projects for both the Port Cost Center (defined below) and the Airline Cost Center such as the in-line baggage screening project, completion of the north runway extension project and various other terminal and airfield improvements.

Financing. The Port expects to finance the CIP with a combination of certain grants and passenger facility charges ("PFCs"), Net Revenues, remaining proceeds of the Port's Portland International Airport Revenue Bonds, Series Nineteen and Series Twenty and proceeds of Additional SLBs. In November 2010, the Port obtained a non-revolving credit facility (the "JLO Credit Facility") in the amount of \$100 million to fund estimated costs associated with its south runway rehabilitation project and the deicing system improvements. See "Other Obligations—Junior Lien Obligations—JLO Credit Facility" under this heading. As of May 31, 2011, the Port had drawn down the JLO Credit Facility in the amount of \$40,180,432. The Port has received approval from the FAA to spend PFC revenues on the south runway rehabilitation project and the deicing system improvements, and the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. The Port expects to use a total of \$212.5 million in Airport funds, \$61.4 million in proceeds of Series Nineteen Bonds and Series Twenty Bonds and \$106.0 million in proceeds of Additional SLBs issued in 2013 and 2015 for the CIP.

Grants. The Port receives federal grants for Airport-related capital projects under the Airport Improvement Program (the "AIP"). The Port currently expects to receive AIP entitlement grants of approximately \$3.7 million per year, based on (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport and (3) a 75% reduction in entitlement grants because the Port collects a \$4.50 PFC. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects. The Port expects to receive approximately \$211.6 million in federal, State and other grants for the CIP.

AIP grants received by the Port for capital projects are not defined as Revenues under the Airport Revenue Bond Ordinances and do not secure the payment of the SLBs.

Passenger Facility Charges. PFC revenues are used to pay the costs of certain FAA-approved PFC-eligible projects, either by using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or by pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund costs of approved projects. Pursuant to FAA regulations, the current \$4.50 PFC level collected by the Port results in a 75% reduction in AIP passenger entitlement grants. The Port is currently authorized by the FAA, pursuant to eleven PFC application approvals, to impose and use approximately

\$1.065 billion of PFC revenues for various projects. The Port expects to use a total of \$205.3 million in PFC revenues for the CIP.

PFC revenues received by the Port are not defined as Revenues under the Airport Revenue Bond Ordinances and do not secure the payment of the SLBs.

Airlines Serving the Airport

As shown in Table 4, as of December 2010, 13 United States-flag and two foreign-flag passenger airlines provided scheduled passenger service at the Airport. In addition, eight airlines provided all-cargo service.

TABLE 4
AIRLINES SERVING THE AIRPORT
(as of December 2010)

Scheduled passenger service	All-cargo service
United States-flag airlines	
Alaska ⁽¹⁾	ABX
American	Air Transport International
Continental ⁽²⁾	Airpac
Delta	Ameriflight
Frontier	Empire
Hawaiian	FedEx
Horizon Air ⁽¹⁾	MartinAire Aviation
jetBlue	UPS
Seaport	
SkyWest (Delta Connection/United Express)	
Southwest ⁽³⁾	
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 89% of total Airport passengers in FY 2010, with the remaining 11% of Airport passengers having connected between flights. Historical data on enplaned passengers at the Airport since FY 1998 is set forth in Table 5. In FY 2010,

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 5
HISTORICAL ENPLANED PASSENGERS
FY 1998–2011**

<u>Fiscal Year Ended June 30</u>	<u>Total Enplaned Passengers</u>	<u>Increase (Decrease)</u>
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)
<u>First 9 months</u>		
2010	4,811,128	–
2011	5,017,906	4.3%
<u>Compounded annual growth rate</u>		
1998-2010		0.2%

Source: Port records, as reported by airlines.

Enplaned passengers by airline at the Airport for FY 2010 are set forth in Table 6.

**TABLE 6
ENPLANED PASSENGERS BY AIRLINE
FY 2010**

<u>Airline</u>	<u>Enplanements</u>	<u>Share</u>
Horizon Air ⁽¹⁾	1,282,825	19.8%
Southwest ⁽²⁾	1,237,598	19.1
Alaska ⁽¹⁾	956,724	14.8
Delta	771,899	11.9
United ⁽³⁾	575,320	8.9
SkyWest	370,593	5.7
Continental ⁽³⁾	297,029	4.6
US Airways	257,588	4.0
American	211,265	3.3
Frontier	173,985	2.7
Hawaiian	165,498	2.6
jetBlue	103,658	1.6
Air Canada Jazz	54,421	0.8
Other	<u>18,883</u>	<u>0.3</u>
Total	6,477,286	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.

Source: Port records.

Air Cargo Operations

Total cargo tonnage at the Airport from FY 1990 through FY 2010 is set forth in Table 7. 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 7
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)
First 9 months		
2010	149,635	–
2011	161,329	7.8%
Compounded annual growth rate		
1998-2010		(3.9)%

Source: Port records.

Landed Weight

Landed weight at the Airport, which is used to calculate landing fees, is recorded according to the aircraft’s certificated maximum gross landing weight, as determined by the FAA. Historical landed weight at the Airport is set forth in Table 8. Although changes in landed weight do have an effect on the Port’s landing fee rates, under the Airline Agreements (defined below) and Ordinance No. 433 and the FAA’s *Policy on Rates and Charges*, increased landed weight does not result in higher landing fee revenue to the Port; rather, it reduces the landing fee rate for the airlines. See “Airline and Cargo Agreements” under this heading.

TABLE 8
HISTORICAL LANDED WEIGHT
FY 1998–2011
(1000-pound units)

Fiscal Year Ended June 30	Passenger Airlines	All-Cargo Airlines	Total	Increase (Decrease)
1998	10,130,498	1,413,544	11,544,042	–
1999	10,563,654	1,540,104	12,103,758	4.8%
2000	10,627,373	1,695,417	12,322,790	1.8
2001	10,058,029	1,695,607	11,753,636	(4.6)
2002	8,891,771	1,496,913	10,388,684	(11.6)
2003	8,709,272	1,584,819	10,294,091	(0.9)
2004	8,598,665	1,418,114	10,016,779	(2.7)
2005	8,558,289	1,471,442	10,029,731	0.1
2006	8,826,387	1,500,529	10,326,916	3.0
2007	9,006,434	1,457,523	10,463,957	1.3
2008	9,339,704	1,373,540	10,713,244	2.4
2009	8,523,064	1,217,425	9,740,489	(9.1)
First 9 months				
2010	5,868,541	796,512	6,665,054	–
2011	5,997,744	843,758	6,841,502	2.6%
Compounded annual growth rate				
1998-2010	(2.1)%	(2.5)%	(2.1)%	

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 2010. 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 Net Revenues at least equal the sum of: (1) the Operation and Maintenance Requirement for the Fiscal Year; (2) an amount equal to 130% of the annual deposit to the Interest, Principal and Sinking Fund accounts of the SLB Fund for the Fiscal Year; and (3) any required deposits to the SLB Reserve Account. The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each Fiscal Year, using budgeted O&M Expenses and Revenues 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.

The Signatory Airline Agreements require the Port to allocate 100% of the debt service coverage generated by the Airlines to fund capital improvements in the Airline Cost Center or to fund the Signatory Airlines' allocated portions of capital improvements in the indirect cost centers. The Port may use debt service coverage to fund capital improvements at the Port's sole discretion. The Signatory Airlines have no disapproval rights for capital improvements funded in a manner that does not directly impact the rate base of the Signatory Airlines, such as with debt service coverage. See "*Residual Rate-Setting Methodology in the Airline Cost Center*" above.

Rate-making 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.

Non-Airline Agreements

The Port has agreements with other entities that operate, provide services or occupy space at the Airport, including a food court restaurants, cafes, pubs, full service restaurants, full service spa, barber, full service bank, newsstands, retail shops and display advertising. In addition, several Airport tenants have executed lease agreements with the Port governing their occupancy and use of space on Airport property.

Eight rental car companies operate at the Airport: five provide on-Airport service counters and vehicles (Avis, Budget, Dollar, Enterprise and Hertz), and the other three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo, National and Thrifty). All of the rental car companies pay privilege fees. The Port contracts with Standard Parking, a parking management company, to operate on-Airport automobile parking facilities.

These agreements have various terms and conditions. In general, the business terms of the agreements are based on standard industry practices.

Historical Operating Results

The financial data set forth in Table 9 and under the heading "Management's Discussion of Results" are derived from the Airport's financial records, which are the basis of the Airport segment of the Port's audited financial statements. The financial data are presented to inform investors of certain Airport revenues and net income that are applicable to the Series Eighteen Bonds. The presentation of net income includes certain adjustments that are not in accordance with generally accepted accounting principles, but are made to present net income that the Port believes is most relevant to investors. The audited 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, are attached as Appendix A.

The data set forth in Table 9 should be read in conjunction with "Management's Discussion of Results" immediately following Table 9 and in conjunction with the Port's audited financial statements and related notes attached as Appendix A. For financial reporting purposes, the Port is considered to be an enterprise similar to a commercial entity. Accordingly, the financial statements are prepared on the

accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred. The accounting and reporting policies of the Port and Airport conform to generally accepted accounting principles as applicable to proprietary funds of local governments.

TABLE 9
HISTORICAL FINANCIAL PERFORMANCE
FY 2007–2010
(\$000s)

	Fiscal Year Ended June 30,			
	2010	2009	2008	2007
OPERATING STATEMENT DATA:				
Operating revenues:				
Airline revenues	\$ 84,997	\$ 87,535	\$ 87,795	\$ 82,344
Terminal concessions	8,945	8,924	9,894	9,324
Parking	41,344	41,656	46,666	45,119
Rental cars	12,925	13,634	14,898	13,584
Other	18,080	17,882	18,642	17,532
Total operating revenues	<u>166,291</u>	<u>169,631</u>	<u>177,895</u>	<u>167,903</u>
Interest income - revenue fund and revenue bond fund	883	2,300	2,989	3,475
Total Revenues	<u>167,174</u>	<u>171,931</u>	<u>180,884</u>	<u>171,378</u>
Costs of Operation and Maintenance, excluding depreciation				
Salaries, wages and fringe benefits	33,037	35,918	34,462	32,750
Materials and outside services	36,553	42,681	40,754	37,317
Allocation of general and administration expense of the Port	16,969	15,428	13,178	13,104
Other	1,494	981	1,764	3,487
Total Costs of Operation and Maintenance	<u>88,053</u>	<u>95,008</u>	<u>90,158</u>	<u>86,658</u>
Net Revenues, as defined by Section 2(r) of Ordinance No. 155	<u>\$ 79,121</u>	<u>\$ 76,923</u>	<u>\$ 90,726</u>	<u>\$ 84,720</u>
Depreciation	<u>55,334</u>	<u>52,887</u>	<u>52,639</u>	<u>54,605</u>
Other income (expense):				
Interest income – construction fund	1,385	8,544	8,344	8,240
Interest expense – net	(21,283)	(20,683)	(28,030)	(28,884)
Passenger facility charges	25,697	25,467	29,667	28,928
Other, Net	(5,404)	(4,112)	(3,121)	(901)
Total other income (expense)	<u>395</u>	<u>9,216</u>	<u>6,860</u>	<u>7,383</u>
Reconciling items: ⁽¹⁾				
Airport allocation of pension bond interest ⁽²⁾	2,615	2,503	2,398	2,280
Pension asset amortization	201	283	343	441
Net income ⁽³⁾	<u>\$ 26,998</u>	<u>\$ 36,038</u>	<u>\$ 47,688</u>	<u>\$ 40,219</u>
BALANCE SHEET DATA:				
Airport net assets	<u>\$ 653,042</u>	<u>\$ 573,514</u>	<u>\$ 522,853</u>	<u>\$ 466,775</u>

(1) Items treated differently under Generally Accepted Accounting Principles than under the Airport Revenue Bond Ordinances.

(2) The Port issued pension bonds in 2002 and 2005 to fund its estimated unfunded actuarial accrued liability. See “Other Airport Matters—Pension Plans” under this heading.

(3) For presentation purposes only; the Airport Revenue Bond Ordinances require financial performance to the defined Net Revenue level only.

Source: Derived from the Port’s audited financial statements.

Management's Discussion of Results

Revenues. Total operating revenues decreased 2.0% from \$169.6 million in FY 2009 to \$166.3 million in FY 2010. Airline revenues decreased approximately 2.9% from FY 2009 to FY 2010, primarily due to decreased Costs of Operation and Maintenance resulting from cost control measures undertaken by the Airport in response to the economic downturn. Revenue from rental cars decreased approximately 5.2% from FY 2009 to FY 2010 as a result of decreased passenger volumes. Interest income decreased nearly 62% from \$2.3 million in FY 2009 to \$0.9 million in FY 2010 as a result of the historically low interest rate environment. In FY 2007 through FY 2010, operating revenues decreased 1.0%, from \$167.9 million to \$166.3 million. Airline revenues increased \$2.7 million, or 3.2%, primarily due to increased Costs of Operation and Maintenance. During the same period, terminal concessions and parking revenues decreased 4.1% and 8.4%, respectively, as a result of lower passenger volumes. Interest income decreased 74.6% from FY 2007 to FY 2010 as a result of a declining interest rate environment as well as lower balances in the revenue bond fund due to final maturities of Series Eleven and Subseries Fifteen C Airport revenue bonds.

Expenses. Total Costs of Operation and Maintenance decreased 7.3% from \$95.0 million in FY 2009 to \$88.1 million in FY 2010, largely driven by cost cutting measures undertaken as a result of the recession. In FY 2007 through FY 2010, total Costs of Operation and Maintenance increased 1.6% from \$86.7 million to \$88.1 million, primarily attributable to environmental expenses, long-range master planning, and expenses related to deicing.

Net Revenues. Net Revenues increased from \$76.9 million in FY 2009 to \$79.1 million in FY 2010, primarily due to cost cutting measures undertaken by the Airport in response to the economic downturn. In FY 2007 through FY 2010, Net Revenues decreased from \$84.7 million to \$79.1 million, as a result of increased Costs of Operation and Maintenance and Debt Service. Information shown in Tables 9 and 11 was compiled from the audited financial statements of the Airport for each of FY 2007 through FY 2010 along with, as supplementary information, a Schedule of Compliance with Ordinance Nos. 155 and 323 Debt Service Coverage Requirements. These schedules indicated that Net Revenues exceeded 130% of the Debt Service Requirement in each such Fiscal Year. See Appendix A—"AUDITED FINANCIAL STATEMENTS."

Airport Net Assets. Airport net assets increased by \$79.5 million in FY 2010, reflecting net income and capital grants from the federal government. Airport net assets increased from \$466.8 million at the beginning of FY 2007 to \$653.0 million at the end of FY 2010, again primarily as a result of net income and capital grants from the federal government.

Scheduled Debt Service Requirements

The scheduled annual debt service requirements for the SLBs (excluding FY 2011), rounded to the nearest dollar, are set forth in Table 10.

TABLE 10
SLB DEBT SERVICE SCHEDULE

Fiscal Year Ending June 30 ⁽¹⁾	Other SLB Debt Service			Series Eighteen Bonds Debt Service			Total SLB Debt Service
	Principal	Interest ⁽²⁾	Total	Principal	Interest ⁽³⁾	Total	
2012	\$ 18,565,000	\$ 17,777,501	\$ 36,342,501	\$ 5,820,000	\$ 6,097,562	\$ 11,917,562	\$ 48,260,064
2013	19,825,000	16,898,719	36,723,719	6,085,000	5,804,078	11,889,078	48,612,797
2014	17,790,000	15,989,719	33,779,719	7,970,000	5,497,646	13,467,646	47,247,365
2015	15,875,000	15,196,194	31,071,194	9,710,000	5,098,508	14,808,508	45,879,702
2016	17,930,000	14,431,131	32,361,131	10,165,000	4,613,765	14,778,765	47,139,897
2017	18,800,000	13,539,481	32,339,481	8,865,000	4,106,794	12,971,794	45,311,275
2018	19,740,000	12,604,531	32,344,531	9,025,000	3,664,341	12,689,341	45,033,872
2019	14,400,000	11,622,781	26,022,781	9,410,000	3,214,223	12,624,223	38,647,004
2020	15,065,000	10,921,931	25,986,931	9,865,000	2,745,547	12,610,547	38,597,478
2021	15,835,000	10,185,631	26,020,631	10,310,000	2,254,730	12,564,730	38,585,361
2022	16,575,000	9,418,538	25,993,538	6,590,000	1,742,308	8,332,308	34,325,846
2023	17,405,000	8,604,200	26,009,200	6,900,000	1,413,791	8,313,791	34,322,991
2024	11,795,000	7,748,650	19,543,650	7,215,000	1,070,169	8,285,169	27,828,819
2025	12,365,000	7,170,225	19,535,225	7,565,000	711,304	8,276,304	27,811,529
2026	12,975,000	6,563,525	19,538,525	6,785,000	335,305	7,120,305	26,658,830
2027	13,620,000	5,921,425	19,541,425	-	-	-	19,541,425
2028	14,285,000	5,256,525	19,541,525	-	-	-	19,541,525
2029	6,625,000	4,559,025	11,184,025	-	-	-	11,184,025
2030	6,940,000	4,240,475	11,180,475	-	-	-	11,180,475
2031	7,305,000	3,878,500	11,183,500	-	-	-	11,183,500
2032	7,685,000	3,493,850	11,178,850	-	-	-	11,178,850
2033	8,090,000	3,089,050	11,179,050	-	-	-	11,179,050
2034	8,510,000	2,662,725	11,172,725	-	-	-	11,172,725
2035	8,965,000	2,214,050	11,179,050	-	-	-	11,179,050
2036	9,440,000	1,741,163	11,181,163	-	-	-	11,181,163
2037	9,940,000	1,243,025	11,183,025	-	-	-	11,183,025
2038	10,460,000	718,325	11,178,325	-	-	-	11,178,325
2039	1,910,000	165,963	2,075,963	-	-	-	2,075,963
2040	1,995,000	84,788	2,079,788	-	-	-	2,079,788
Total	\$360,710,000	\$217,941,645	\$578,651,645	\$122,280,000	\$ 48,370,071	\$170,650,071	\$749,301,716

(1) Excludes FY 2011. Payments due on July 1 are shown as being made in the prior Fiscal Year.

(2) Net of capitalized interest.

(3) \$107.7 million of the principal amount is assumed to bear interest at 4.94% per annum and \$11.3 million is assumed to bear interest at 5.13% per annum (in each case, the fixed rates payable by the Port under the Series Eighteen Swaps corresponding to such notional amounts), and the remaining unhedged portion of \$3.2 million is assumed to bear interest at 6.00% per annum. See "Interest Rate Swaps" under this heading.

Source: Port records.

Historical Debt Service Coverage

A summary of the debt service coverage for FY 2007 through FY 2010, as derived from the Port's audited financial statements, is set forth in Table 11.

TABLE 11
HISTORICAL DEBT SERVICE COVERAGE
FY 2007–2010

Fiscal Year Ended June 30	Net Revenue (\$000s)	SLB Debt Service Requirement (\$000s)	Coverage Ratio
2007	\$ 84,720	\$ 44,248	1.91
2008	90,726	45,327	2.00
2009	76,923	44,055	1.75
2010	79,121	46,886	1.69

Source: Derived from the Port's audited financial statements.

Other Obligations

Parity Reimbursement Obligations. Each Reimbursement Agreement constitutes a Parity Reimbursement Agreement and therefore an SLB for purposes of the Airport Revenue Bond Ordinances, except with respect to certain payments under that Reimbursement Agreement described below that constitute Junior Lien Obligations.

Junior Lien Obligations—Reimbursement Agreements. The following amounts payable under the Reimbursement Agreements constitute Junior Lien Obligations rather than SLBs: (1) amounts due upon acceleration of the obligations under a Reimbursement Agreement upon the occurrence of an event of default under that Reimbursement Agreement and (2) amounts due upon a liquidity drawing under the applicable Letter of Credit if, at the time that liquidity drawing is made, (a) the representations and warranties made by the Port under that Reimbursement Agreement are not true and correct in all material respects as of the date of that liquidity drawing, except, in each case, to the extent that those representations and warranties specifically refer to an earlier date, in which case, they are not true and correct as of that earlier date, or (b) an event has occurred and is continuing, or would result from the payment of that liquidity drawing, that constitutes a default or an event of default under that Reimbursement Agreement. For events of default under each Reimbursement Agreement, see “THE LETTERS OF CREDIT—Events of Default Under the Reimbursement Agreements.”

Junior Lien Obligations—Series Eighteen Swaps. Other Swap Obligations under the Series Eighteen Swaps are payable from the JLO Fund. See “Interest Rate Swaps—Series Eighteen Swaps” under this heading.

Junior Lien Obligations—Series 2009A PFC Reimbursement Agreement. In connection with the issuance of an irrevocable direct-pay letter of credit securing payment of the Port's Portland International Airport Passenger Facility Charge Refunding Revenue Bonds, Series 2009A, in the original aggregate principal amount of \$57,985,000 (the “Series 2009A PFC Bonds”), the Port entered into a Reimbursement Agreement dated as of June 24, 2009, with Bank of America, N.A. (the “Series 2009A PFC Reimbursement Agreement”). The obligations of the Port under the Series 2009A PFC Reimbursement Agreement in general are payable *first*, from PFC revenues available after payment of certain bonds secured by PFC revenues, including the Outstanding PFC Bonds (defined below), and

second, from Net Revenues that are available for deposit into the JLO Fund after required payments to the SLB Fund.

Junior Lien Obligations—JLO Credit Facility. In November 2010, the Port obtained a non-revolving credit facility (the “JLO Credit Facility”) from Wells Fargo Bank, National Association (the “JLO Credit Facility Provider”) in the amount of \$100 million to fund estimated costs associated with the south runway rehabilitation project and the deicing system improvements. See “Airport Capital Improvement Program—Financing” under this heading. As of May 31, 2011, the Port had drawn down the JLO Credit Facility in the amount of \$40,180,432. The JLO Credit Facility is a Junior Lien Obligation secured by a pledge of Net Revenues payable from the JLO Fund. The JLO Credit Facility terminates on November 24, 2012. The Port has received approval from the FAA to spend PFC revenues on the south runway rehabilitation project and the deicing system improvements, and the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. If the JLO Credit Facility is not repaid and the termination date of the JLO Credit Facility is not extended, the Port is obligated to repay the outstanding balance by no later than November 24, 2017, in equal quarterly installments of principal plus accrued interest. Upon an event of default under the JLO Credit Facility, at the option of the JLO Credit Facility Provider, all indebtedness of the Port under the JLO Credit Facility will become immediately due and payable from the JLO Fund. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—JLO Fund” and “CERTAIN RISK FACTORS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—JLO Credit Facility.”

Third Lien Obligations. Certain Other TLO Swap Obligations under the PFC Bond Swaps are initially payable from the TLO Fund. See “Interest Rate Swaps—PFC Bond Swaps” under this heading.

PFC Bonds. As of July 1, 2010, the Port had outstanding \$46,745,000 in aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999B (the “Series 1999B PFC Bonds”) and \$57,900,000 in aggregate principal amount of Series 2009A PFC Bonds. The Series 1999B PFC Bonds and Series 2009A PFC Bonds are collectively referred to in this Reoffering Memorandum as the “Outstanding PFC Bonds.” The Outstanding PFC Bonds are payable solely from and secured solely by PFC revenues and related income and are not payable from or secured by Net Revenues.

Interest Rate Swaps

Authority. The Port is authorized under State law to enter into interest rate swaps, and pursuant to the Airport Revenue Bond Ordinances, to pay Scheduled Swap Obligations out of the SLB Fund. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Fund.” The Airport Revenue Bond Ordinances permit the Port to take Scheduled Swap Obligations into consideration for purposes of determining compliance with the Port’s rate covenant and satisfying the requirements for issuing Additional SLBs. See the definition of “SLB Debt Service Requirement” in Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES” and see “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Rate Covenant” and “—Additional Bonds.” 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 “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—JLO Fund” and “—TLO Fund.”

Swap Policy. 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 requirements 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.

Series Eighteen Swaps. On May 28, 2004, the Port entered into certain interest rate swaps (the "Series Eighteen Swaps") in connection with the expected refunding of certain SLBs, which the Port ultimately refunded through the issuance of the Series Eighteen Bonds on June 11, 2008. The Series Eighteen Swaps require the Port to pay fixed rates of interest per annum on a notional amount (as of July 1, 2010) of \$124,370,000, and to receive variable rates of interest based on a percentage of one-month LIBOR. The Series Eighteen Swaps required the Port's counterparties to make cash payments to the Port totaling \$9,293,538. As of June 30, 2010, the Series Eighteen Swaps had a negative fair value of approximately \$28,770,752. For additional discussion of the Series Eighteen Swaps, see Note 7 to Appendix A—"AUDITED FINANCIAL STATEMENTS." The Series Eighteen Swaps are coterminous with the maturity of the Series Eighteen Bonds, and their aggregate notional amounts decline each year in accordance with the scheduled mandatory redemption of the hedged portion of the Series Eighteen Bonds. The Port expects to use the variable interest rate payments the Port receives under the Series Eighteen Swaps to make the variable interest rate payments on the hedged portion of the Series Eighteen Bonds. Scheduled Swap Obligations under the Series Eighteen Swaps are payable from the SLB Fund, and the Port's payment of Scheduled Swap Obligations under the Series Eighteen Swaps is insured by XL Capital Assurance. Other Swap Obligations under the Series Eighteen Swaps (including termination payments) are payable from the JLO Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances—SLB Fund" and "—JLO Fund."

PFC Bond Swaps. On February 6, 2007, the Port entered into certain interest rate swaps (the "PFC Bond Swaps") in connection with the expected refunding of the Port's Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999A (the "Series 1999A PFC Bonds"), which the Port refunded through the issuance of the Series 2009A PFC Bonds on June 24, 2009. Commencing July 1, 2009, the PFC Bond Swaps require the Port to pay fixed rates of interest per annum on a notional amount of \$57,985,000, and to receive 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. As of June 30, 2010, the PFC Bond Swaps had a negative fair value of approximately \$16,202,973. For additional discussion of the PFC Bond Swaps, see Note 7 to Appendix A—"AUDITED FINANCIAL STATEMENTS." The PFC Bond Swaps are coterminous with the maturity of the Series 2009A PFC Bonds, and their aggregate notional amounts decline each year 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. Scheduled TLO Swap Obligations under

the PFC Bond Swaps are not payable from or secured by Net Revenues. Termination payments with respect to the PFC Swaps initially are Third Lien Obligations, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established for the payment of Subordinate Lien PFC Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—TLO Fund.”

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 A—“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 80% funded and had an unfunded actuarial accrued liability (“UAL”) of \$11.0 billion as of December 31, 2008. The 2009 System Valuation indicated that the System as a whole was 86% funded and had a UAL of \$8.1 billion as of December 31, 2009.

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 amount 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 12. Actuarial determinations are not made solely as to the Airport.

TABLE 12
PORT UNFUNDED ACTUARIAL ACCRUED LIABILITY

	<u>2007 Port Valuation</u>	<u>2009 Port Valuation</u>
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 A—“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 A—“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 revenues 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.

In addition, the Port is required to obtain land use approvals (the "City Approvals") from the City of Portland. The current City Approvals are scheduled to expire in August 2011. Port management is currently working cooperatively with the City of Portland and other stakeholders to change the land use structure to acknowledge the Airport as a land use and to provide additional flexibility for developing the

Airport as demand grows. This project, known as Airport Futures, is scheduled to be completed in 2011. See “Airport Futures Process” 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 A—"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.

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 Airport 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 Port 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 through 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 Eighteen Bonds

As of the date of this Reoffering Memorandum, there is no litigation, to the knowledge of the Port, pending or threatened, challenging the authority of the Port to issue the Series Eighteen Bonds.

Other Litigation

In addition to the litigation, potential litigation and environmental matters described in this Reoffering Memorandum, 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.

CERTAIN RISK FACTORS

Investment in the Series Eighteen Bonds involves risk. The Port’s ability to obtain Net Revenues from the operation of the Airport to pay the Series Eighteen Bonds depends upon many factors, most of which are not under the control of the Port. This section describes certain of the risks associated with investing in the Series Eighteen Bonds but does not purport to describe all such risks.

Demand for Air Travel

The collection of Net Revenues sufficient to pay debt service on the Series Eighteen Bonds when due depends primarily on the level of aviation activity and enplaned passenger traffic 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 fares 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 Net Revenues.

Financial Condition of the Airlines

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 U.S. 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. Airline bankruptcies are discussed in greater detail in “Effect of Airline Bankruptcies” 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 carrier serving the Airport, airline service patterns or the impact of any airline failures on the Net Revenues.

Effect of Airline Bankruptcies

Since the events of September 11, 2001, a number of airlines, including Delta, Frontier, Hawaiian, Northwest, United and US Airways filed for bankruptcy reorganization. In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the bankruptcy court whether to assume or reject the applicable Airline Agreement. In the event of assumption, the debtor would be required to cure any prior default and to provide adequate assurance of future performance under the applicable Airline Agreement. To date, no Signatory Airline in bankruptcy has rejected an Airline Agreement with the Port. Rejection of an Airline Agreement by any such Signatory Airline would give rise to an unsecured claim of the Port for damages, the amount of which may be limited by the Bankruptcy Code.

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 decreases in gate utilization by airlines, which decreases could be significant.

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, 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.

Expiration of Airline Agreements

Airport Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Signatory Airline Agreements. The current Airline Agreements are scheduled to expire on June 30, 2015. The Port anticipates that it will renegotiate such Airline Agreements prior to their expiration and to enter into new agreements. No assurance can be given concerning the outcome of any such negotiations or the content of any new airline agreements with the airlines utilizing the Airport, although 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. Any reduction in Revenues or change in the manner of assessing rentals, fees and charges could have an adverse impact on the timely payment of principal of or interest on the Series Eighteen Bonds.

Changes in Financial Markets and Financial Condition of Parties Dealing with the Port

SLB Reserve Account Surety Bonds. The Port has satisfied a portion of the SLB Reserve Fund Requirement with surety bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account.” If the credit quality of the providers of those surety bonds deteriorates the Port may not be able to draw on those surety bonds in the event Net Revenues are insufficient to pay SLBs, including the Series Eighteen Bonds.

Series Eighteen Swaps and PFC Bond Swaps. The Port pays a fixed rate and receives a variable rate under the Series Eighteen Swaps and the PFC Bond Swaps. The Port generally expects that the variable rates it receives under the Series Eighteen Swaps and the PFC Bond Swaps will be roughly equal to the variable rates payable on the Series Eighteen Bonds and the Series 2009A PFC Bonds, respectively. 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, 2010, the Series Eighteen Swaps and 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 Series Eighteen Swaps and the PFC Bond Swaps. As a result, the Port would likely be required to pay substantial amounts if the Series Eighteen Swaps or the PFC Bond Swaps were terminated prior to their respective scheduled termination dates. The Series Eighteen Swaps and 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 Note 7 to Appendix A—"AUDITED FINANCIAL STATEMENTS."

Letters of Credit. If a Letter of Credit is not extended it will terminate on July 3, 2014, subject to prior termination. See "THE LETTERS OF CREDIT." The Port currently intends to keep the Series Eighteen Bonds outstanding as variable rate obligations until the Series Eighteen Bonds mature in 2026. However, if the Port is unable to extend or replace a Letter of Credit, the applicable Bank is obligated to purchase the applicable outstanding Subseries of Series Eighteen Bonds before that Letter of Credit terminates. In that case the Port could be obligated to repay all principal of that Subseries out of the SLB Fund over a period of five years. See "PORTLAND INTERNATIONAL AIRPORT—Other Obligations." In addition, if fees for extensions or replacements of a Letter of Credit increase substantially or such extensions or replacements otherwise cease to benefit the Port, the Port may seek to refund or convert the applicable Subseries with fixed rate bonds and terminate the applicable Series Eighteen Swap, which may increase debt service associated with that Subseries above that currently scheduled. See "PORTLAND INTERNATIONAL AIRPORT—Scheduled Debt Service Requirements."

JLO Credit Facility. The JLO Credit Facility terminates on November 24, 2012. The Port has received approval from the FAA to spend PFC revenues on the south runway rehabilitation project and the deicing system improvements, and the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program—Financing". If the JLO Credit Facility is not repaid and the termination date of the JLO Credit Facility is not extended, the Port is obligated to repay the outstanding balance by no later than November 24, 2017, in equal quarterly installments of principal plus accrued interest. Upon an event of default under the JLO Credit Facility, at the option of the JLO Credit Facility Provider, all indebtedness of the Port under the JLO Credit Facility will become immediately due and payable from the JLO Fund. See "PORTLAND INTERNATIONAL AIRPORT—Other Obligations—Junior Lien Obligations—JLO Credit Facility" and "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—JLO Fund."

Certain Considerations Relating to Variable Rate Demand Obligations

Each Remarketing Agent Is Paid by the Port. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the applicable Subseries of Series Eighteen Bonds that are tendered for purchase pursuant to optional tender or mandatory purchase (subject, in each case, to the terms of the applicable Remarketing Agreement), all as further described in this Reoffering Memorandum. See "THE SERIES EIGHTEEN BONDS." Each Remarketing Agent is appointed by the Port and is paid by the Port for its services. As a result, the interests of each

Remarketing Agent may differ from those of existing owners and potential purchasers of the applicable Subseries of Series Eighteen Bonds.

Each Remarketing Agent May Routinely Purchase Series Eighteen Bonds for its Own Account. Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered Series Eighteen Bonds of the applicable Subseries for its own account and, in its sole discretion, may acquire tendered Series Eighteen Bonds of that Subseries in order to achieve a successful remarketing of that Subseries (because there otherwise would not be enough buyers to purchase the Series Eighteen Bonds of that Subseries) or for other reasons. However, the Remarketing Agents are not obligated to purchase Series Eighteen Bonds, and may cease doing so at any time without notice. Each Remarketing Agent may also make a market in the applicable Subseries of Series Eighteen Bonds by routinely purchasing and selling Series Eighteen Bonds of that Subseries other than in connection with an optional tender or mandatory purchase and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the Series Eighteen Bonds. Each Remarketing Agent may also sell any Series Eighteen Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series Eighteen Bonds. The purchase of Series Eighteen Bonds of a Subseries by a Remarketing Agent may cause the interest rate on that Subseries to be lower than it would be if the Remarketing Agent did not purchase the Series Eighteen Bonds of that Subseries and may create the appearance that there is greater third-party demand for that Subseries in the market than is actually the case. The practices described above also may result in fewer Series Eighteen Bonds of a Subseries being tendered in a remarketing.

Series Eighteen Bonds May Be Offered at Different Prices on any Date, Including a Rate Determination Date. Pursuant to each Remarketing Agreement, the applicable Remarketing Agent is required to determine the minimum rate of interest that, in the opinion of that Remarketing Agent under then-existing market conditions, would result in the sale of that Subseries at a price equal to 100% of the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Period. See “THE SERIES EIGHTEEN BONDS—Determination of Interest Rates.” That interest rate will reflect, among other factors, the level of market demand for the applicable Subseries of Series Eighteen Bonds (including whether the Remarketing Agent is willing to purchase Series Eighteen Bonds of that Subseries for its own account). The purchase of Series Eighteen Bonds of that Subseries by that Remarketing Agent may cause the interest rate to be lower than it would be if that Remarketing Agent did not purchase Series Eighteen Bonds of that Subseries. There may or may not be Series Eighteen Bonds of that Subseries tendered and remarketed on a Rate Determination Date, that Remarketing Agent may or may not be able to remarket any Series Eighteen Bonds of that Subseries tendered for purchase on that date at par, and that Remarketing Agent may sell Series Eighteen Bonds of that Subseries at varying prices to different investors on that date or any other date. Each Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series Eighteen Bonds of the applicable Subseries at the remarketing price. Each Remarketing Agent, in its sole discretion, may offer Series Eighteen Bonds of the applicable Subseries on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability To Sell the Series Eighteen Bonds Other than Through the Tender Process May Be Limited. Each Remarketing Agent may buy and sell Series Eighteen Bonds of the applicable Subseries other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require owners that wish to tender their Series Eighteen Bonds of that Subseries to do so through the Trustee with appropriate notice. Thus, investors who purchase the Series Eighteen Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell

their Series Eighteen Bonds other than by tendering those Series Eighteen Bonds in accordance with the tender process. Each Letter of Credit is available to purchase only Series Eighteen Bonds of the applicable Subseries that are tendered in accordance with the tender process. See “THE SERIES EIGHTEEN BONDS—Optional Tender for Purchase.”

Under Certain Circumstances, each Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series Eighteen Bonds of the Applicable Subseries, Without a Successor Being Named. Under certain circumstances, each Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the applicable Remarketing Agreement. See “THE SERIES EIGHTEEN BONDS—Remarketing Agents” and “—Determination of Interest Rates.”

Uncertainties of Projections, Forecasts and Assumptions

This Reoffering Memorandum contains statements relating to future results that are “forward looking statements.” When used in this Reoffering Memorandum 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 Airport Revenue Bond Ordinances provide limited remedies for Owners if defaults occur. 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 Owners that the remedies provided in the Airport Revenue Bond Ordinances will be available or effective to make Owners whole 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 Eighteen Bonds to determine whether interest on those obligations is includable in gross income for federal income tax purposes. Neither Bond Counsel nor Special Counsel can predict whether the IRS will commence an audit of the Series Eighteen Bonds. Owners of the Series Eighteen Bonds are advised that, if the IRS does audit the Series Eighteen 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 Owners and beneficial owners of the Series Eighteen Bonds may have little if any right to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series Eighteen Bonds until the audit is concluded, regardless of the ultimate outcome.

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 19th such extension expires June 30, 2011. The Port cannot predict the term and conditions of any future Congressional reauthorization. Failure of Congress to reauthorize the operating authority of the FAA, or adverse changes in the conditions placed on such authority, may have an adverse impact on Airport operations.

Other Future Legislation and Regulations

The operation of the Airport and the ability of the Port to generate Net Revenues sufficient to pay the Series Eighteen Bonds may be adversely affected by other 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 Net Revenues 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 Eighteen Bonds includable in gross income, and the Oregon Legislative Assembly could enact legislation subjecting Series Eighteen Bond interest to State taxation.

CONTINUING DISCLOSURE

In connection with the issuance of the Series Eighteen Bonds, the Port covenanted for the benefit of the holders and beneficial owners of the Series Eighteen Bonds to provide certain financial information and operating data relating to the Airport (the "Annual Report") by not later than nine months following the end of the Port's Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report is to be filed by the Port with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"), and with the State Repository, if any. The notices of material events will be filed by the Port with each NRMSIR or with the Municipal Securities Rulemaking Board and with the State Repository, if any. The specific nature of the information to be contained in the Annual Report and in the notices of material events is set forth in the form of the Continuing Disclosure Certificate attached to this Reoffering Memorandum as Appendix E.

Since July 1, 2009, the Municipal Securities Rulemaking Board has served as the sole repository for continuing disclosure documents.

The Port has always complied in all material respects with the Rule relating to the provision of Annual Reports or notices of material events.

TAX MATTERS

At the original issuance of the Series Eighteen Bonds, Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel to the Port, delivered an opinion to the effect that (i) under existing law and assuming compliance with certain covenants of the Port, interest on the Series Eighteen Bonds is excluded from gross income for federal income tax purposes except for interest on any Series Eighteen Bond for any period during which such Series Eighteen Bond is held by a "substantial user" of the facilities refinanced by the Series Eighteen Bonds, or by a "related person" within the meaning of Section 147(a) of the

Internal Revenue Code of 1986, as amended; (ii) interest on the Series Eighteen Bonds is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; and (iii) interest on the Series Eighteen Bonds is exempt from Oregon personal income tax under existing law. A complete copy of the opinion of Bond Counsel delivered at the original issuance of the Series Eighteen Bonds is attached to this Reoffering Memorandum as Appendix F. Such opinion spoke only as of the date of initial issuance and delivery of the Series Eighteen Bonds and will not be reissued in connection with this reoffering.

In connection with the delivery of the Letters of Credit and the reoffering of the Series Eighteen Bonds, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Port, will deliver an opinion to the effect that the delivery of the Letters of Credit, by itself, will not adversely affect the exclusion of interest on Series Eighteen Bonds from gross income for federal income tax purposes. Special Counsel is not rendering any opinion on the current tax status of the Series Eighteen Bonds.

As described in the Official Statement relating to the original issuance of the Series Eighteen Bonds, federal income tax law contains a number of requirements that apply to the Series Eighteen Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the bonds and the facilities refinanced with proceeds of the Series Eighteen Bonds and certain other matters. The Port has covenanted to comply with all applicable requirements.

The opinion of Bond Counsel delivered in connection with the issuance of the Series Eighteen Bonds was subject to the condition that the Port comply with the above-referenced covenants and, in addition, relied on representations by the Port and its advisors with respect to matters solely within the knowledge of the Port and its advisors, respectively, which Bond Counsel did not independently verify. If the Port has failed or fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series Eighteen Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series Eighteen Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in the Tax Matters section in the Official Statement delivered in connection with the original issuance of the Series Eighteen Bonds and this Tax Matters section, neither Bond Counsel nor Special Counsel has expressed any opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series Eighteen Bonds. In connection with the issuance of the Series Eighteen Bonds, Owners of the Series Eighteen Bonds were advised to consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series Eighteen Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

In connection with the issuance of the Series Eighteen Bonds, prospective purchasers of the Series Eighteen Bonds were advised that ownership of the Series Eighteen Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series Eighteen Bonds. Bond Counsel expressed no opinion regarding any collateral tax consequences. In connection with the issuance of the Series Eighteen Bonds, prospective purchasers of the Series Eighteen Bonds were advised to consult their tax advisors regarding collateral federal income tax consequences.

As described in the Official Statement relating to the issuance of the Series Eighteen Bonds, payments of interest on tax-exempt obligations such as the Series Eighteen Bonds are in many cases required to be reported to the Internal Revenue Service (the “IRS”), and backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information; individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Neither the opinion of Bond Counsel delivered in connection with the issuance of the Series Eighteen Bonds nor the opinion of Special Counsel to be delivered in connection with the delivery of the Letters of Credit and the reoffering of the Series Eighteen Bonds is a guarantee of result or is binding on the IRS; rather, the opinions represented Bond Counsel’s and Special Counsel’s legal judgment, respectively, as of the dates of the opinions, based on their review of existing law and in reliance on the representations made to Bond Counsel or Special Counsel, as the case may be, and the Port’s compliance with its covenants. As described in the Official Statement relating to the issuance of the Series Eighteen Bonds, (i) the IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes, (ii) Bond Counsel could not predict whether the IRS will commence an audit of the Series Eighteen Bonds, (iii) Owners of the Series Eighteen Bonds were advised that, if the IRS did audit the Series Eighteen Bonds, under then-current IRS procedures, at least during the early stages of an audit, the IRS would treat the Port as the taxpayer, and the owners of the Series Eighteen Bonds may have limited rights to participate in the audit; and (iv) the commencement of an audit could adversely affect the market value and liquidity of the Series Eighteen Bonds until the audit is concluded, regardless of the ultimate outcome.

APPROVAL OF LEGAL MATTERS

At the original issuance of the Series Eighteen Bonds, Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel to the Port, delivered an opinion in connection with the issuance of the Series Eighteen Bonds, the form of which is attached to this Reoffering Memorandum as Appendix F. Such opinion spoke only as of the date of initial issuance and delivery of the Series Eighteen Bonds and will not be reissued in connection with this reoffering. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Reoffering Memorandum. From time to time Bond Counsel serves as counsel to the Remarketing Agents on matters that do not relate to the Port or the Series Eighteen Bonds.

In connection with the reoffering of the Series Eighteen Bonds, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Port, will deliver opinions to the effect that the delivery of the Letters of Credit (1) is lawful under Chapters 777 and 778 of the Oregon Revised Statutes and is authorized or permitted by the Series Eighteen Bond Documents and (2) by itself, will not adversely affect the exclusion of interest on Series Eighteen Bonds from gross income for Federal income tax purposes, nor adversely affect the validity of the Series Eighteen Bonds. Special Counsel takes no responsibility for the accuracy, completeness or fairness of this Reoffering Memorandum. From time to time Special Counsel serves as counsel to the Remarketing Agents on matters that do not relate to the Port or the Series Eighteen Bonds.

Certain legal matters will be passed upon for the Remarketing Agents by their counsel, Foster Pepper PLLC, Seattle, Washington. Foster Pepper PLLC is not rendering an opinion as to the validity or tax status of the Series Eighteen Bonds. Any opinion of Foster Pepper PLLC will be rendered solely to the Remarketing Agents, will be limited in scope and cannot be relied upon by investors.

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, serves as trustee, registrar and paying agent for the SLBs, including the Series Eighteen Bonds. The principal office of the Trustee is currently located at 601 Union Street, Suite 520, Seattle, Washington 98101. The Bank of New York Mellon Trust Company, N.A. is a subsidiary of The Bank of New York Mellon Corporation and successor trustee to the Corporate Trust Business of Wells Fargo Bank National Association and First Interstate Bank of Oregon.

The Trustee has undertaken only those duties and obligations that are expressly set forth in the Series Eighteen Bond Documents. The Trustee has not independently passed upon the validity of the Series Eighteen Bonds, the security of payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Series Eighteen Bonds or the investment quality of the Series Eighteen Bonds. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Reoffering Memorandum and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Reoffering Memorandum.

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 to this Reoffering Memorandum as Appendix A, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

RATINGS

Standard & Poor's Ratings Services ("Standard & Poor's") is expected to assign its long-term and short-term ratings of "AA-" and "A-1+," respectively, to the Subseries Eighteen A Bonds and "AA" and "A-1+," respectively, to the Subseries Eighteen B Bonds, on the understanding that each Bank will issue its Letter of Credit simultaneously with the reoffering of the Series Eighteen Bonds described herein. In addition, Standard & Poor's has assigned its underlying rating of "AA-" to other series of the Port's SLBs, which rating has not been assigned to the Series Eighteen Bonds. Fitch Ratings ("Fitch") is expected to assign its long-term and short-term ratings of "AA-" and "F1+," respectively, to each Subseries of the Series Eighteen Bonds, on the understanding that each Bank will issue its Letter of Credit simultaneously with the reoffering of the Series Eighteen Bonds described herein. The ratings for each Subseries are based solely on the credit of the applicable Bank, and the Port does not expect to have funds available to pay the purchase price of such Subseries that are subject to optional or mandatory purchase and not remarketed. Investors who purchase the Series Eighteen Bonds should assume that the only credit supporting a Subseries is that of the applicable Bank.

Such ratings reflect only the views of the applicable rating agency, and any desired explanation of the significance of such ratings should be obtained from Standard & Poor's at the following address: 55 Water Street, New York, New York 10041; and from Fitch at the following address: One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings 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 Eighteen Bonds.

MISCELLANEOUS

Brief descriptions of the Series Eighteen Bonds, the Series Eighteen Bond Certificate, the Series Eighteen Bond Ordinance, the Airport Revenue Bond Ordinances, the Letters of Credit, the Reimbursement Agreements, the Airline Agreements and certain other documents are included in this Reoffering Memorandum (including the appendices hereto). Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and agreements and to any other documents, agreements, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, agreement, statute, report or other instrument. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Reoffering Memorandum. The information herein is subject to change without notice, and neither the delivery of this Reoffering Memorandum 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 hereof.

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

This Reoffering Memorandum 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 Eighteen Bonds.

The execution and delivery of this Reoffering Memorandum 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
AUDITED FINANCIAL STATEMENTS

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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

<u>Name</u>	<u>Term Expires</u>
Judith Johansen, President 17600 Pacific Highway Marylhurst, Oregon 97036-0261	September 14, 2013
Mary F. Olson, Vice President 7105 SE 19 th 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

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.

	Airport		Marine & Other		Total Port		Total Percentage Change 2009-2010
	2010	2009	2010	2009	2010	2009	
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

The Port of Portland
Management's Discussion and Analysis, continued

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 2009-2010
	2010	2009	2010	2009	2010	2009	
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	<u>194.3</u>	<u>206.0</u>	<u>79.1</u>	<u>107.7</u>	<u>273.4</u>	<u>313.7</u>	(12.8)%
Expenses:							
Operating expenses	140.6	145.2	85.7	116.0	226.3	261.2	(13.4)%
Nonoperating expenses	<u>26.7</u>	<u>24.8</u>	<u>15.8</u>	<u>5.5</u>	<u>42.5</u>	<u>30.3</u>	40.3%
Total expenses	<u>167.3</u>	<u>170.0</u>	<u>101.5</u>	<u>121.5</u>	<u>268.8</u>	<u>291.5</u>	(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	<u>\$ 79.5</u>	<u>\$ 50.7</u>	<u>\$ (2.7)</u>	<u>\$ 14.8</u>	<u>\$ 76.8</u>	<u>\$ 65.5</u>	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

The Port of Portland
Management's Discussion and Analysis, continued

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).

**The Port of Portland
Management's Discussion and Analysis, continued**

Table 3
Capital Assets
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change 2009-2010
	2010	2009	2010	2009	2010	2009	
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	<u>289.3</u>	<u>374.4</u>	<u>137.1</u>	<u>128.1</u>	<u>426.4</u>	<u>502.5</u>	(15.1)%
Land improvements	559.6	528.8	233.2	223.9	792.8	752.7	
Buildings and equipment	<u>1,086.6</u>	<u>836.7</u>	<u>239.3</u>	<u>237.3</u>	<u>1,325.9</u>	<u>1,074.0</u>	
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	<u>(778.0)</u>	<u>(724.0)</u>	<u>(306.0)</u>	<u>(291.8)</u>	<u>(1,084.0)</u>	<u>(1,015.8)</u>	6.7%
Total capital assets being depreciated, net	<u>868.2</u>	<u>641.5</u>	<u>166.5</u>	<u>169.4</u>	<u>1,034.7</u>	<u>810.9</u>	27.6%
Total capital assets, net	<u>\$ 1,157.5</u>	<u>\$ 1,015.9</u>	<u>\$ 303.6</u>	<u>\$ 297.5</u>	<u>\$ 1,461.1</u>	<u>\$ 1,313.4</u>	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).

The Port of Portland
Management's Discussion and Analysis, continued

Table 4
 Outstanding Long-Term Debt
 (\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
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%
	<u>\$ 613.9</u>	<u>\$ 639.2</u>	<u>\$ 95.9</u>	<u>\$ 85.8</u>	<u>\$ 709.8</u>	<u>\$ 725.0</u>	(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

**The Port of Portland
Management's Discussion and Analysis, continued**

(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	<u>34,877,581</u>	<u>197,076,632</u>	<u>231,954,213</u>	<u>234,449,087</u>
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	<u>138,654,409</u>	<u>8,285,238</u>	<u>146,939,647</u>	<u>255,677,833</u>
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	<u>1,384,591,046</u>	<u>402,382,766</u>	<u>1,752,021,814</u>	<u>1,685,682,992</u>
Total assets	<u>\$ 1,419,468,627</u>	<u>\$ 599,459,398</u>	<u>\$ 1,983,976,027</u>	<u>\$ 1,920,132,079</u>
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)	<u>12,706,851</u>	<u>27,830,412</u>	<u>40,537,263</u>	<u>46,601,031</u>
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)	<u>58,167,568</u>	<u>50,000</u>	<u>58,217,568</u>	<u>72,281,254</u>
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	<u>753,719,938</u>	<u>181,170,221</u>	<u>899,938,161</u>	<u>906,866,514</u>
Total liabilities	<u>766,426,789</u>	<u>209,000,633</u>	<u>940,475,424</u>	<u>953,467,545</u>
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	<u>653,041,838</u>	<u>390,458,765</u>	<u>1,043,500,603</u>	<u>966,664,534</u>
Total liabilities and net assets	<u>\$ 1,419,468,627</u>	<u>\$ 599,459,398</u>	<u>\$ 1,983,976,027</u>	<u>\$ 1,920,132,079</u>

* 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	<u>166,308,897</u>	<u>65,530,496</u>	<u>231,839,393</u>	<u>260,384,951</u>
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	<u>85,254,910</u>	<u>65,714,865</u>	<u>150,969,775</u>	<u>190,170,170</u>
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)	<u>25,719,892</u>	<u>(20,194,190)</u>	<u>5,525,702</u>	<u>(766,115)</u>
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	<u>(24,419,092)</u>	<u>(2,208,950)</u>	<u>(26,628,042)</u>	<u>(2,493,007)</u>
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	<u>25,696,717</u>		<u>25,696,717</u>	<u>25,466,614</u>
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)				<u>7,000,000</u>
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	<u>573,513,517</u>	<u>393,151,017</u>	<u>966,664,534</u>	<u>901,230,921</u>
Total net assets - end of year	<u>\$ 653,041,838</u>	<u>\$ 390,458,765</u>	<u>\$ 1,043,500,603</u>	<u>\$ 966,664,534</u>

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	<u>79,541,363</u>	<u>14,867,337</u>	<u>94,408,700</u>	<u>69,598,623</u>
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		<u>8,304,862</u>	<u>8,304,862</u>	<u>9,321,886</u>
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	<u>(171,702,413)</u>	<u>(16,103,473)</u>	<u>(187,805,886)</u>	<u>(117,213,357)</u>
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	<u>91,175,489</u>	<u>5,886,538</u>	<u>97,062,027</u>	<u>28,609,723</u>
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	<u>\$ 63,440</u>	<u>\$ 38,726,536</u>	<u>\$ 38,789,976</u>	<u>\$ 26,820,273</u>
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	<u>\$ 79,541,363</u>	<u>\$ 14,867,337</u>	<u>\$ 94,408,700</u>	<u>\$ 69,598,623</u>
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.

THE PORT OF PORTLAND
NOTES TO 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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	Property & Development			General	Engineering	
	<u>Terminals</u>	<u>Services</u>	<u>Environmental</u>	<u>Navigation</u>	<u>Aviation</u>	<u>& Admin</u>	<u>Total</u>
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)				Value
	<u>Less than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 5</u>	
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
	<u>\$ 79,381,933</u>	<u>\$ 32,888,660</u>	<u>\$ 22,610,236</u>	<u>\$ 1,694,346</u>	136,575,175
Cash and deposits with financial institutions					<u>14,077,337</u>
					<u>\$ 150,652,512</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2010:

	Investment Maturities (in years)				<u>Value</u>
	<u>Less than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 5</u>	
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:

<u>Maturity</u>	<u>Maximum Investment</u>
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
	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>	<u>Total</u>
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

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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:					
<i>Capital assets being depreciated:</i>					
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
<i>Capital assets not being depreciated:</i>					
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:					
<i>Capital assets being depreciated:</i>					
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
<i>Capital assets not being depreciated:</i>					
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

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
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	<u>(292,857,466)</u>	<u>(23,615,581)</u>	<u>(316,473,047)</u>
	<u>\$ 267,462,222</u>	<u>\$ 36,214,443</u>	<u>\$ 303,676,665</u>

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
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	<u>68,082,000</u>	<u>97,349,000</u>	<u>165,431,000</u>
Total	<u>\$ 134,803,000</u>	<u>\$ 161,902,000</u>	<u>\$ 296,705,000</u>

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2010 and 2009:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
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:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 943,240	\$ 928,656
Less: accumulated depreciation	<u>(443,249)</u>	<u>(311,293)</u>
	<u>\$ 499,991</u>	<u>\$ 617,363</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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		<u>1,883,040</u>
	Total minimum lease payments		4,262,844
	Less: amount representing interest		<u>(1,054,986)</u>
	Present value of net minimum lease payments	\$	<u><u>3,207,858</u></u>

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:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>
2010:			
Other	\$ <u> </u>	\$ <u>782,958</u>	\$ <u>782,958</u>
2009:			
Other	\$ <u> </u>	\$ <u>820,151</u>	\$ <u>820,151</u>

There are no Other Noncurrent Assets for the Airport for fiscal years 2009 and 2010.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-Term Debt:

	Bonds Payable at June 30, 2010		
	<u>Pension</u>	<u>Revenue</u>	<u>Passenger Facility Charge Revenue</u>
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

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, continued:

	<u>Contracts and Loans Payable at June 30, 2010</u>
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	<u>618,066</u>
Total, including \$631,967 due within one year	<u>\$ 18,440,937</u>

Future debt service requirements on bonds, contracts and loans payable for the five succeeding fiscal years and in five year increments thereafter are:

	Airport					
	Revenue		Passenger Facility Charge Revenue		Marine & Other	
	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				
	<u>\$ 504,395,000</u>	<u>\$ 225,591,130</u>	<u>\$ 109,515,000</u>	<u>\$ 15,215,558</u>	<u>\$ 89,862,402</u>	<u>\$ 74,632,177</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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	<u>\$ 613,910,000</u>	<u>\$ (28,190,000)</u>	<u>\$</u>	<u>\$ 585,720,000</u>
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	<u>\$ 79,074,988</u>	<u>\$ 9,149,703</u>	<u>\$</u>	<u>\$ 88,224,691</u>

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:

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-Term Debt, 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:

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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:

<u>Derivative Instrument</u>	<u>Counterparty Credit Rating</u>
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).

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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				
	<u>Principal</u>	<u>Interest</u>	Interest Rate <u>Swaps, net</u>	<u>Total</u>
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
	<u>\$ 133,650,000</u>	<u>\$ 2,364,884</u>	<u>\$ 48,202,159</u>	<u>\$ 184,217,043</u>

Variable Rate Passenger Facility Charge Bonds				
	<u>Principal</u>	<u>Interest</u>	Interest Rate <u>Swaps, net</u>	<u>Total</u>
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
	<u>\$ 57,985,000</u>	<u>\$ 1,879,070</u>	<u>\$ 30,050,509</u>	<u>\$ 89,914,579</u>

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:

	<u>2010</u>	<u>2009</u>
Bonds issued for:		
Airport industrial facilities	\$ 25,338,000	\$ 25,338,000
Marine & Other facilities	<u>109,100,000</u>	<u>111,950,000</u>
Total bonds payable	<u>\$ 134,438,000</u>	<u>\$ 137,288,000</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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:

	<u>Airport</u>	Marine & <u>Other</u>
Annual required contribution	\$ 324,000	\$ 309,000
Interest on net OPEB obligation	39,000	13,000
Adjustment to annual required contribution	<u>(56,000)</u>	<u>(19,000)</u>
Annual OPEB cost (expense)	307,000	303,000
Contributions made	<u>(281,000)</u>	<u>(408,000)</u>
Increase (decrease) in net OPEB obligation	26,000	(105,000)
Net OPEB obligation - beginning of year	<u>966,000</u>	<u>324,000</u>
Net OPEB obligation - end of year	<u><u>\$ 992,000</u></u>	<u><u>\$ 219,000</u></u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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
<u>Airport:</u>			
2010	\$ 307,000	91.5%	\$ 992,000
2009	\$ 1,028,000	60.1%	\$ 966,000
2008	\$ 1,032,000	46.1%	\$ 556,000
<u>Marine & Other:</u>			
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)
<u>Airport</u>						
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
<u>Marine & Other</u>						
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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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	<u>(748,717)</u>	<u>(656,983)</u>
Ending liability	<u>\$ 1,570,702</u>	<u>\$ 1,225,183</u>

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

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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	\$ <u>1,175,000</u>	\$ <u>53,405,000</u>	\$ <u>54,580,000</u>	\$ <u>1,175,000</u>	\$ <u>54,540,900</u>	\$ <u>55,715,900</u>

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	\$ <u>1,126,000</u>	\$ <u>918,000</u>	\$ <u>2,044,000</u>

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

	<u>Budgetary (Accrual) Basis *</u>		Excess Revenues (Expenditures)
	<u>Revenues</u>	<u>Expenditures</u>	
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	<u>33,499</u>	<u>10,668,955</u>	<u>(10,635,456)</u>
Totals - budgetary reporting basis	<u>\$ 355,327,819</u>	<u>\$ 445,786,356</u>	(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			<u>968,558</u>
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			<u>\$ 4,594,377</u>

* 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 (Expenditures)
	Revenues	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

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
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)
	<u>68,942,437</u>	<u>64,298,848</u>	<u>(4,643,589)</u>
 Tax and tax items:			
Current property tax levy - net	8,881,844	9,036,318	154,474
Interest on taxes		35,068	35,068
	<u>8,881,844</u>	<u>9,071,386</u>	<u>189,542</u>
 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	<u>80,496,281</u>	<u>87,890,702</u>	<u>7,394,421</u>
 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	<u>33,009,224</u>	<u>31,818,345</u>	<u>(1,190,879)</u>
Total revenues and transfers	113,505,505	119,709,047	6,203,542
 BEGINNING WORKING CAPITAL			
Total resources	<u>138,520,795</u>	<u>136,677,167</u>	<u>(1,843,628)</u>
	<u>\$ 252,026,300</u>	<u>\$ 256,386,214</u>	<u>\$ 4,359,914</u>

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2010

	Appropriations				(Over) Under Budget
	Original	Transfers In (Out)	Revised	Actual	
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	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

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest	\$ 201,000	\$ 526,749	\$ 325,749
Grants and other	<u>32,025,745</u>	<u>15,727,261</u>	<u>(16,298,484)</u>
Total revenues	<u>32,226,745</u>	<u>16,254,010</u>	<u>(15,972,735)</u>
TRANSFERS FROM OTHER FUNDS:			
General Fund	10,985,000		(10,985,000)
Airport Revenue Fund	<u>5,324,200</u>	<u>3,740,027</u>	<u>(1,584,173)</u>
Total transfers	<u>16,309,200</u>	<u>3,740,027</u>	<u>(12,569,173)</u>
BEGINNING WORKING CAPITAL	<u>10,000,000</u>	<u>30,883,874</u>	<u>20,883,874</u>
Total resources	<u>\$ 58,535,945</u>	<u>50,877,911</u>	<u>\$ (7,658,034)</u>
			(Over) Under <u>Budget</u>
EXPENDITURES:	<u>Appropriations</u>	<u>Actual</u>	
Capital outlay	\$ 42,640,117	28,344,479	\$ 14,295,638
Contingencies	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total expenditures	<u>52,640,117</u>	<u>28,344,479</u>	<u>24,295,638</u>
TRANSFERS TO OTHER FUNDS:			
General Fund	5,798,628	3,194,575	2,604,053
Airport Revenue Fund	<u>97,200</u>	<u>38,495</u>	<u>58,705</u>
Total transfers	<u>5,895,828</u>	<u>3,233,070</u>	<u>2,662,758</u>
Total expenditures and transfers	<u>\$ 58,535,945</u>	<u>31,577,549</u>	<u>\$ 26,958,396</u>
ENDING WORKING CAPITAL		<u>\$ 19,300,362</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
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	<u>172,407,369</u>	<u>167,579,789</u>	<u>(4,827,580)</u>
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	<u>2,031,358</u>	<u>1,987,011</u>	<u>(44,347)</u>
Total revenues and transfers	174,438,727	169,566,800	(4,871,927)
BEGINNING WORKING CAPITAL	<u>20,000,000</u>	<u>20,287,015</u>	<u>287,015</u>
Total resources	<u>\$ 194,438,727</u>	<u>\$ 189,853,815</u>	<u>\$ (4,584,912)</u>
	<u>Appropriations</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
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	<u>92,285,572</u>	<u>70,670,328</u>	<u>21,615,244</u>
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	<u>102,153,155</u>	<u>97,012,757</u>	<u>5,140,398</u>
Total expenditures and transfers	<u>\$ 194,438,727</u>	<u>167,683,085</u>	<u>\$ 26,755,642</u>
ENDING WORKING CAPITAL		<u>\$ 22,170,730</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Resources				Over (Under) Budget
	Original	Transfers In (Out)	Budget	Actual	
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					
Total resources	\$ 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				(Over) Under Budget
	Original	Transfers In (Out)	Budget	Actual	
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	17,116,208	2,116,208
Total expenditures	198,581,914	(15,000,000)	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				Over (Under) Budget
	Original	Transfers In (Out)	Budget	Actual	
REVENUES:					
Interest and other	\$ 260,000		\$ 260,000	\$ 431,930	\$ 171,930
Passenger facility charges	<u>26,299,000</u>		<u>26,299,000</u>	<u>25,696,717</u>	<u>(602,283)</u>
Total revenues	<u>26,559,000</u>		<u>26,559,000</u>	<u>26,128,647</u>	<u>(430,353)</u>
TRANSFERS FROM OTHER FUNDS:					
Airport Construction Fund				1,566,727	1,566,727
BEGINNING RESTRICTED NET ASSETS					
AVAILABLE FOR APPROPRIATION	<u>32,006,505</u>		<u>32,006,505</u>	<u>34,687,803</u>	<u>2,681,298</u>
Total resources	<u>\$ 58,565,505</u>		<u>\$ 58,565,505</u>	<u>62,383,177</u>	<u>\$ 3,817,672</u>
	Appropriations				(Over) Under Budget
	Original	Transfers In (Out)	Budget	Actual	
EXPENDITURES:					
Other		\$ 950,000	\$ 950,000	1,260,936	\$ (310,936)
Contingencies	\$ 3,476,287	<u>(950,000)</u>	<u>2,526,287</u>	<u>2,526,287</u>	<u>2,526,287</u>
Total expenditures	<u>3,476,287</u>		<u>3,476,287</u>	<u>1,260,936</u>	<u>2,526,287</u>
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	10,353,575		10,353,575	10,495,231	(141,656)
Airport Construction Fund	<u>44,735,643</u>		<u>44,735,643</u>	<u>42,552,792</u>	<u>2,182,851</u>
Total transfers	<u>55,089,218</u>		<u>55,089,218</u>	<u>53,048,023</u>	<u>2,041,195</u>
Total expenditures and transfers	<u>\$ 58,565,505</u>		<u>\$ 58,565,505</u>	<u>54,308,959</u>	<u>\$ 4,567,482</u>
ENDING RESTRICTED NET ASSETS				<u>\$ 8,074,218</u>	
AVAILABLE FOR APPROPRIATION				<u>8,074,218</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest	\$ 416,000	\$ 33,499	\$ (382,501)
Total revenues	<u>416,000</u>	<u>33,499</u>	<u>(382,501)</u>
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	10,353,575	10,495,231	141,656
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	<u>10,770,975</u>	<u>10,914,263</u>	<u>143,288</u>
Total resources	<u>\$ 21,540,550</u>	<u>\$ 21,442,993</u>	<u>\$ (97,557)</u>
EXPENDITURES:			
Long-term debt payments	\$ 10,769,575	\$ 10,668,955	\$ 100,620
Total expenditures	<u>10,769,575</u>	<u>10,668,955</u>	<u>100,620</u>
UNAPPROPRIATED BALANCE	<u>10,770,975</u>		
	<u>\$ 21,540,550</u>		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		<u>\$ 10,774,038</u>	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2010

ASSETS	Marine & Other				Airport					
	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
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	<u>231,954,213</u>	<u>197,076,632</u>	<u>174,931,549</u>	<u>22,145,083</u>	<u>34,877,581</u>	<u>34,877,581</u>				
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	<u>146,939,647</u>	<u>8,285,238</u>	<u>8,285,238</u>		<u>138,654,409</u>	<u>9,786,487</u>	<u>50,582,879</u>	<u>52,341,061</u>	<u>8,618,803</u>	<u>17,325,179</u>
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	<u>1,752,021,814</u>	<u>402,382,766</u>	<u>332,504,443</u>	<u>69,878,323</u>	<u>1,384,591,046</u>	<u>1,001,348,765</u>	<u>70,638,879</u>	<u>273,494,594</u>	<u>21,783,629</u>	<u>17,325,179</u>
Total assets	<u>\$ 1,983,976,027</u>	<u>\$ 599,459,398</u>	<u>\$ 507,435,992</u>	<u>\$ 92,023,406</u>	<u>\$ 1,419,468,627</u>	<u>\$ 1,036,226,346</u>	<u>\$ 70,638,879</u>	<u>\$ 273,494,594</u>	<u>\$ 21,783,629</u>	<u>\$ 17,325,179</u>
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)	<u>40,537,263</u>	<u>27,830,412</u>	<u>24,985,691</u>	<u>2,844,721</u>	<u>12,706,851</u>	<u>12,706,851</u>				
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)	<u>58,217,568</u>	<u>50,000</u>	<u>50,000</u>		<u>58,167,568</u>		<u>34,282,536</u>	<u>16,789,306</u>	<u>544,585</u>	<u>6,551,141</u>
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	<u>899,938,161</u>	<u>181,170,221</u>	<u>181,170,221</u>		<u>753,719,938</u>	<u>550,370,289</u>	<u>60,136,384</u>	<u>16,789,306</u>	<u>119,872,818</u>	<u>6,551,141</u>
Total liabilities	<u>940,475,424</u>	<u>209,000,633</u>	<u>206,155,912</u>	<u>2,844,721</u>	<u>766,426,789</u>	<u>563,077,140</u>	<u>60,136,384</u>	<u>16,789,306</u>	<u>119,872,818</u>	<u>6,551,141</u>
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	<u>1,043,500,603</u>	<u>390,458,765</u>	<u>301,280,080</u>	<u>89,178,685</u>	<u>653,041,838</u>	<u>473,149,206</u>	<u>10,502,495</u>	<u>256,705,288</u>	<u>(98,089,189)</u>	<u>10,774,038</u>
Total liabilities and net assets	<u>\$ 1,983,976,027</u>	<u>\$ 599,459,398</u>	<u>\$ 507,435,992</u>	<u>\$ 92,023,406</u>	<u>\$ 1,419,468,627</u>	<u>\$ 1,036,226,346</u>	<u>\$ 70,638,879</u>	<u>\$ 273,494,594</u>	<u>\$ 21,783,629</u>	<u>\$ 17,325,179</u>

* 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
	<u>166,291,500</u>
Interest income - revenue fund and revenue bond fund	882,957
	<u>167,174,457</u>
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
	<u>88,053,915</u>
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	<u><u>\$ 79,120,542</u></u>

* 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
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Debt service requirement:

Interest and principal amount	\$ 46,886,419	
	x 130%	
		60,952,345

Excess of net revenues over 130% of debt service requirement	\$ <u>18,168,197</u>
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THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF REVENUE BOND
 CONSTRUCTION ACCOUNT ACTIVITY
 for the year ended June 30, 2010

	<u>Bond Proceeds Portion</u>	<u>Capitalized Interest Portion</u>
Construction account, June 30, 2009	\$ 41,610,552	\$ 2,068,454
Interest income	<u>181,711</u>	<u>16,418</u>
	41,792,263	2,084,872
Construction expenditures	41,792,263	
Transfers to revenue bond fund	<u> </u>	<u>2,084,872</u>
Construction account, June 30, 2010	<u><u>\$ </u></u>	<u><u>\$ </u></u>

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			<u>(59,795)</u>
Applied to General Account, available to be applied to debt service of bonds		\$	<u>79,060,747</u> (1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323		\$	<u>46,886,419</u> (2)
Ratio (1)/(2)			<u>1.69</u>
Required ratio			<u>1.30</u>

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 <u>Account</u>	First Lien Reserve <u>Account</u>	Capital <u>Account</u>
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	<u> </u>	<u> </u>	<u> (30,897)</u>
Balances at June 30, 2010	<u>\$ 3,063</u>	<u>\$ 10,770,975</u>	<u>\$ 8,074,218</u>

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)
	<u>\$ 484,077</u>	<u>\$ 9,312,811</u>	<u>\$ (9,014,088)</u>	<u>\$ (228,688)</u>	<u>\$ (47,805)</u>	<u>\$ 506,307</u>	<u>\$ 25,303</u>

Reconciliation to income from property taxes:

Current levy	\$ 9,312,811
Deduct discounts allowed	(228,688)
Cancellations and adjustments	(47,805)
	<u>\$ 9,036,318</u>

THE PORT OF PORTLAND
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2010

	Maturity Date	Outstanding at June 30, 2009	2009-2010 Transactions			Outstanding June 30, 2010	
			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
		<u>72,315,647</u>		<u>894,182</u>	<u>894,182</u>	<u>71,421,465</u>	<u>1,005,744</u>
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		<u>525,190,000</u>		<u>20,795,000</u>	<u>20,795,000</u>	<u>504,395,000</u>	<u>23,320,000</u>
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		<u>114,050,000</u>		<u>4,535,000</u>	<u>4,535,000</u>	<u>109,515,000</u>	<u>4,870,000</u>
Total Port Bonds		<u>\$ 711,555,647</u>		<u>\$ 26,224,182</u>	<u>\$ 26,224,182</u>	<u>\$ 685,331,465</u>	<u>\$ 29,195,744</u>
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		<u>\$ 8,063,159</u>	<u>\$ 10,787,413</u>	<u>\$ 409,635</u>	<u>\$ 409,635</u>	<u>\$ 18,440,937</u>	<u>\$ 631,967</u>
TOTAL PORT LONG-TERM DEBT		<u>\$ 719,618,806</u>	<u>\$ 10,787,413</u>	<u>\$ 26,633,817</u>	<u>\$ 26,633,817</u>	<u>\$ 703,772,402</u>	<u>\$ 29,827,711</u>

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

	Outstanding at June 30, 2009	2009 - 10 Transactions			Outstanding at June 30, 2010	Maturing Within One Year
		Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions		
<u>LIMITED TAX PENSION BONDS:</u>						
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
	<u>74,261,720</u>		<u>4,408,086</u>		<u>69,853,634</u>	<u>4,530,875</u>
<u>PORTLAND INTERNATIONAL AIRPORT</u>						
<u>REVENUE BONDS:</u>						
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	<u>247,642,100</u>		<u>20,764,903</u>	<u>1,286,067</u>	<u>225,591,130</u>	<u>18,941,518</u>
<u>PORTLAND INTERNATIONAL AIRPORT</u>						
<u>PASSENGER FACILITY CHARGE REVENUE BONDS:</u>						
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	<u>18,979,893</u>		<u>3,139,932</u>	<u>624,402</u>	<u>15,215,558</u>	<u>2,906,998</u>
Total Port Bonds	<u>\$ 340,883,713</u>		<u>\$ 28,312,922</u>	<u>\$ 1,910,469</u>	<u>\$ 310,660,322</u>	<u>\$ 26,379,391</u>
<u>CONTRACTS & LOANS PAYABLE:</u>						
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	<u>\$ 3,318,663</u>	<u>\$ 1,913,613</u>	<u>\$ 453,733</u>		<u>\$ 4,778,543</u>	<u>\$ 491,739</u>
TOTAL PORT LONG-TERM DEBT	<u>\$ 344,202,376</u>	<u>\$ 1,913,613</u>	<u>\$ 28,766,655</u>	<u>\$ 1,910,469</u>	<u>\$ 315,438,865</u>	<u>\$ 26,871,130</u>

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		<u>\$ 71,421,465</u>	<u>\$ 1,005,744</u>	<u>\$ 1,111,148</u>	<u>\$ 1,227,268</u>	<u>\$ 1,338,640</u>	<u>\$ 1,436,100</u>	<u>\$ 1,541,806</u>	<u>\$ 1,652,546</u>	<u>\$ 1,768,815</u>	<u>\$ 1,886,618</u>	<u>\$ 2,197,780</u>	<u>\$ 56,255,000</u>
Total	-Interest		<u>\$ 69,853,634</u>	<u>\$ 4,530,875</u>	<u>\$ 4,666,923</u>	<u>\$ 4,811,003</u>	<u>\$ 4,969,564</u>	<u>\$ 5,148,313</u>	<u>\$ 5,333,939</u>	<u>\$ 5,525,157</u>	<u>\$ 5,721,231</u>	<u>\$ 5,935,913</u>	<u>\$ 5,961,889</u>	<u>\$ 17,248,827</u>
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		<u>\$ 504,395,000</u>	<u>\$ 23,320,000</u>	<u>\$ 24,765,000</u>	<u>\$ 26,135,000</u>	<u>\$ 27,440,000</u>	<u>\$ 27,490,000</u>	<u>\$ 26,505,000</u>	<u>\$ 27,200,000</u>	<u>\$ 26,760,000</u>	<u>\$ 27,850,000</u>	<u>\$ 22,875,000</u>	<u>\$ 244,055,000</u>
Total Portland Int'l Airport Revenue Bonds	-Interest		<u>\$ 225,591,130</u>	<u>\$ 18,941,518</u>	<u>\$ 17,997,012</u>	<u>\$ 16,975,351</u>	<u>\$ 15,881,363</u>	<u>\$ 14,816,481</u>	<u>\$ 13,878,521</u>	<u>\$ 12,994,502</u>	<u>\$ 12,072,743</u>	<u>\$ 11,104,676</u>	<u>\$ 10,265,220</u>	<u>\$ 80,663,743</u>
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	\$ 7,470,000		
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		<u>\$ 109,515,000</u>	<u>\$ 4,870,000</u>	<u>\$ 5,145,000</u>	<u>\$ 5,440,000</u>	<u>\$ 5,750,000</u>	<u>\$ 6,070,000</u>	<u>\$ 6,400,000</u>	<u>\$ 6,770,000</u>	<u>\$ 7,135,000</u>	<u>\$ 7,530,000</u>	<u>\$ 7,955,000</u>	<u>\$ 46,450,000</u>
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		<u>\$ 15,215,558</u>	<u>\$ 2,906,998</u>	<u>\$ 2,623,712</u>	<u>\$ 2,324,167</u>	<u>\$ 2,014,572</u>	<u>\$ 1,694,599</u>	<u>\$ 1,349,145</u>	<u>\$ 988,863</u>	<u>\$ 616,621</u>	<u>\$ 285,407</u>	<u>\$ 132,384</u>	<u>\$ 279,090</u>
Total Port Bonds	-Principal		<u>\$ 685,331,465</u>	<u>\$ 29,195,744</u>	<u>\$ 31,021,148</u>	<u>\$ 32,802,268</u>	<u>\$ 34,528,640</u>	<u>\$ 34,996,100</u>	<u>\$ 34,446,806</u>	<u>\$ 35,622,546</u>	<u>\$ 35,663,815</u>	<u>\$ 37,266,618</u>	<u>\$ 33,027,780</u>	<u>\$ 346,760,000</u>
Total Port Bonds	-Interest		<u>\$ 310,660,322</u>	<u>\$ 26,379,391</u>	<u>\$ 25,287,647</u>	<u>\$ 24,110,521</u>	<u>\$ 22,865,499</u>	<u>\$ 21,659,393</u>	<u>\$ 20,561,605</u>	<u>\$ 19,508,522</u>	<u>\$ 18,410,595</u>	<u>\$ 17,325,996</u>	<u>\$ 16,359,493</u>	<u>\$ 98,191,660</u>

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.

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	\$ 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	\$ 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	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	\$ 772,716	\$ 5,097,590
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		\$ 134,438,000											\$ 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	\$ 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
			<u>36,666,477</u>
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
			<u>26,706,945</u>
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/09-06/30/10	39.003	<u>26,710</u>
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
			<u>12,822,926</u>
Total Expenditures of Federal Awards			<u>\$ 76,223,058</u>

(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.

The Port of Portland

Audit Comments and Disclosures

June 30, 2010

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.

The Port of Portland
Audit Comments and Disclosures
June 30, 2010

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.



By: 

Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES

This appendix summarizes certain provisions of the Airport Revenue Bond Ordinances as of the date of this Reoffering Memorandum. This Reoffering Memorandum, including this appendix, occasionally uses terms that differ from terms that are used in the Airport Revenue Bond Ordinances. For example, Ordinance No. 323 uses the term “Subordinate Lien Bonds” because the obligations secured by a pledge of the Revenues that is on a parity with the pledge securing the Series Eighteen Bonds had a subordinate claim on the Revenues when Ordinance No. 323 was originally enacted by the Port. All senior lien obligations have been retired, and the “Subordinate Lien Bonds” are now secured by a prior pledge of the Net Revenues, so this Reoffering Memorandum, including this appendix, uses the term “SLB” in place of “Subordinate Lien Bond” to avoid confusion.

Definitions

Unless the context clearly requires otherwise, capitalized terms used in this appendix have the meanings assigned such terms in this “Definitions” section, and capitalized terms used in this appendix that are not defined in this “Definitions” section have the meanings assigned such terms in the body of this Reoffering Memorandum or the Airport Revenue Bond Ordinances.

“Additional SLBs” means obligations issued on parity with Outstanding SLBs and in compliance with the requirements of the SLB Ordinance. See “Additional Bonds.”

“Airport” means the (1) the presently existing airport owned or operated by the Port known as the “Portland International Airport” and (2) the Portland International Airport as enlarged, expanded, changed and improved, pursuant to the Airport Capital Improvement Program, as amended from time to time. The term “Airport” does not include: (a) properties sold or transferred in compliance with the limitations of Ordinance No. 155; (b) except as otherwise provided in the Airport Revenue Bond Ordinances, properties subject to a Net Rent Lease; and (c) General Aviation Airports. The Port has reserved the right to amend the definition of “Airport.” See “Amendments of the Airport Revenue Bond Ordinances—Special Amendments.”

“Airport Consultant” means an independent firm or corporation not in the regular employ or under the control of the Port and who shall have a widely known and favorable reputation for special skill, knowledge, and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport. The Airport Consultant shall be available to advise the Port upon request, and make such investigations, certifications and determinations as may be necessary or required from time to time under the provisions of Ordinance No. 155.

“Commercial Airport” means any airport, a major portion of the revenues derived from which are realized (1) from the operations of certificated air carriers engaged in the public utility business of transporting passengers or freight, or both, by air, whether such operations be on a scheduled or non-scheduled basis, and (2) from the supplying by the owner or operator of such airport of goods and services to the customers, patrons and passengers of such carriers.

“Completion Bonds” means Additional SLBs issued to pay the cost of completing any project for which SLBs have been previously issued, and which are issued under the provisions of the SLB Ordinance.

“Costs of Operation and Maintenance” means the reasonable and necessary current expenses of the Port included as a Cost of Operation and Maintenance in the annual Airport budget for operating, maintaining and repairing the Airport, including among other expenses costs of general administration of the Port reasonably and properly allocable to the Airport; costs of collecting Revenues and from making any refunds therefrom lawfully due to others; engineering, audit, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport; costs of salaries, wages and other compensation and benefits to employees, including self-insurance for the foregoing; costs of routine repairs, replacements, renewals and alterations occurring in the usual course of business; taxes, assessments and other governmental charges imposed on the Airport or on the operation thereof or income therefrom; costs of utility services, supplies, contractual and professional services; costs of insurance and fidelity bonds; costs of carrying out the provisions of the Airport Revenue Bond Ordinances; costs of lease payments due under capital leases for items customarily used in the operation or maintenance of airport facilities or equipment and all other costs and expenses or operating, maintaining and repairing the Airport arising in the routine and normal course of business. The term “Costs of Operation and Maintenance” does not include: (1) any allowance for depreciation or any amounts for capital replacements, renewals, repairs and maintenance not recurring annually (or at shorter intervals) or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor, other than cost of preliminary planning; (3) reserves for operation, maintenance and repairs occurring in the normal course of business; (4) payment (including redemption) of bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (5) any operation and maintenance expenses pertaining to Special Facilities or expenses incurred by any lessee under a Net Rent Lease. See “Amendments of the Airport Revenue Bond Ordinances—Special Amendments.”

“Credit Facility” means a letter of credit, a surety bond, a bond insurance policy or other credit facility that provides for the payment when due of principal of and interest on SLBs other than Parity Reimbursement Agreements.

“Fund” means a fund, account or other accounting category which the Port uses to account for funds relating to the Airport. A “Fund” does not need to appear in the Port’s budgets as a separate fund. The Port may commingle amounts in different Funds for investment purposes.

“General Aviation Airport” means an airport known in the air transport industry as a “general aviation airport,” being an airport, the major portion of the revenues derived from which is not realized from the operations of aircraft operated by certificated air carriers (except possibly air taxi or air tour operations) and from the supplying of goods and services to the people utilizing such aircraft, but is realized from the activities of private, nonpublic aircraft, flying schools, the supplying of goods and services to the foregoing and similar operations not normally part of a public utility business (except possibly air tour or air taxi operations).

“Governmental Obligations” means any of the following which are non-callable and which at the time are legal investments for the moneys proposed to be invested therein: (1) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; or (2) except in connection with defeasance of SLBs secured by a letter of credit or alternate Credit Facility, Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

“JLO Fund” means the Junior Lien Obligation Fund.

“Junior Lien Obligations” means bonds or other obligations that have a lien on the Net Revenues that is subordinate to the lien of the SLBs and Scheduled Swap Obligations and are payable from amounts deposited in the JLO Fund.

“Liquidity Facility” means a letter of credit, line or credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility that supports the payment of the purchase price of SLBs (other than Parity Reimbursement Agreements). A Credit Facility such as a direct-pay letter of credit may constitute a Liquidity Facility as well as a Credit Facility.

“Net Rent Lease” means a lease of a Special Facility under which the lessee agrees to pay to the Port the amounts required to pay the Special Obligation Bonds, to fund reserves and pay fees for the Special Obligation Bonds, and, unless ground rental is payable to the Port, to pay a share of the Port’s administrative costs, and to pay in addition all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the leased property (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

“Net Revenues” means for any past period the aggregate of the Revenues actually paid into the Airport Fund during such past period, and for any future period the aggregate of the Revenues estimated to be paid into the Airport Fund during such future period, minus for any such past period the aggregate of the Costs of Operation and Maintenance of the Airport actually paid or accrued during such past period, or minus for any such future period the aggregate of the Costs of Operation and Maintenance of the Airport estimated to be paid or accrued during such future period, as the case may be.

“Ordinance No. 155” means Port Ordinance No. 155, as amended, restated and supplemented. The SLB Ordinance requires the Port to comply with certain covenants in Ordinance No. 155 for the benefit of Owners.

“Ordinance No. 323” means Ordinance No. 323, as amended, restated and supplemented.

“Other Swap Obligations” means any payments owed by the Port to a Qualified Swap Provider which are not Scheduled Swap Obligations, including, without limitation, termination payments, fees, charges or indemnifications.

“Other TLO Swap Obligations” means any payments owed by the Port to a Qualified TLO Swap Provider (as defined in the SLB Ordinance) which are not Scheduled TLO Swap Obligations, including without limitation termination payments, fees, charges or indemnifications. See “Third Lien Obligations.”

“Owner” means the person listed in the SLB register on that date as the owner of an Outstanding SLB.

“Parity Reimbursement Agreement” means an agreement of the Port entered into in compliance with the SLB Ordinance to reimburse the provider of a Credit Facility and/or Liquidity Facility for amounts paid by the provider under a Credit Facility or Liquidity Facility.

“Project Certificate” means a certificate signed by an assistant Secretary of the Port and filed with the closing documents for a series of SLBs: (1) describing each project which is expected to be completed with the proceeds of that series of SLBs, and estimating the total cost of each project and the portion of that cost expected to be paid from proceeds of that series of SLBs; and (2) certifying that the foregoing cost estimates are reasonable.

“Qualified Swap” means: (a) any financial arrangement with respect to SLBs which; (i) is entered into by the Port with an entity that is a Qualified Swap Provider at the time such arrangement is entered into; (ii) is a cap, floor or collar, forward rate, future rate, swap (such swap may be based on an amount equal either to the principal amount of such SLBs as may be designated or a notional principal amount

relating to all or a portion of the principal amount of such SLB), asset, index, price or market-linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing; and (iii) has been designated as a Qualified Swap with respect to such SLBs in a written determination of the Port filed with the SLB Trustee; and, (b) any letter of credit, line of credit, policy of insurance, surety bond, guarantee or similar instrument securing the obligations of the Port under any financial arrangement described in clause (a).

“Qualified Swap Provider” means an entity whose senior unsecured long term obligations, financial program rating, counterparty risk rating or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty risk rating or claims paying ability, are rated at the time of the execution of such Qualified Swap at least as high as the third highest Rating Category by at least two Rating Agencies then maintaining a rating for the Qualified Swap Provider or its guarantor, provided that each such Qualified Swap Provider executes an agreement with the Port to deposit collateral with the Port, or in trust for the Port, with a trustee acceptable to the Port, for the benefit of the Port, in the event such ratings are not maintained.

“Rating Agency” means each nationally recognized securities rating agency.

“Rating Category” means a generic rating category used by any Rating Agency, without regard to any “+” or “-” or other qualifier.

“Revenues” means and includes all income, receipts and moneys derived by the Port from its ownership or operation and management of the Airport or the furnishing and supplying of the services, facilities and commodities thereof, including (i) all income, receipts and moneys derived from the rates, rentals, fees and charges fixed, imposed and collected by the Port for the use and services of the Airport or otherwise derived from or arising through the ownership, operation and management of the Airport by the Port or derived from the rental by the Port of all or part of the Airport or from the sale or rental by the Port of any commodities or goods in connection with the Airport; (ii) earnings on and the income from the investment of moneys held under the Airport Revenue Bond Ordinances to the extent such earnings or income are deposited in the Airport Fund, but not including any such earnings or income credited to the Airport Construction Fund; and (iii) to the extent provided in the Airport Revenue Bond Ordinances, income derived by the Port from a Net Rent Lease. The term “Revenues” does not include (1) moneys received as proceeds from the sale of SLBs or as grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements, except to the extent that any such moneys shall be received as payments for the use of the Airport, or (2) passenger facility charges or similar charges that are imposed under authority of federal law and are limited by federal law to expenditure on specific projects or activities and/or on debt service and financing costs related to specific projects or activities, or (3) tax revenues or tax-derived revenues.

“Scheduled Swap Obligations” means, with respect to any Qualified Swap, the net regularly scheduled payments owed by the Port to the Qualified Swap Provider. The net regularly scheduled payments owed by the Port to the Qualified Swap Provider shall be calculated by subtracting the regularly scheduled payments owed to the Port by the Qualified Swap Provider from the regularly scheduled payments owed by the Port to the Qualified Swap Provider. The Term “Scheduled Swap Obligations” does not include any termination payments, fees, charges or indemnifications.

“Short Term/Demand Obligations” means each series of bonds, notes and other obligations issued as SLBs pursuant to the SLB Ordinance (a) the payment of principal of which is either (i) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is deemed to

be payable for purposes of computing SLB Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance of additional Short Term/Demand Obligations pursuant to a commercial paper or other similar financing program and (b) the purchase price, payment or refinancing of which is additionally supported by a Credit Facility and/or a Liquidity Facility.

“SLB Construction Account” means the Subordinate Lien Revenue Bond Construction Account in the Construction Fund created under the SLB Ordinance.

“SLB Debt Service Requirement” means, as of any date of calculation, an amount equal to the sum of the following for any period and with respect to all or any portion of the SLBs: (1) interest scheduled to accrue during such period on SLBs, except to the extent provision has been made for the payment of interest from SLB proceeds or earnings thereon according to a schedule contained in a Capitalized Interest Certificate; plus (2) that portion of the principal amount of such SLBs scheduled to be payable during such period (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory SLB redemptions) which would accrue if such principal amount were deemed to accrue daily in equal amounts, during such period; less (3) earnings on the SLB Reserve Account for that period; and less, (4) any payments due to the Port under an agreement to enter into a Qualified Swap, if the payments are due before the Qualified Swap takes effect and the Port commits to use those payments to pay SLBs or Qualified Swaps.

Provided, however, that the following rules apply to the computation of SLB Debt Service Requirement for Short Term/Demand Obligations, for SLBs that bear interest a floating or variable rate, for Qualified Swaps and for Parity Reimbursement Agreements:

For any series of Short Term/Demand Obligations: future SLB Debt Service Requirements shall be computed on the assumption that the principal amount of such series of Short Term/Demand Obligations shall be refinanced in the first Fiscal Year for which interest on such Short Term/Demand Obligations has not been capitalized or otherwise funded or provided for, with a series of SLBs which shall be assumed to be amortized over a period not to exceed 30 years from the date of issue in such manner that the maximum Debt Service Requirement in any 12-month period shall not exceed 130% of the minimum Debt Service Requirement for any other 12-month period, and shall be assumed to bear interest at a fixed interest rate calculated as described in clause (b) of the following paragraph.

Except as otherwise specifically provided, Short Term/Demand Obligations and any series of SLBs which bear interest at a variable or adjustable rate shall be assumed to bear interest as follows: (a) for any series of SLBs then Outstanding, at the greater of: (1) the average interest rate derived from the variable or adjustable interest rate borne by, such series of SLBs during a 12- month period ending within 30 days prior to the date of computation; or (2) the actual interest rate derived from such variable or adjustable interest rate formula or computation, or actual interest rate payable on such series of SLBs, on the date of such calculation; (b) for any series of SLBs then proposed to be issued, at an interest rate estimated by the Port’s underwriter to be the average rate of interest such series of SLBs will bear during the period, or periods, for which SLB Debt Service Requirements are being calculated, plus one percent (1%); (c) for the principal amount of any series of SLBs in connection with which the Port has entered into a Qualified Swap that provides that the Port is to pay to the Qualified Swap Provider an amount determined based upon a fixed rate of interest on the notional amount of such Qualified Swap corresponding to the principal amount of such SLBs, at the fixed rate of interest to be paid by the Port in accordance with such Qualified Swap; and, (d) for any series of SLBs in connection with which the Port has entered into a Qualified Swap, such as an interest rate cap, that provides that the Qualified Swap Provider is to pay to the Port an amount determined based upon the amount by which the rate at which such SLBs bear interest or a floating rate index exceeds a stated rate of interest on all or any portion of

such SLBs, at the lesser of: (1) the rate calculated in accordance with clause (a) above; or (2) the rate of interest in excess of which the Qualified Swap Provider is to make payment to the Port in accordance with such Qualified Swap. In addition, solely for purposes of the rate covenant in the SLB Ordinance, SLBs that bear interest at a variable rate and that are not subject to a Qualified Swap, shall have an SLB Debt Service Requirement that is equal to the actual principal and interest that is required to be paid on those SLBs.

If the Port has entered into a Qualified Swap in connection with any SLBs which bear interest at a fixed rate, and the Qualified Swap provides that the Port is to pay to the Qualified Swap Provider an amount determined based on a variable rate of interest on the notional amount of such Qualified Swap, corresponding to the principal amount of such SLBs, then those SLBs shall be assumed to bear interest at a variable rate of interest that is equal to the rate the Port is required to pay under the Qualified Swap. In addition, the SLB Debt Service Requirements shall be calculated on the assumption that no SLBs Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of scheduled principal maturities or scheduled mandatory redemptions of such SLBs, except as provided above for Short Term/Demand Obligations.

Only the principal and interest actually due under a Parity Reimbursement Agreement as a result of the purchase of SLBs by the provider of the Liquidity Facility that is secured by the Parity Reimbursement Agreement shall be included in SLB Debt Service Requirement; and the following shall not be included in the SLB Debt Service Requirement: repayments of amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a “direct-pay” Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days, and amounts the Port would have been required to pay on SLBs if those SLBs had not been purchased by the provider.

“SLB Fund” means The Port of Portland Subordinate Lien Airport Revenue Bond Fund.

“SLB Interest Account” means the SLB Interest Account in the SLB Fund.

“SLB Ordinance” means Ordinance No. 323, as amended, restated and supplemented.

“SLB Reserve Account” means the SLB Reserve Account in the SLB Fund.

“SLB Reserve Fund Requirement” means an amount equal to the maximum SLB Debt Service Requirement in any future Fiscal Year; provided that if the ordinance authorizing issuance of a series of SLBs so provides: the portion of the SLB Reserve Fund Requirement attributable to that series may be funded in equal monthly installments over a period of not more than four years, with the first installment due not more than 45 days after that series is issued; or, debt service reserve insurance from a company rated at the time the insurance is issued in the highest category by Standard and Poor’s Corporation or Moody’s Investors Services, or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A. M. Best & Co. or any comparable service, may be substituted for any portion of the SLB Reserve Fund Requirement attributable to that series. The portion of the maximum SLB Debt Service Requirement that is calculated for Short Term/Demand Obligations and SLBs that bear interest at a variable rate shall be recalculated only when a series of Additional SLBs is issued. Changes in interest rates that occur at other times shall not affect the calculation of the SLB Reserve Fund Requirement.

“SLB Trustee” means the entity appointed to act as SLB Trustee under the SLB Ordinance.

“SLBs” means the Additional SLBs and Parity Reimbursement Agreements issued pursuant to the SLB Ordinance.

“Special Facilities” means facilities that are financed with Special Obligation Bonds and are subject to a Net Rent Lease.

“Special Obligation Bonds” means obligations that are issued to finance a Special Facility and that are payable from amounts due from the lessee under a Net Rent Lease and are not payable from Net Revenues. See “Special Facilities, Special Obligation Bonds and Net Rent Leases.”

“Swap Obligations” means Scheduled Swap Obligations and Other Swap Obligations.

“Third Lien Obligations” means bonds or other obligations, including Other TLO Swap Obligations, that have a lien on the Net Revenues that is subordinate to the lien of the SLBs and Junior Lien Obligations and are payable from amounts deposited in the TLO Fund.

“TLO Fund” means the Third Lien Obligation Fund created under the SLB Ordinance and held and administered by the Port.

“Trustee” means the SLB Trustee.

Limitation on Purposes for with SLBs May Be Issued

The Port may issue Additional SLBs pursuant to the SLB Ordinance only to pay cost of additions, expansions and improvements at the Airport and General Aviation Airports and to refund Outstanding SLBs. SLBs shall have principal and interest payments due only on July 1 or January 1 of any year, unless the SLBs are Short Term Demand Obligations or Parity Reimbursement Agreements. See “Additional Bonds.”

Parity Reimbursement Agreements

The Port may enter into a Parity Reimbursement Agreement only if: (1) the agreement requires the Port to repay amounts paid by the provider under the related Liquidity Facility or Credit Facility in substantially equal annual amounts over a period of no less than five years; and, (2) the obligations of the Port under the agreement are not subject to acceleration unless all SLBs are accelerated or subject to tender. The limitation in clause (1) of the preceding sentence does not apply to the Port’s obligation to pay the provider of the Liquidity Facility or Credit Facility for: (a) amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a “direct-pay” Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days; (b) interest required to be paid by the Port on amounts drawn under the Liquidity Facility or Credit Facility; or (c) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement shall be treated as Costs of Operation and Maintenance of the Airport.

SLBs are Special, Limited Obligations of the Port

Principal, interest and premium, if any, on the SLBs, and any Scheduled Swap Obligations, shall be payable solely from the Net Revenues that are available for deposit in the General Account, and from moneys in the SLB Fund and SLB Construction Account, as provided in the SLB Ordinance. The SLBs and any Swap Obligations shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the SLB Ordinance.

General Covenants

In the SLB Ordinance, the Port covenants and agrees with the SLB Trustee, the owners of the SLBs, and Qualified Swap Providers, that so long as any SLBs are Outstanding or the Port is obligated to make payments under a Qualified Swap:

1. The Port shall pay, when due, all principal, interest, and premium, if any, on the SLBs and any Scheduled Swap Obligations, but solely from the Net Revenues, as provided in the Airport Revenue Bond Ordinances.

2. The Port shall pay, when due, any Other Swap Obligations, but solely from the Net Revenues that are available for deposit in the JLO Fund and shall pay any Other TLO Swap Obligations, but solely from the Net Revenues that are available for deposit in the TLO Fund.

3. The Port will, for the benefit of the owners of the SLBs and Qualified Swap Providers, keep certain covenants made by it in Ordinance No. 155.

4. The Port shall not issue any obligations payable from the Revenues or moneys in the General Account which have a claim prior to the claim of the SLBs and Scheduled Swap Obligations.

5. The Port shall not issue obligations having a claim to payment from the Revenues or moneys in the General Account which are equal to, or on a parity with, the claim of the SLBs, except for Qualified Swaps and Additional SLBs.

6. The Port shall impose and prescribe such schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport, shall revise the same from time to time, whenever necessary, and shall collect the income, receipts, and other moneys derived therefrom, so that:

(a) The Revenues shall be sufficient to discharge all claims, obligations and indebtedness payable from or secured by the Revenues;

(b) The Net Revenues in each Fiscal Year shall be at least equal to 130% of the SLB Debt Service Requirement for such Fiscal Year on all SLBs then Outstanding; and

(c) The Net Revenues, together with other amounts that are available to pay Other Swap Obligations, are sufficient to pay all Other Swap Obligations and any Junior Lien Obligations when due.

7. Within 120 days after the close of each Fiscal Year, the Port shall file with the SLB Trustee and the Airport Consultant, a signed copy of the annual report of the Accountant for the preceding Fiscal Year showing, among other things, for such year (a) Revenues and Net Revenues; (b) the SLB Debt Service Requirement; and, (c) the aggregate amount of money which was deposited in the General Account and available for the payments into the SLB Fund due under the SLB Ordinance, and the ratio of such amount to the SLB Debt Service Requirement.

The SLB Ordinance provides that in the event that any such report so filed shows that the Revenues and Net Revenues for said preceding Fiscal Year did not equal at least the amounts covenanted to be produced by, and required for the purposes described in paragraph 6 above for said Fiscal Year, or that the Revenues were not sufficient to restore any deficiency in the amounts then required to be credited to the SLB Reserve Account, and to pay or discharge all other claims, charges and liens whatsoever

against the Revenues when due and payable, then the Port shall promptly thereafter cause the Airport Consultant to file with the Port and the SLB Trustee, a certificate stating, if deemed necessary by the SLB Trustee, specific changes in operating procedures which may be made, or suggested revisions in the schedule of rates, rentals, fees, and charges, and recommendations respecting any increases thereto, any other changes, or any combination of the foregoing, which will, in the aggregate, in the SLB Trustee's opinion, result in Revenues and Net Revenues estimated as sufficient to make up any existing deficiency and to produce the amounts covenanted to be produced as described in the preceding paragraphs of this section. The Port shall send a copy of each such certificate to the SLB Trustee, each Qualified Swap Provider and to any owner of SLBs filing with the Port a request for the same.

Thereafter, if the Port, in its sole discretion, deems any changes in its operating fees and charges, any other changes, or any combination of the foregoing, are necessary to produce the Revenues and Net Revenues required to make up any deficiency and produce the amounts covenanted to be produced by the preceding paragraphs of this section, it shall, as soon as possible, effect such changes in its operating procedures, or such revisions in such schedule of rates, rentals, fees, and charges, or effect such other charges, or take any combination of the foregoing actions, which, in its opinion and sole discretion, are necessary for such purposes.

8. The Port shall prepare an estimated budget for each Fiscal Year of Revenues and of Costs of Operation and Maintenance; costs of renewals, repairs and replacements; SLB Debt Service Requirements; and other expenditures for such Fiscal Year.

9. The Port covenants that it owns the Airport and will keep the Airport free from liens and encumbrances, except as permitted by the Airport Revenue Bond Ordinances, and that it will keep the Airport in good operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character.

10. The Port shall comply with the requirements of the federal government of grants-in-aid accepted by the Port and shall operate and maintain the Airport as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage.

11. The Port shall maintain proper books and records for the Airport in accordance with generally accepted accounting principles applicable to enterprises such as the Port, and shall have the financial statements of the Airport audited by an independent certified public accountant.

12. The Port shall retain and appoint from time to time an Airport Consultant.

13. The Port shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport or upon the Revenues and the money in the Airport Fund, other than the liens, pledges and charges specifically created in the Airport Revenue Bond Ordinances or specifically permitted thereby. The Port shall not sell, lease or dispose of all, or substantially all, of the properties constituting the Airport without simultaneously with such sale, lease or other disposition depositing with the SLB Trustee cash or governmental securities in an amount sufficient so that no SLBs are any longer deemed outstanding. The Port may, however, execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport in connection with the operation of the Airport and in the normal and customary course of business thereof for aviation or non-aviation purposes, according to the schedule of rates, rentals, fees and charges of the Port or according to commercially reasonable terms in light of the business of the Airport as a whole. All amounts due the Port under such agreements and that will be recognized as Revenues shall be deposited in the Airport Revenue Fund when and to the

extent required by the Airport Revenue Bond Ordinances. The Port may also enter into Net Rent Leases as described below under “Special Facilities, Special Obligation Bonds and Net Rent Leases.”

In the event any Airport properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Port as a result of such taking shall be held by the Port under the Airport Revenue Bond Ordinances and either used for the acquisition or construction of revenue-producing properties to constitute part of the Airport or be applied to the redemption or purchase of SLBs.

14. The Port will carry insurance with generally recognized responsible insurers with policies payable to the Port against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport.

15. The Port shall not construct Commercial Airports or General Aviation Airports that compete with the Revenues except as permitted by Ordinance No. 155. Ordinance No. 155 generally permits the Port to construct and operate apart from Ordinance No. 155 a Commercial Airport or General Aviation Airport that the Port certifies to the SLB Trustee is substantially non-competitive with the Airport. The following facilities and structures shall be considered substantially non-competitive with the Airport and shall not be considered “competing for Revenues otherwise available for payment of the SLBs”:

(a) Facilities and structures which are not part of a Commercial Airport or a General Aviation Airport and which, at the time they are approved by the Port, are reasonably expected to be used for purposes which do not benefit directly and substantially from close proximity to aircraft, passengers or cargo while traveling through the Airport; and

(b) Facilities and structures which are not part of a Commercial Airport or a General Aviation Airport and which, at the time they are approved by the Port, are reasonably expected to benefit directly and substantially from close proximity to aircraft, passengers or cargo while traveling through the Airport, if the Board reasonably determines that the construction and operation of the facilities or structures will not have a material, adverse effect on the Revenues.

For purposes the preceding clause (b): (1) “material, adverse effect” means a reduction in the Revenues: (A) which would otherwise be projected for the Airport during any of the five full Fiscal Years following the projected completion of the proposed facility or structure; and, (B) which is directly attributable to the proposed facility or structure; and, (C) which is greater than or equal to five percent of the Net Revenues for the Fiscal Year immediately preceding a determination of the Board, or which would reduce the Net Revenues below the level required by the rate covenant shown in paragraph 6 above.

A determination of the Board shall be conclusively presumed to be reasonable if it is made in reliance upon a projection of the Airport Consultant that the construction and operation of the proposed facilities or structures will not have a material, adverse effect on the Revenues.

The SLB Fund

The Port has created the SLB Fund as a special trust fund to be held by the SLB Trustee. The Port shall set aside and pay into the SLB Fund from the first moneys available in the General Account, to the extent necessary to provide for the punctual payment of: (1) the principal and interest and premium, if any, on the SLBs as and when the same become due, whether at maturity or by redemption or declaration as provided in the SLB Ordinance or otherwise; and (2) any Scheduled Swap Obligations as and when the same become due. The moneys in the SLB Fund shall be used solely for the payment of principal,

interest, and premium, if any, due on the SLBs and Scheduled Swap Obligations. As described below, the SLB Ordinance provides for the maintenance as separate accounts within the SLB Fund of, among other accounts, the SLB Interest Account, the SLB Serial Bond Principal Account, the SLB Term Bond Principal Account and the SLB Reserve Account.

SLB Interest Account. The SLB Trustee shall maintain a separate account in the SLB Fund to be known as the “SLB Interest Account.” So long as the Port remains obligated to make payments on SLBs or Qualified Swaps:

1. In the case of SLBs and any Qualified Swap for which interest or Scheduled Swap Obligations are due semi-annually, or less frequently: on the first business day of each month, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Interest Account: (a) an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which an installment of interest falls due on the SLBs, the aggregate of such amounts, plus other moneys previously deposited and available in the SLB Interest Account to pay interest on SLBs, or scheduled to be deposited therein pursuant to a Capitalized Interest Certificate, will equal the installment of interest falling due on the SLBs on such interest payment date; plus (b) an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which a Scheduled Swap Obligation is due, the aggregate of such amounts, plus other moneys previously deposited and available in the SLB Interest Account and available to pay Scheduled Swap Obligations, will equal those Scheduled Swap Obligations on that payment date.

2. In the case of all SLBs and any Qualified Swap for which interest or Scheduled Swap Obligations are due more frequently than semi-annually: on the business day immediately preceding each interest payment date for such SLBs and each payment date for that Scheduled Swap Obligation, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Interest Account: (a) an amount that, together with any other moneys previously deposited and available in the SLB Interest Account to pay interest on SLBs, will equal the installment of interest falling due on the next succeeding interest payment date for those SLBs; plus (b) an amount that, together with moneys previously deposited and available in the SLB Interest Account to pay Scheduled Swap Obligations, will equal the Scheduled Swap Obligations due on the next succeeding payment date for such Scheduled Swap Obligations.

3. Accrued interest received on the sale of SLBs, payments received by the Port under an agreement to enter into a Qualified Swap, as described in clause (4) of the definition of “SLB Debt Service Requirement,” and any regularly scheduled payment that is received by the Port (or the SLB Trustee on behalf of the Port) from a Qualified Swap Provider under a Qualified Swap that exceeds the amount paid by the Port, shall promptly be deposited in the SLB Interest Account.

4. If, at any time, the amounts in the SLB Interest Account are not sufficient to pay all interest payments on SLBs and Scheduled Swap Obligations that are then due, the SLB Trustee shall apply amounts in the SLB Interest Account to pay, on a pro rata basis, interest on SLBs and any amounts due in respect of Scheduled Swap Obligations.

SLB Serial Bond Principal Account. The SLB Trustee shall maintain a separate account in the SLB Fund, to be known as the “SLB Serial Bond Principal Account.” On the first business day of each month, so long as any SLBs are Outstanding, the Port shall pay to the SLB Trustee, from moneys in the General Account for deposit in the SLB Serial Bond Principal Account, an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs maturing serially becomes due and payable, the aggregate of the

amounts on deposit in this account will equal the amount of serially maturing principal on such SLBs on such principal payment date.

SLB Term Bond Principal Account. The SLB Trustee shall maintain a separate account in the SLB Fund, to be known as the “SLB Term Bond Principal Account.” On the first business day of each month, so long as any SLBs are Outstanding, the Port shall pay to the SLB Trustee, from moneys in the General Account for deposit in the SLB Term Bond Principal Account, an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which SLB Term Bonds are subject to mandatory redemption, the aggregate of such amounts will equal the amount of SLB Term Bond principal due by mandatory redemption.

SLB Reserve Account. The SLB Trustee shall maintain a separate account in the SLB Fund, to be known as the “SLB Reserve Account.” The Port shall pay to the SLB Trustee, from Revenues in the General Account or from SLB proceeds, for deposit in the SLB Reserve Account, moneys sufficient to fund the SLB Reserve Fund Requirement, in accordance with the schedule provided in each ordinance authorizing issuance of a series of SLBs.

Except as described below in this paragraph, moneys in the SLB Reserve Account shall be used only to pay principal of, interest, and any premium on, SLBs and Scheduled Swap Obligations, and only when moneys in the SLB Interest Account, SLB Serial Bond Principal Account, and SLB Term Bond Principal Account are insufficient for such purposes. In the event that the balance in the SLB Reserve Account is reduced below the SLB Reserve Fund Requirement, then on the first business day of each month, the Port shall pay to the SLB Trustee from Revenues in the General Account for deposit in the SLB Reserve Account, an amount equal to twenty percent (20%) of the amounts required to be paid to the SLB Trustee on that day, pursuant to the preceding three paragraphs of this Section, until there is on deposit in the SLB Reserve Account an amount equal to the SLB Reserve Fund Requirement. If the amounts on deposit in the SLB Reserve Account exceed the SLB Reserve Fund Requirement, and there is no deficiency in any other account in the SLB Fund, the SLB Trustee shall, upon written request of the Port, disburse the excess to the Port for deposit in the General Account.

Investments. Moneys in the SLB Fund shall be invested and reinvested, to the extent reasonable and practicable by the SLB Trustee, and at the direction of the Port, in Investment Securities which are legal investments for the Port under the laws of the State. Such investments shall mature on, or prior to, the date on which moneys are required to be disbursed from the SLB Fund. All earnings on the SLB Fund that are not required to pay rebates on the SLB Fund that are due to the United States under Section 148 of the Internal Revenue Code of 1986, as amended, shall be credited to the SLB Reserve Account, unless and until there is on credit to said account, an amount equal to the SLB Reserve Fund Requirement on all SLBs then Outstanding, in which event such earnings shall be credited to the SLB Interest Account, the SLB Serial Bond Principal Account, the SLB Term Bond Principal Account, or any combination thereof as the Port may determine.

The JLO Fund

The Port has created the JLO Fund as a special trust fund to be held by the SLB Trustee. The Port is required to set aside and pay into the JLO Fund from the first money available in the General Account after required payments to the SLB Fund: (1) an amount sufficient, with other amounts available in the JLO Fund, to pay any Other Swap Obligations when due; and, (2) any amounts the Port subsequently agrees to deposit into the JLO Fund for the benefit of Junior Lien Obligations. The Port has pledged the Net Revenues that are available for deposit into the JLO Fund under the Airport Revenue Bond Ordinances to pay Other Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified Swap or has

Junior Lien Obligations outstanding, the Port is required to deposit into the JLO Fund money sufficient to: (i) pay any Other Swap Obligations that are then due; and (ii) to collateralize any Qualified Swap in accordance with its terms. The Port may covenant to make additional deposits into the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations.

The TLO Fund

The Port has created the TLO Fund as a special trust fund to be held by the Port and within the TLO Fund a Qualified Swap Termination Payment Fund. The SLB Ordinance permits the Port to create other funds and accounts within the TLO Fund for the payment of Third Lien Obligations and permits the Port to transfer to a qualified trustee the TLO Fund or any of its accounts and funds. The Port is required to set aside and to 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) except as otherwise required in the SLB Ordinance, 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 has pledged the Net Revenues that are available for deposit into the TLO Fund under the Airport Revenue Bond Ordinances to pay Other TLO Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified TLO Swap (and has not determined to make all payments with respect to a Qualified TLO Swap from the Subordinate Lien Obligations Account established under Ordinance No. 395-B, as amended, for the payment of Subordinate Lien PFC Obligations) or has Third Lien Obligations outstanding, the Port is required to deposit into the TLO Fund money sufficient to: (i) pay any Other TLO Swap Obligations that are then due; and (ii) to collateralize any Qualified TLO Swap in accordance with its terms. The Port may covenant to make additional deposits into the TLO Fund to pay Third Lien Obligations and fund reserves for Third Lien Obligations.

Flow of Funds

The Port shall deposit all Revenues in the Airport Fund, and shall, on the first day of each month, credit all Airport Revenues that remain after paying Costs of Operation and Maintenance to the General Account, a separate special account within the Airport Fund. The Airport Fund and the General Account are held and administered by the Port. The SLB Ordinance provides, however, that in the event amounts in the General Account are insufficient to pay the amounts due thereunder on the date such amounts are to be paid, all moneys then in the General Account and all moneys subsequently available for deposit in the General Account be immediately transferred to the SLB Trustee for deposit to the SLB Fund and provides that no moneys from the General Account shall be disbursed for any other purpose until all payments then due under the SLB Ordinance have been made. If such an insufficiency occurs, the Port shall credit Net Revenues in the General Account to the following Funds in the following order of priority:

FIRST: to the SLB Interest Account, until all required deposits to that account have been made;

SECOND: to the SLB Serial Bond Principal Account, until all required deposits to that account have been made;

THIRD: to the SLB Term Bond Principal Account, until all required deposits to that account have been made;

FOURTH: to the SLB Reserve Account, until all required deposits to that account have been made;

FIFTH: to the Port for deposit in the JLO Fund, until all required deposits to that fund have been made; and

SIXTH: to the Port for deposit in the TLO Fund until all required deposits to that fund have been made.

Amount 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 SLB Construction Account

The Port has created the SLB Construction Account to hold certain proceeds of SLBs. The SLB Construction Account is held by the Port.

Pledge of Revenues

The Port pledges to the payment of all Outstanding SLBs, heretofore or hereafter issued, and to the payment of all Scheduled Swap Obligations, the following:

1. All Revenues,
2. All moneys on deposit, from time to time, in the SLB Construction Account; and
3. All moneys on deposit, from time to time, in the SLB Fund.

Additional Bonds

Additional SLBs. The Port may issue one or more series of Additional SLBs, provided that no Additional SLBs may be issued unless all of the following conditions are satisfied:

1. The SLB Trustee certifies that no default exists in the payment of principal of, or interest and premium on any SLBs;
2. The SLB Trustee certifies that, upon the issuance of such series of SLBs, the accounts in the SLB Fund for the SLBs will each contain the amounts required to be on deposit therein;
3. An Assistant Secretary of the Port certifies that, for either the Port's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the SLB Debt Service Requirement on all then Outstanding SLBs for such period;
4. Either:
 - (a) An Airport Consultant provides a written report setting forth projections which indicate:
 - (i) the estimated Net Revenues for each of three consecutive Fiscal Years beginning in the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for the payment of which provision has not been made as indicated in the report of

such Airport Consultant from proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues); and,

(ii) that the estimated Net Revenues for each Fiscal Year are equal to at least 130% of the SLB Debt Service Requirements on all SLBs scheduled to occur during that Fiscal Year after taking into consideration the additional SLB Debt Service Requirements for the series of SLBs to be issued; or

(b) An Assistant Secretary of the Port certifies that, for either the Port's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the maximum SLB Debt Service Requirement on all Outstanding SLBs on any future Fiscal Year and the series of SLBs proposed to be issued;

5. In the ordinance authorizing a series of SLBs to be issued, provision is made for the satisfaction of the SLB Reserve Fund Requirement;

6. If interest is to be capitalized, the Port provides a Capitalized Interest Certificate; and,

7. The Port provides a Project Certificate.

Completion Bonds. The Port reserves the right to issue one or more series of Completion Bonds. Prior to the issuance of any series of Completion Bonds the Port must provide, in addition to all of the requirements described above in paragraphs 1, 2 and 5 under "Additional Bonds," (1) a certificate from the engineer or architect engaged by the Port to design the project for which the Completion Bonds are to be issued, stating that such project has not been materially changed in scope since its Project Certificate was filed and setting forth the aggregate cost of the project which, in the opinion of such consulting engineer, has been or will be incurred; and (2) a certificate of an Assistant Secretary stating (a) that all amounts allocated to pay the costs of the project from the most recent series of SLBs issued in connection with the project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of such project, (b) that the aggregate cost of that project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the project paid to such date plus the moneys available at such date within any construction fund established therefor or other like account applicable to the project plus any other moneys which an Assistant Secretary, in his discretion, has determined are available to pay such costs in any other funds, and (c) that, in the opinion of an Assistant Secretary, the issuance of the Completion Bonds is necessary to provide funds for the completion of the project.

Refunding Bonds. If SLBs are being issued for the purpose of refunding previously issued SLBs, the certifications described in paragraphs 3 and 4 under "Additional Bonds" above are not required unless the aggregate debt service payable on the refunding bonds exceeds the aggregate debt service payable on the bonds which are being refunded. However, if SLBs are issued to refund Short Term/Demand Obligations, the certifications described in paragraph 3 under "Additional Bonds" above are required.

Junior Lien Obligations and Third Lien Obligations. The Port also reserves the right to issue or incur, for any lawful Airport purpose, Junior Lien Obligations and Third Lien Obligations, which may be further secured by any other source of payment lawfully available for such purposes.

Qualified Swaps

The Board may authorize Qualified Swaps by resolution and without amending or supplementing the terms of the Airport Revenue Bond Ordinances. The Port may enter into agreements with Qualified Swap Providers regarding the interpretation and application of the Airport Revenue Bond Ordinances and those agreements shall be binding on the Port unless they are inconsistent with the express provisions of the Airport Revenue Bond Ordinances. The SLB Ordinance provides that so long as the obligations of the Port to any Qualified Swap Provider have not been discharged and satisfied, such Qualified Swap Provider shall be a third-party beneficiary of every provision of the SLB Ordinance and that such provision and covenant shall be enforceable by such Qualified Swap Provider as provided in the SLB Ordinance. The SLB Ordinance also provides that the adjustments to the "SLB Debt Service Requirement" that result from execution of a Qualified Swap shall be allocated to Airport cost centers in the same manner as debt service for the SLBs for which the Qualified Swap was executed or in accordance with the terms of any new or amended Airline Agreement as negotiated in the future.

SLB Ordinance to Constitute Contract

The SLB Ordinance provides that so long as any of the SLBs are Outstanding, each of the obligations, duties, limitations and restraints imposed upon the Port by the SLB Ordinance shall be deemed to be a covenant between the Port and every Owner and that the SLB Ordinance and the provisions of Sections 778.005 to 778.260 of the Oregon Revised Statutes shall constitute a contract with every Owner and shall be enforceable by any Owner by mandamus or other appropriate action or proceeding as provided in the SLB Ordinance.

Special Facilities, Special Obligation Bonds and Net Rent Leases

The Port may acquire, construct, remodel, renovate or rehabilitate a Special Facility such as a hangar, overhaul, maintenance or repair building or shop, or other aviation or airport or air navigation facility, including hotels, garages and other buildings and facilities incident or related to the Airport and lease such Special Facility under the following conditions:

1. No Special Facility will be constructed or acquired and leased for use or occupancy (a) if the Special Facility would provide services, facilities, commodities or supplies which then may be adequately made available through the Airport as then existing, and (b) if the use or occupancy of such Special Facility under the contract, lease or agreement therefor would result in a reduction of Revenues below the minimum amount of Revenues covenanted to be produced and maintained in accordance with Ordinance No. 155;

2. A Net Rent Lease shall be entered into between the Port, as lessor, and the user or occupier of such Special Facility, as lessee, pursuant to which the lessee shall agree to pay the Port in each year during the term thereof, (a) fixed rentals in periodic installments which will be sufficient to pay during such term as the same respectively matures the principal of and interest on all Special Obligation Bonds to be issued to pay the cost of construction or acquisition of the Special Facility, (b) such further rentals as shall be necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustee's, fiscal agents' and paying agents' fees and expenses in connection therewith, and (c) unless a ground rental shall be provided for as described in paragraph 3 below, an additional rental payable in periodic installments and free and clear of all charges under said Net Rent Lease, in an amount equal to a properly allocable share of the administrative costs of the Port arising out of such Net Rent Lease and the issuance and servicing of such Special Obligation Bonds;

3. If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the Net Rent Lease referred to in paragraph 2 above shall provide for payment to the Port of a ground rental for the ground upon which such Special Facility is or is to be located. Such ground rental shall when said Net Rent Lease is executed be in amounts not less than required according to the rates, rentals, fees, and charges of the Port then in effect, shall be free and clear of all charges under said Net Rent Lease and shall be in addition to the rentals described in paragraph 2 above; and shall constitute Revenues and be paid into the Airport Fund, to be used and applied as are other moneys deposited therein; and

4. If located on land included in the Airport, the Net Rent Lease shall provide that all rentals payable thereunder as described in paragraph 2 above which are not required to pay the Special Obligation Bonds issued for the Special Facility leased thereby, including reserves for such Special Obligation Bonds, or required to pay trustee's, fiscal agents' and paying agents' fees and expenses in connection therewith, or required to pay the aforesaid administrative costs of the Port, shall be paid to the Port for its own use and purposes. To the extent permitted by law, such excess amounts shall constitute Revenues and be paid into the Airport Fund, to be used and applied as are other moneys deposited therein.

The Port may issue Special Obligation Bonds to finance Special Facilities and to refund Special Obligation Bonds. Special Obligation Bonds may not be issued, however, unless, among other requirements, a certificate of the Airport Consultant has been filed with the Port certifying that the construction or acquisition and leasing for use or occupation of such Special Facility would not result in a reduction of Revenues below the minimum amount of Revenues the Port has covenanted to produced in Ordinance No. 155.

Except as may otherwise be provided in the Airport Revenue Bond Ordinances, Special Obligation Bonds are to be payable solely from rentals payable by the lessee under the Net Rent Lease for the Special Facility being financed with the proceeds of such Special Obligation Bonds. See "Amendments of the Airport Revenue Bond Ordinances—Special Amendments."

The SLB Trustee

The SLB Trustee shall, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertake to perform such duties and only such duties as are specifically set forth in the SLB Ordinance and no implied covenants or obligations shall be read into the SLB Ordinance against the SLB Trustee.

Except in case an Event of default under the SLB Ordinance has occurred and has not been cured, the SLB Trustee agrees to perform such trusts as an ordinarily prudent trustee. The SLB Trustee is entitled to rely upon a certificate of the Port as to the existence or non-existence of any fact and as to the sufficiency or authenticity of any instrument or proceeding and shall not be liable for any action it takes or omits to take in good faith, except that the SLB Trustee may not be relieved from liability for its own negligent action or negligent failure to act or for its willful misconduct.

Before taking any action under the SLB Ordinance regarding an Event of Default, the SLB Trustee may require that it be furnished an indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability except liability which results from the negligent action of SLB Trustee, its negligent failure to act or its willful misconduct. However, the SLB Trustee shall not be entitled to any such indemnity as a condition precedent to its drawing upon any Letter of Credit or Alternate Credit Facility given as security for the payment of any SLBs, but upon the occurrence of an Event of Default and an acceleration of the Outstanding SLBs, the SLB Trustee shall promptly draw upon such Letter of Credit or Alternate Credit Facility in accordance with its terms and

use the amounts so drawn solely for the purpose of paying the SLBs secured by such Letter of Credit or Alternate Credit Facility.

Upon an Event of Default, but only upon an Event of Default and except as otherwise provided in the SLB Ordinance in connection with SLBs secured by certain Credit Facilities, the SLB Trustee shall have a first lien on the SLB Fund, with right of payment prior to payment of any SLB, for such fees, advances, counsel fees on trial or on appeal, costs and expenses incurred by it.

Provided a successor SLB Trustee is reasonably available, the SLB Trustee and any successor SLB Trustee may at any time resign from the trusts created by the SLB Ordinance by giving 30 days' written notice to the Port and by first class mail to each Owner; provided that no such resignation shall become effective until a successor SLB Trustee has been appointed and has agreed to act as such.

The SLB Trustee may be removed at any time by the Port, or by an instrument or concurrent instruments in writing delivered to the SLB Trustee and to the Port, signed by the owners of a majority in aggregate principal amount of SLBs then Outstanding; provided that no such removal shall become effective until a successor SLB Trustee has been appointed and has agreed to act as such.

In case the SLB Trustee shall resign or be removed, or be dissolved or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the SLB Ordinance, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Port, or by the owners of a majority in aggregate principal amount of SLBs then Outstanding. No such appointment shall be effective without the written consent of the Port, which consent shall not be withheld unreasonably. Nevertheless in case of such vacancy the Port by resolution of its governing body may appoint a temporary SLB Trustee to fill such vacancy until a successor SLB Trustee shall be so appointed by the Owners; and any such temporary SLB Trustee so appointed by the Port shall immediately and without further act be superseded by the SLB Trustee so appointed by the Owners. In the event the SLB Trustee resigns or is removed and a successor is not appointed or has not agreed to act as such within 30 days from the date of such resignation or removal, the existing SLB Trustee may petition a court of competent jurisdiction for the appointment of a successor SLB Trustee.

Amendments of the Airport Revenue Bond Ordinances

Amendments Without Owner Consent. The Port may amend the Airport Revenue Bond Ordinances without the consent of Owners (a) to make any changes or modifications thereof or amendments or additions thereto or deletions therefrom which may be required to permit the Airport Revenue Bond Ordinances to be qualified under the Trust Indenture Act of 1939, as amended from time to time, and (b) if the provisions of such amendment shall not adversely affect the rights of the Owners, for any one or more of the following purposes:

1. To make any changes or corrections in the Airport Revenue Bond Ordinances as to which the Port shall have been advised by its counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Airport Revenue Bond Ordinances, or to insert such provisions clarifying matters or questions arising under the Airport Revenue Bond Ordinances as are necessary or desirable;

2. To add additional covenants and agreements of the Port for the purpose of further securing the payment of the SLBs;

3. To surrender any right, power or privilege reserved to or conferred upon the Port by the terms of the Airport Revenue Bond Ordinances;

4. To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provision of any of the Airport Revenue Bond Ordinances;

5. To grant to or confer upon the holders of the SLBs any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the SLB Trustee for the benefit of the holders of the SLBs any additional rights, duties, remedies, power or authority;

6. To prescribe further limitations and restrictions upon the issuance of the SLBs and the incurring of indebtedness by the Port payable from the Revenues; and

7. To modify in any other respect any of the provisions of the Airport Revenue Bond Ordinances; provided that such modifications shall have no adverse effect as to any SLB or SLBs which are then outstanding.

Special Amendments. The Port has reserved the right to amend the Airport Revenue Bond Ordinances without the consent of the Owners of SLBs to remove references to “Excess Principal” and (but only if the right to make such amendment is expressly reserved in the Supplemental Ordinance providing for the issuance of such SLBs) for, but not limited to, the following purposes:

(1) To amend the definition of “Airport” to add any facilities operated by the Port whether or not such facilities are related to aviation.

(2) To provide that the Airport Fund (other than the SLB Fund) may be invested in any securities that are legal investments for the Port under the laws of the State.

(3) To provide that the SLB Fund may be invested only in Investment Securities, and to define Investment Securities to include those securities that are then typically permitted for the investment of debt service and the reserve funds of revenue bonds that have credit ratings similar to the credit ratings then in effect for the SLBs.

(4) To permit the Port’s obligations under derivative products (including interest rate swaps, collars, hedges, caps and similar transactions) to be treated as SLBs and to make other changes which are desirable in order to permit use of derivative products in connection with SLBs.

(5) To permit obligations that are subordinate to the SLBs to be issued for any lawful Port purpose.

(6) To provide that balloon obligations will be treated as if they were refinanced with long-term obligations for purposes of calculating the SLB Debt Service Requirement and making certain deposits to the SLB Fund.

(7) To provide that any “put” or other right of Owners to require the purchase of SLBs shall not be treated as a maturity or mandatory redemption and may be ignored when calculating the SLB Debt Service Requirement and the amounts to be deposited to the SLB Fund, but only if bond insurance, a line or letter of credit, a standby bond purchase agreement or other liquidity or credit enhancement is in effect

which is expected to pay for the purchase of the SLBs when the Owners exercise that right, if the SLBs are not remarketed or refunded.

(8) To provide that certain amounts in the SLB Serial Bond Principal Account and the SLB Term Bond Principal Account may be used for redemption or purchase for cancellation of SLBs.

(9) To reduce the SLB Reserve Fund Requirement to an amount equal to the maximum amount of proceeds of tax-exempt bonds which the Code permits to be deposited in a reserve account without yield restriction, and to specify either that separate reserve accounts will be held for each series of SLBs, or that a single reserve account will secure all series of SLBs.

(10) To modify the requirements for funding the Rebate Account or to eliminate the Rebate Account.

(11) To combine Ordinance No. 155 and Ordinance No. 323, to delete outdated provisions, to delete provisions that interfere with the business operations of the Port but that do not provide substantial security for owners of SLBs, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

Amendments with Owner Consent. The consent of the Owners of not less than sixty-six and two-thirds per centum (66 $\frac{2}{3}$ %) of the principal amount of the SLBs then outstanding is required for any amendment not described in the preceding two sections. However, the consent of each affected Owner is required for any amendment to: (1) change the fixed maturity date for the payment of the principal of any SLB or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any SLB or the rate of interest thereon or any premium payable upon the redemption or payment thereof; or (2) reduce the aforesaid percentage of SLBs, the Owners of which are required to consent to any such amendment, or (3) give to any SLB or SLBs any preference over any other SLB or SLBs secured by the SLB Ordinance; or (4) authorize the creation of any pledge of the Revenues or any lien thereon prior or superior or equal to the pledge and lien created in the SLB Ordinance for the payment and security of the SLBs; or (5) deprive any Owner of the security afforded by the Airport Revenue Bond Ordinances.

Events of Default

Each of the following shall constitute an “Event of Default”:

1. If payment of the principal and premium (if any) of any SLB, whether at maturity or by proceedings for redemption (whether by voluntary redemption or a mandatory redemption) or otherwise, shall not be made when the same shall become due and payable; or

2. If payment of any installment of interest on any SLB shall not be made when the same shall become due and payable; or

3. If the Port shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the SLBs or in the SLB Ordinance or in any ordinance supplemental thereto on the part of the Port to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Port by the SLB Trustee or by the owners of not less than twenty percent (20%) in principal amount of the SLBs then Outstanding or any committee therefor; provided that if any such failure shall be such that it cannot be cured or corrected within such 90-day period, it shall not constitute an Event of Default

under the SLB Ordinance if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

4. If any proceedings shall be instituted with the consent or acquiescence of the Port for the purpose of effecting a composition between the Port and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or any other moneys pledged and charged in the SLB Ordinance or in any ordinance supplemental thereto or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted; or

5. If an order or decree shall be entered (a) with the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, or (b) without the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, and such order or decree having been entered, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

6. If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (a) any court of competent jurisdiction shall assume custody or control of the Airport or any of the buildings and facilities thereof, and such custody or control shall not be terminated within 90 days from the date of assumption or such custody or control; or (b) any court of competent jurisdiction shall approve of any petition for the reorganization of the Airport or rearrangement or readjustment of the obligations of the Port under the SLB Ordinance.

Notice to Owners of Events of Default

The SLB Trustee is required to give to Owners notice of all Events of Default known to the SLB Trustee, within 30 days after the occurrence of an Event of Default unless such Event of Default has been cured, provided that except in the case of a payment default, the SLB Trustee shall be protected in withholding such notice if and so long as the SLB Trustee in good faith determines that the withholding of such notice is in the interest of the Owners.

Remedies Upon Occurrence of Event of Default

1. Upon the occurrence of an Event of Default under the SLB Ordinance, the SLB Trustee (a) for and on behalf of the Owners, shall have the same rights under the SLB Ordinance which are possessed by any Owner; (b) shall be authorized to proceed, in its own name and as trustee of an express trust; (c) may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding SLBs shall, declare all Outstanding SLBs immediately due and payable; (d) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest on the SLBs; (e) may, and upon the written request of the Owners of twenty-five percent (25%) in aggregate principal amount of the SLBs then Outstanding shall, proceed to protect and enforce all rights of the Owners and the SLB Trustee under the SLB Ordinance; and (f) exercise other remedies provided in the Airport Revenue Bond Ordinances.

2. The owners of not less than a majority in principal amount of the SLBs at the time Outstanding shall be authorized and empowered (a) to direct the time, method, and place of conducting any proceeding for any remedy available to the SLB Trustee or to the holders of the SLBs, or exercising any trust or power conferred upon the SLB Trustee under the SLB Ordinance; or (b) on behalf of the owners of the SLBs then Outstanding, to consent to the waiver of any Event of Default or its consequences, and the SLB Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity upon the written request of the owners of such majority.

3. Notwithstanding any other provision of the SLB Ordinance the right of any owner of any SLB to receive payment of the principal of and interest on such SLB, on or after the respective due dates expressed in such SLB, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such owner.

4. All moneys received by the SLB Trustee following an Event of Default under the SLB Ordinance pursuant to any right given or action taken under the provisions of the SLB Ordinance shall, after payment to the SLB Trustee of its reasonable fees and expenses with respect thereto, be applied to the payment of the principal of and interest on the Outstanding SLBs then due and unpaid, ratably according to the amounts due and payable on the Outstanding SLBs, without preference or priority of any kind.

Discharge of Liens and Pledges; SLBs No Longer Outstanding Under the SLB Ordinance

The obligations of the Port under the SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port therein made or provided for, shall be fully discharged and satisfied as to any SLB and such SLB shall no longer be deemed to be Outstanding thereunder:

1. When such SLB shall have been cancelled, or shall have been purchased by the SLB Trustee from moneys in the SLB Fund, or

2. As to any SLB not cancelled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such SLB, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise), either

(a) shall have been made or caused to be made in accordance with the terms thereof,
or

(b) shall have been provided by irrevocably depositing with the SLB Trustee or Paying Agent for such SLB, in trust and irrevocably appropriated and set aside exclusively for such payment,

(i) moneys sufficient to make such payment or

(ii) Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the SLB Trustee and said Paying Agents pertaining to the SLB with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the SLB Trustee and said Paying Agents.

At such time as an SLB shall be deemed to be no longer Outstanding under the SLB Ordinance, as aforesaid, such SLB shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such moneys or Governmental Obligations shall no longer be secured by or entitled to the benefits of the SLB Ordinance, including all Supplemental SLB Ordinances.

If any SLBs shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise, and if moneys or Governmental Obligations shall at such due date be held by the SLB Trustee, or a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the amounts due upon presentment of such

SLBs on such due date, then interest shall cease to accrue on such SLBs, all liability of the Port for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the SLB Trustee or such Paying Agent, to hold said moneys or Governmental Obligations, without liability to such Owner for interest thereon, in trust for the benefit of the holder of such SLB, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim of whatever nature on his part on or with respect to said SLB, including any claim for the payment thereof.

Notwithstanding any provision of any other section of the SLB Ordinance which may be contrary to the provisions of this section, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions described in this section for the payment of SLBs (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular SLB (including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

Notwithstanding anything in the SLB Ordinance to the contrary, the obligations of the Port under the SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port therein made or provided for, shall not be discharged and satisfied until the Port has paid all amounts it is obligated to pay under any Qualified Swap.

No Personal Liability

No Commissioner of the Port and no officer, director or employee thereof shall be individually or personally liable for the payment of the principal of or interest or premium on the SLBs; but nothing contained in the SLB Ordinance shall relieve any such Commissioner, officer, director or employee from the performance of any duty provided or required by law, including the SLB Ordinance.

Limitation of Rights

With the exception of rights or benefits expressly conferred in the SLB Ordinance, nothing expressed or mentioned in or to be implied from the SLB Ordinance or the SLBs is intended or shall be construed to give to any person other than the Port, the SLB Trustee and the Owners of the SLBs, any legal or equitable right, remedy or claim under or in respect to the SLB Ordinance or any covenants, conditions and provisions therein contained; the SLB Ordinance and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the Port, the SLB Trustee and the Owners of the SLBs as therein provided.

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APPENDIX C

FORM OF SERIES EIGHTEEN BOND CERTIFICATE

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CERTIFICATE OF THE EXECUTIVE DIRECTOR

ESTABLISHING AND DETERMINING

CERTAIN TERMS OF AND OTHER MATTERS RELATING

TO THE

\$138,890,000

THE PORT OF PORTLAND

PORTLAND INTERNATIONAL AIRPORT

REFUNDING REVENUE BONDS

SERIES EIGHTEEN

Dated as of the 11th day of June, 2008

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**CERTIFICATE OF THE EXECUTIVE DIRECTOR
ESTABLISHING AND DETERMINING
CERTAIN TERMS OF AND OTHER MATTERS RELATING TO
THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS
SERIES EIGHTEEN (MULTIMODAL VARIABLE RATE)**

I, Steven H. Schreiber, am an Executive Director of The Port of Portland as defined in Port Ordinance No. 427-B adopted on March 12, 2008. Pursuant to Section 3 of Port Ordinance No. 427-B, I hereby certify on behalf of the Port as follows regarding the establishment and determination of certain terms of and other matters relating to the Port's airport revenue bonds designated "The Port of Portland, Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate), Subseries Eighteen A and Subseries Eighteen B."

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01 Definitions. Unless the context clearly requires otherwise: capitalized terms that are used in this Series Eighteen Bond Certificate and defined in this section shall have the meanings defined for those terms in this section; and capitalized terms that are used in this Series Eighteen Bond Certificate but not defined in this section shall have the meanings defined for such terms in Ordinance No. 323, and, to the extent not defined in Ordinance No. 323, the meanings defined for such terms in Ordinance No. 155.

"Airport Revenue Bond Ordinances" means Ordinance No. 155 and Ordinance No. 323.

"Alternate Rate" means, unless otherwise set forth in a Supplemental Series Eighteen Bond Document, (1) with respect to Series Eighteen Bonds in a Daily Mode, a Weekly Mode or a Commercial Paper Mode for an Interest Period of 30 days or less, an annual rate equal to the SIFMA Municipal Swap Index prior to the date such Alternate Rate is determined; (2) with respect to Series Eighteen Bonds in a Commercial Paper Mode for an Interest Period of greater than 30 days, an annual rate equal to 85% of the highest quoted yield on United States Government Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated, which yield was published in Form PD4262, Department of Treasury, Bureau of Public Debt, as most recently published prior to the date such Alternate Rate is determined; (3) with respect to Series Eighteen Bonds in a Term Rate Mode, an annual rate equal to 85% of LIBOR with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated; and (4) with respect to Taxable Bonds, an annual rate equal to 105% of LIBOR with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated.

"Authorized Denominations" means the denominations that are authorized in Section 2.04.

"Board" means the Board of Commissioners of the Port.

“Bond Counsel” means Kirkpatrick & Lockhart Preston Gates Ellis LLP or another legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Port and not objected to by the Trustee or the Credit Facility Provider (if any).

“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 Eighteen Bond Documents, the State of New York or in any state in which the office of the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Remarketing Agents (if any), the Tender Agent (if any), or the Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

“Calculation Agent” means the Calculation Agent selected by the Port to act under this Series Eighteen Bond Certificate, and its successors and assigns.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Commercial Paper Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at the Commercial Paper Rate.

“Commercial Paper Rate” means the per annum interest rate with respect to any Series Eighteen Bond in the Commercial Paper Mode determined pursuant to Section 2.07.

“Credit Facility” means a letter of credit (including, if applicable, a confirming letter of credit), bond insurance policy or similar credit facility issued by a commercial bank, savings institution, insurer or other financial institution which, by its terms, shall secure the payment of the principal of and interest on a subseries of Series Eighteen Bonds when due, delivered to the Trustee pursuant to ARTICLE V, including a Substitute Credit Facility.

“Credit Facility Provider” means the commercial bank, savings institution, insurer or other financial institution issuing a Credit Facility.

“Current Mode” shall have the meaning specified in Section 2.13.

“Daily Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at the Daily Rate.

“Daily Rate” means an interest rate that is determined on each Business Day with respect to any subseries of Series Eighteen Bonds in the Daily Mode pursuant to Section 2.08.

“Depository Participant” means a member of, or participant in, the Securities Depository.

“Designated Corporate Trust Office” means the designated office of the Trustee, which initially is at 601 Union Street, Suite 520, Seattle, Washington 98101.

“Electronic Means” means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication.

“Eligible Bonds” means any Series Eighteen Bonds other than Liquidity Facility Bonds or Series Eighteen Bonds owned by, for the account of, or on behalf of, the Port.

“Expiration Date” means (i) the date upon which a Liquidity Facility or a Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date) in accordance with its terms without regard to any early termination thereof, or (ii) the date upon which a Liquidity Facility or Credit Facility is released pursuant to Section 5.01(E).

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under the Series Eighteen Bond Documents and will not, in and of itself, result in the inclusion of interest on the Series Eighteen Bonds in gross income for federal income tax purposes (subject to any exceptions contained in the opinion delivered upon original issuance of the Series Eighteen Bonds).

“Fitch” means Fitch Inc. a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Port by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Trustee.

“Fixed Rate” means the interest rate on a subseries of Series Eighteen Bonds determined pursuant to Section 2.11.

“Fixed Rate Bonds” means any Series Eighteen Bonds while they are in the Fixed Rate Mode.

“Fixed Rate Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at a Fixed Rate.

“Indexed Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at the Indexed Rate.

“Indexed Rate” means an interest rate that is determined with respect to any subseries of Series Eighteen Bonds in the Indexed Mode pursuant to Section 2.09, provided, however, the Indexed Rate shall never exceed the Maximum Rate.

“Interest Payment Date” means (1) with respect to Series Eighteen Bonds in a Commercial Paper Mode (a) with an Interest Period of 180 days or less, the Purchase Date, and (b) with an Interest Period of 181 days or more, each January 1 and July 1 prior to the Purchase Date and the Purchase Date; (2) with respect to Series Eighteen Bonds in a Daily Mode or a Weekly Mode, the first Business Day of each month; (3) with respect to Series Eighteen Bonds in a Term Rate Mode, each January 1 and July 1 prior to the Purchase Date and the Purchase Date; (4) with respect to Series Eighteen Bonds in the Fixed Rate Mode, each January 1 and July 1; (5) any Mode Change Date; (6) with respect to a subseries of Series Eighteen Bonds in an

Indexed Mode, the dates determined by the applicable Remarketing Agent pursuant to Section 2.09 hereof; (7) the respective Maturity Dates; and (8) with respect to Liquidity Facility Bonds, the dates of the applicable Liquidity Facility Senior Payments or the Liquidity Facility Junior Payments that are set forth in the applicable Reimbursement Agreement.

“Interest Payment Period” means the period commencing on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original issuance of the Series Eighteen Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid.

“Interest Period” means the period of time that an interest rate remains in effect, which period:

(1) with respect to any subseries of Series Eighteen Bonds in a Daily Mode, commences on a Business Day and extends to, but does not include, the next succeeding Business Day;

(2) with respect to any subseries of Series Eighteen Bonds in a Weekly Mode, commences on the first day Series Eighteen Bonds begin to accrue interest in the Weekly Mode and ends on the next succeeding Tuesday, and thereafter commences on each Wednesday and ends on Tuesday of the following week;

(3) with respect to each Series Eighteen Bond in a Commercial Paper Mode, shall be established by the applicable Remarketing Agent pursuant to Section 2.07;

(4) with respect to any subseries of Series Eighteen Bonds in an Indexed Mode, shall be as established for such subseries of Series Eighteen Bonds pursuant to Section 2.09 hereof;

(5) with respect to any subseries of Series Eighteen Bonds in a Term Rate Mode, initially, shall be from and including the Mode Change Date to, but not including, the Purchase Date established for such subseries of Series Eighteen Bonds pursuant to Section 2.10 hereof and thereafter shall be from and including such Purchase Date to but not including the next Purchase Date; and

(6) with respect to any subseries of Series Eighteen Bonds in the Fixed Rate Mode, commences on the first day Series Eighteen Bonds begin to accrue interest in the Fixed Rate Mode and ends on the day prior to the final maturity date of the Series Eighteen Bonds.

“LIBOR” means the London Interbank Offered Rate for deposits in U.S. dollars with a thirty day maturity that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London Interbank Offered Rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date that is two London banking days prior to the Rate Determination Date.

“Liquidity Facility” means a standby bond purchase agreement, letter of credit or similar liquidity facility issued by a commercial bank, savings institution, insurer or other institution which, by its terms, shall provide for the payment of the Purchase Price of a subseries of Series Eighteen Bonds tendered and not remarketed, that is delivered to the Trustee pursuant to ARTICLE V, including a Substitute Liquidity Facility.

“Liquidity Facility Bonds” means Series Eighteen Bonds while they are held by a Liquidity Facility Provider as the result of a purchase pursuant to a Liquidity Facility. While a

Series Eighteen Bond is a Liquidity Facility Bond it shall be payable solely from the Liquidity Facility Senior Payments or the Liquidity Facility Junior Payments that are due as a result of the purchase of the Series Eighteen Bond by a Liquidity Facility Provider.

“Liquidity Facility Deposit Account” means the account by that name within the Purchase Fund established pursuant to Section 4.01.

“Liquidity Facility Junior Payments” means the obligation of the Port to pay any amounts due to a Liquidity Facility Provider or a Credit Facility Provider except:

(a) fees and expenses of the provider of a Liquidity Facility or Credit Facility which qualify to be paid as Costs of Operation and Maintenance of the Airport as provided in Section 5.03(B)(1); and

(b) Liquidity Facility Senior Payments.

“Liquidity Facility Provider” means the commercial bank, savings institution, insurer or other financial institution issuing a Liquidity Facility.

“Liquidity Facility Senior Payments” means the following payments due from the Port to Liquidity Facility Providers or Credit Facility Providers:

(a) payments to reimburse draws for regularly scheduled principal or interest payments on Series Eighteen Bonds, including scheduled mandatory redemption payments;

(b) any other payments that are designated as Liquidity Facility Senior Payments in the reimbursement agreement between the Port and LLOYDS TSB BANK PLC for the initial direct-pay letter of credit for the Series Eighteen Bonds, and,

(c) any other payment obligations that qualify as a “Parity Reimbursement Agreement” under Section 3 of Ordinance No. 323.

“Mandatory Purchase Date” means: (1) any Purchase Date for Series Eighteen Bonds in the Commercial Paper Mode or the Term Rate Mode; (2) any Mode Change Date; and (3) unless the provisions of Section 3.11 are satisfied, any Termination Date, Substitute Liquidity Facility Date, or Substitute Credit Facility Date, or the second Business Day preceding any Expiration Date.

“Mandatory Sinking Account Payment” means the amount required by Section 3.02 to be paid by the Trustee on any single date for the retirement of Series Eighteen Bonds.

“Maturity Date” means July 1, 2026; however, for any subseries of Series Eighteen Bonds upon change to the Fixed Rate Mode, “Maturity Date” means the maturities determined pursuant to Section 2.11.

“Maximum Rate” means the lesser of twelve percent (12.00%) per annum or the maximum interest rate permitted by law.

“Mode” means, as the context may require, the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Indexed Mode, the Term Rate Mode or the Fixed Rate Mode.

“Mode Change Date” means, with respect to any subseries of Series Eighteen Bonds, the day following the last day of one Mode for such subseries of Series Eighteen Bonds on which another Mode begins.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Port by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Trustee.

“New Mode” shall have the meaning specified in Section 2.13.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Port) selected by the Port, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

“Ordinance No. 155” means Port Ordinance No. 155, originally enacted by the Board on November 10, 1971, as amended, supplemented and restated.

“Ordinance No. 323” means Port Ordinance No. 323, originally enacted by the Board on October 9, 1985, as amended, supplemented and restated, including the amendments made by the Series Eighteen Ordinance.

“Owner” or “Bondowner,” when used with respect to a Series Eighteen Bond, means the Person in whose name such Series Eighteen Bond is registered.

“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.

“Port” means The Port of Portland, Oregon, a port district created and operating under Chapter 778 of the Oregon Revised Statutes, and the issuer of the Series Eighteen Bonds.

“Principal Payment Date” means, with respect to a Series Eighteen Bond, the date on which principal of such Series Eighteen Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

“Purchase Date” means (i) during the Commercial Paper Mode and the Term Rate Mode with respect to each Series Eighteen Bond, the date determined by the applicable Remarketing Agent on the most recent Rate Determination Date as the date on which such Series Eighteen Bond shall be subject to purchase, and (ii) during the Daily Mode, or the Weekly Mode, any Business Day selected by the Owner of such Series Eighteen Bond pursuant to Section 3.07.

“Purchase Fund” means the fund by that name established pursuant to Section 4.01(A)(3).

“Purchase Price” means (i) an amount equal to the principal amount of a Series Eighteen Bond purchased on any Purchase Date, plus, in the case of any purchase of a Series Eighteen Bond in the Daily Mode or the Weekly Mode, accrued interest thereon, if any, to the Purchase Date, or (ii) an amount equal to the principal amount of a Series Eighteen Bond purchased on a Mandatory Purchase Date, plus accrued interest thereon, if any, to the Mandatory Purchase Date.

“Rate Determination Date,” when used with respect to a Series Eighteen Bond, means the Business Day on which the interest rate with respect to such Series Eighteen Bond shall be determined, which, (i) in the case of the Commercial Paper Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day such Series Eighteen Bond becomes subject to the Daily Mode; (iii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, the next Business Day succeeding such Wednesday; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than 30 Business Days and no later than the Business Day immediately preceding the first day of an Interest Period; and (v) in the case of the Indexed Mode and the Fixed Rate Mode, shall be a date determined by the Remarketing Agent for that subseries, which shall be at least one Business Day prior to the Mode Change Date.

“Rating Agency” means S&P, Moody’s and Fitch.

“Rating Category” means one of the general rating categories of the Rating Agencies without regard to any refinement or graduation of such rating category by numerical modifier or otherwise.

“Record Date” means (i) with respect to Series Eighteen Bonds in a Commercial Paper Mode, a Daily Mode, or a Weekly Mode, the day (whether or not a Business Day) immediately preceding each Interest Payment Date, and (ii) with respect to Series Eighteen Bonds in an Indexed Mode, a Term Rate Mode or a Fixed Rate Mode, the 15th day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“Redemption Price” means, with respect to any Series Eighteen Bond (or portion thereof), the principal amount of such Series Eighteen Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series Eighteen Bond and the Series Eighteen Bond Documents.

“Refunded Bonds” means all of the Port’s outstanding Portland International Airport Refunding Revenue Bonds, Series Seventeen, that were originally dated June 22, 2006.

“Reimbursement Agreement” means the agreement between the Port and a Credit Facility Provider or Liquidity Facility Provider pursuant to which a Credit Facility and/or Liquidity Facility is issued, as amended, supplemented or extended from time to time in accordance with the provisions thereof.

“Remarketing Agent” means any remarketing agent appointed by the Port in accordance with Section 3.14 and Section 3.15 and approved by the Credit Facility Provider (if

any) or the Liquidity Facility Provider (if any) and at the time serving as such under the Remarketing Agreement.

“Remarketing Agreement” means a remarketing agreement between the Port and a Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket one or both subseries of the Series Eighteen Bonds delivered or deemed to be delivered for purchase by the Owners thereof, subject to approval by the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any).

“Remarketing Proceeds Account” means the account by that name within the Purchase Fund established pursuant to Section 4.01(A)(3) .

“Required Stated Amount” means, at any time of calculation with respect to any subseries of Series Eighteen Bonds, an amount equal to the aggregate principal amount of all Series Eighteen Bonds of such subseries then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a Certificate of the Port to be the minimum period specified by the Rating Agencies then rating the Series Eighteen Bonds of such subseries as necessary to maintain, in the case of the Liquidity Facility, the short-term rating of the Series Eighteen Bonds of such subseries, or, in the case of the Credit Facility, the long-term rating of the Series Eighteen Bonds of such subseries.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Port by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Trustee.

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected by the Port to serve as securities depository for the Series Eighteen Bonds.

“Series Eighteen Bond Certificate” means this certificate of an Executive Director of the Port, establishing the terms of the Series Eighteen Bonds.

“Series Eighteen Bond Documents” means this Series Eighteen Bond Certificate, as it may be amended in accordance with its terms and the Airport Revenue Bond Ordinances, including the Series Eighteen Bond Ordinance.

“Series Eighteen Bond Ordinance” means Port Ordinance No. 427-B, enacted by the Board on March 12, 2008.

“Series Eighteen Bonds” means the Subseries A Bonds and the Subseries B Bonds.

“Series Eighteen Qualified Swaps” means the interest rate swaps described in Section 2.03.

“SIFMA Municipal Swap Index” means the Securities Industry and Financial Markets Association (formerly The Bond Market Association™), Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day.

“Special Record Date” means the date established by the Trustee pursuant to Section 2.04 as a record date for the payment of defaulted interest on the Series Eighteen Bonds.

“Subseries A Bonds” means the Port’s Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate), Subseries Eighteen A that are described in this Series Eighteen Bond Certificate.

“Subseries B Bonds” means the Port’s Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate), Subseries Eighteen B that are described in this Series Eighteen Bond Certificate.

“Substitute Credit Facility” means a Credit Facility, delivered to the Trustee pursuant to ARTICLE V.

“Substitute Credit Facility Date” means the date of delivery to the Trustee of a Credit Facility by the Port pursuant to ARTICLE V.

“Substitute Liquidity Facility” means a Liquidity Facility, delivered to the Trustee pursuant to ARTICLE V.

“Substitute Liquidity Facility Date” means the date of delivery to the Trustee of a Substitute Liquidity Facility by the Port pursuant to ARTICLE V.

“Supplemental Series Eighteen Bond Document” means any document amending the Series Eighteen Bond Documents in accordance with the terms of the Series Eighteen Bond Documents.

“Tax Certificate” means the Tax Certificate delivered by the Port at the time of issuance and delivery of the Series Eighteen Bonds, as the same may be amended or supplemented in accordance with its terms.

“Taxable Bonds” means Series Eighteen Bonds, the interest on which is not excludible from gross income for federal income tax purposes by the Owner of such Series Eighteen Bonds.

“Tender Agent” means the Trustee, serving as tender agent for the Series Eighteen Bonds.

“Tender Notice Deadline” shall mean (i) during the Daily Mode, 10:30 a.m. New York City time, on any Business Day, and (ii) during the Weekly Mode, 4:00 p.m. New York City time, on the Business Day five Business Days prior to the applicable Purchase Date.

“Term Rate” means the per annum interest rate with respect to any subseries of Series Eighteen Bonds in the Term Rate Mode determined pursuant to Section 2.10.

“Term Rate Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at the Term Rate.

“Termination Date” means the date on which Series Eighteen Bonds are subject to mandatory tender for purchase pursuant to Section 3.11(B) as a result of a Liquidity Facility Provider giving notice of termination of a Liquidity Facility or a Credit Facility Provider giving notice of termination of a Credit Facility. The Termination Date shall not be later than one Business Day before the date on which the Liquidity Facility or Credit Facility would otherwise terminate.

“Trustee” means the “SLB Trustee” as defined in Ordinance No. 323, and includes any successor Trustee. The Trustee is appointed by the Port pursuant to Section 11 of Ordinance No. 323. On the date of this Series Eighteen Bond Certificate the Trustee is The Bank of New York Trust Company, N.A. operating out of Seattle, Washington. While a Liquidity Facility or Credit Facility is in effect, successor Trustees are subject to the limits provided in Section 7.02.

“Valuation Date” means the last Business Day of each fiscal year of the Port, and any date on which: (a) Additional SLBs are issued; (b) a withdrawal is made from the SLB Reserve Account.

“Weekly Mode” means the Mode during which a subseries of Series Eighteen Bonds bears interest at the Weekly Rate.

“Weekly Rate” means an interest rate that is determined on a weekly basis with respect to any subseries of Series Eighteen Bonds in the Weekly Mode pursuant to Section 2.08.

Section 1.02 Content of Certificates and Opinions.

(A) Every certificate or opinion provided for in this Series Eighteen Bond Certificate shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, such Person has made or caused to be made such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

(B) Any such certificate or opinion made or given by an officer of the Port may be based, insofar as it relates to legal, accounting or operational matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement

may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters upon a certificate or opinion of or representation by an officer of the Port, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Port, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Series Eighteen Bond Documents, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

Section 1.03 Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Series Eighteen Bond Documents; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to the Series Eighteen Bond Documents as a whole and not to any particular Article, Section or subdivision hereof.

(D) All references herein to a particular time of day shall be to New York City time.

ARTICLE II

THE SERIES EIGHTEEN BONDS

Section 2.01 Authorization Designation and Payment of Series Eighteen Bonds.

(A) Pursuant to the provisions of the Act and the Series Eighteen Bond Documents, the Port hereby authorizes the issuance of \$138,890,000 principal amount of Series Eighteen Bonds to be designated "Portland International Airport Refunding Revenue Bonds Series Eighteen (Multimodal Variable Rate)," as SLBs and "Short Term/Demand Obligations" under Ordinance No. 323.

(B) The Series Eighteen Bonds are issuable as fully registered bonds in Authorized Denominations and shall be numbered from No. R-1 upwards. The Series Eighteen Bonds shall be divided into two Subseries: the \$69,445,000 Subseries Eighteen A, and the \$69,445,000 Subseries Eighteen B.

(C) The Series Eighteen Bonds shall be dated June 11, 2008, and shall bear interest as provided herein. Each subseries shall mature on July 1, 2026, and shall be subject to scheduled, mandatory redemption as shown in Section 3.02.

(D) The Series Eighteen Bonds shall be issued substantially in the form provided in the attached Exhibit A.

(E) The Port shall comply with all requirements of Section 103 of the Code so that interest on the Series Eighteen Bonds is excludable from gross income under the Code. The Port shall operate the facilities that are refinanced with the Series Eighteen Bonds so that the Series Eighteen Bonds qualify as “exempt facility bonds” under Section 142 of the Code, and shall invest the proceeds of the Series Eighteen Bonds, pay any rebates due on the Series Eighteen Bonds and the Refunded Bonds, and take any other action required so that the Series Eighteen Bonds are not “arbitrage bonds” under Section 148 of the Code. The Port shall comply with any covenants made in the closing documents for the Series Eighteen Bonds, including the Tax Certificate.

Section 2.02 Book-Entry Form of Series Eighteen Bonds.

(A) The Series Eighteen Bonds shall be issued as one fully registered bond for each subseries and shall be deposited with The Depository Trust Company, New York, New York (“DTC”). DTC’s administrative procedures shall apply to the Series Eighteen Bonds in accordance with the Port’s letter of representations with DTC.

(B) If DTC ceases to act as a depository the Port shall select another Securities Depository. If the Port does not replace DTC, the Trustee will register and deliver to the beneficial owners replacement Series Eighteen Bonds in the form of fully registered Series Eighteen Bonds in accordance with instructions from Cede & Co.

Section 2.03 The Series Eighteen Qualified Swaps.

(A) The interest rate swaps effected on May 28, 2004, and evidenced by the following confirmations have been designated as “Qualified Swaps” as defined in Section 2(h) of Ordinance No. 323, and are now identified as the Series Eighteen Qualified Swaps:

(1) The interest rate swap associated with the confirmation given by Bear Stearns Financial Products Inc. to the Port that is dated May 28, 2004, has reference number FXNEC5978, and was for a notional amount of \$6,892,500.

(2) The interest rate swap associated with the confirmation given by Goldman Sachs Mitsui Marine Derivative Products, L.P. to the Port that is dated May 28, 2004, has reference number NUL 0405420, and was for a notional amount of \$6,892,500.

(3) The interest rate swap associated with the confirmation given by Bear Stearns Financial Products Inc. to the Port that is dated May 28, 2004, has reference number FXNEC5977, and was for a notional amount of \$64,750,000.

(4) The interest rate swap associated with the confirmation given by Goldman Sachs Mitsui Marine Derivative Products, L.P. to the Port that is dated May 28, 2004, has reference number NUL 0405430, and was for a notional amount of \$64,750,000.

(B) Amounts due from the Port as Scheduled Swap Obligations for the Qualified Swaps shall be paid as provided in Section 4.01(B)(1)(b). Other Swap Obligations due from the Port on the Qualified Swaps shall be paid from the JLO Fund as provided in Section 4.02(C).

Section 2.04 Denominations; Date; Maturity; Numbering. The Series Eighteen Bonds shall be delivered in the form of fully registered Series Eighteen Bonds in denominations of (i) \$100,000 and any integral multiple of \$5,000 in excess thereof, with respect to Series Eighteen Bonds in a Daily Mode, a Weekly Mode, a Commercial Paper Mode, and a Term Rate Mode of 360 days or less, and (ii) \$5,000 and any integral multiple thereof, with respect to Series Eighteen Bonds in the Fixed Rate Mode, an Indexed Mode and a Term Rate Mode of more than 360 days. The Series Eighteen Bonds shall be registered initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Series Eighteen Bond for each subseries of the Series Eighteen Bonds in the total aggregate principal amount of the Series Eighteen Bonds of such subseries. Registered ownership of the Series Eighteen Bonds may thereafter be transferred only as provided in this Series Eighteen Bond Certificate. The Series Eighteen Bonds shall be dated the date of their initial issuance and shall mature (subject to prior redemption) on their respective Maturity Dates. The Series Eighteen Bonds shall be numbered in such manner as shall be determined by the Underwriters. Interest shall be calculated on the basis of (i) a 365-day year for the number of days actually elapsed, during a Commercial Paper Mode, a Daily Mode, a Weekly Mode, a SIFMA based Indexed Mode, and a Term Rate Mode of 360 days or less (ii) a 360-day year of twelve 30-day months during a Term Rate Mode of more than 360 days, and the Fixed Rate Mode, and (iii) a 360-day year for the number of days actually elapsed during a LIBOR based Indexed Mode and for Taxable Bonds in any Mode of 360 days or less. Interest payable on any Liquidity Facility Bonds shall be payable at the rates and in accordance with the terms of the applicable Reimbursement Agreement. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondowner on such Record Date and shall be paid to the person in whose name the Series Eighteen Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Securities Depository as registered Owner not less 10 days prior to such Special Record Date.

The following charts summarize this Section 2.04.

AUTHORIZED DENOMINATIONS	
\$5,000 and any integral multiple thereof	\$100,000 and any integral multiple of \$5,000
<ul style="list-style-type: none"> • Fixed Rate Mode • Indexed Mode • Term Rate Mode of more than 360 days 	<ul style="list-style-type: none"> • Daily Mode • Weekly Mode • Commercial Paper Mode • Term Rate Mode of 360 days or less

DAY COUNT FOR INTEREST CALCULATIONS

<u>Actual/365 Days</u>	<u>30/360 Days</u>	<u>Actual/360 Days</u>
• Commercial Paper Mode	• Term Rate Mode of more than 360 days	• LIBOR Based Indexed Mode
• Daily Mode	• Fixed Rate Mode	• Taxable Bonds of 360 days or less
• Weekly Mode		
• SIFMA Based Indexed Mode		
• Term Rate Mode of more than 360 days		

Section 2.05 Payment of Principal of and Interest on the Series Eighteen Bonds.

(A) While the Series Eighteen Bonds are in book-entry form payment of Series Eighteen Bond principal and interest will be made by wire transfer to the Securities Depository or its nominee on the payment date.

(B) If the Series Eighteen Bonds cease to be in book-entry form:

(1) The principal or Redemption Price of the Series Eighteen Bonds shall be payable by check in lawful money of the United States of America at the Designated Corporate Trust Office of the Trustee. Interest on the Series Eighteen Bonds shall be paid to the Person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the close of business on the Record Date for each Interest Payment Date.

(2) Payment of the interest on (i) any subseries of Series Eighteen Bonds in a Daily Mode, a Weekly Mode, an Indexed Mode, a Term Rate Mode of 360 days or less or any Series Eighteen Bond in a Commercial Paper Mode shall be made by wire transfer in immediately available funds to an account within the United States of America designated by such Owner and (ii) any subseries of Series Eighteen Bonds in a Term Rate Mode of more than 360 days or a Fixed Rate Mode in book-entry form shall be made to the Securities Depository as registered Owner, and, if the subseries is not in book-entry form, shall be made by check mailed by first class mail to such Owner at its address as it appears on such registration books, or, upon the written request of any Owner of at least \$1,000,000 in aggregate principal amount of Series Eighteen Bonds, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

(3) CUSIP number identification shall accompany all payments of principal or Redemption Price and interest whether by check or by wire transfer. The principal of Liquidity Facility Bonds shall be paid from the applicable Liquidity Facility Senior Payments or Liquidity Facility Junior Payments as set forth in the Reimbursement Agreement relating to such Liquidity Facility Bonds.

(C) Interest on the Series Eighteen Bonds shall be calculated in accordance with Section 2.06, Section 2.07, Section 2.08, Section 2.09, Section 2.10, Section 2.11, and

Section 2.12 of this Series Eighteen Bond Certificate and shall be payable on each Interest Payment Date for the immediately preceding Interest Payment Period. However, while Series Eighteen Bonds are Liquidity Facility Bonds they shall be payable solely from the applicable Liquidity Facility Senior Payments or Liquidity Facility Junior Payments as provided in ARTICLE V and the Reimbursement Agreements relating to such Liquidity Facility Bonds.

(D) If the Series Eighteen Bonds are accelerated pursuant to Section 16.a of Ordinance No. 323, interest on the Series Eighteen Bonds shall cease to accrue on the date the Trustee makes the declaration of acceleration.

Section 2.06 Initial Modes and Interest Rates; Change of Mode.

(A) The first Interest Rate Period for each subseries of Series Eighteen Bonds shall commence on the date of their original issuance in the following respective Modes with the following respective initial interest rates:

<u>Series</u>	<u>Initial Mode</u>	<u>Initial Interest Rate</u>
Series A	Weekly Rate	1.90%
Series B	Weekly Rate	1.90%

(B) Series Eighteen Bonds of each subseries in any Mode, other than the Fixed Rate Mode or the Indexed Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. All Series Eighteen Bonds of a subseries must be in the same Mode. While the Series Eighteen Bonds of any subseries are in a Commercial Paper Mode, the Series Eighteen Bonds of such subseries may bear interest at different rates at the same time. While a subseries of Series Eighteen Bonds is in a Daily Mode, a Weekly Mode, a Term Rate Mode, the Fixed Rate Mode (subject to Section 2.11), or the Indexed Mode, all Series Eighteen Bonds of such subseries shall bear interest at the same interest rate. Subsequent to such change in Mode (other than a change to the Fixed Rate Mode or the Indexed Mode), the Series Eighteen Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. The Fixed Rate Mode or the Indexed Mode for a subseries of Series Eighteen Bonds shall be in effect until the Maturity Date of such subseries of Series Eighteen Bonds, and may not be changed to any other Mode.

Section 2.07 Determination of Commercial Paper Rates, Purchase Date and Interest Periods During Commercial Paper Mode.

(A) Interest Periods during a Commercial Paper Mode shall have a duration of from one to 270 calendar days, ending on a day immediately preceding a Business Day or the Maturity Date, as the applicable Remarketing Agent shall determine in accordance with the provisions of this Section 2.07. On each Rate Determination Date, the applicable Remarketing Agent shall select for each Series Eighteen Bond then subject to such adjustment the Interest Period which would result in the Remarketing Agent being able to remarket such Series Eighteen Bond at par in the secondary market representing the lowest interest rate then available and for the longest Interest Period available at such rate. If on any Rate Determination Date, the applicable Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average

interest cost with respect to the applicable subseries of Series Eighteen Bonds, then the Remarketing Agent shall select the Interest Period that, in the judgment of the Remarketing Agent, would permit such Series Eighteen Bond to achieve such lower average interest cost. If the applicable Remarketing Agent has received notice from the Port that its subseries of Series Eighteen Bonds is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to 0, the Remarketing Agent for that subseries shall, with respect to that subseries, select Interest Periods which do not extend beyond the Mandatory Purchase Date.

(B) On or after 9:00 a.m. New York City time on each Rate Determination Date for a subseries of Series Eighteen Bonds in the Commercial Paper Mode, any Owner of such subseries of Series Eighteen Bonds may telephone the applicable Remarketing Agent and receive notice of the anticipated next Interest Period(s) and the anticipated Commercial Paper Rate(s) for such Interest Period(s).

(C) By 12:30 p.m. New York City time on each Rate Determination Date, the Remarketing Agent for each Series Eighteen Bond in the Commercial Paper Mode which is subject to adjustment on such date, shall determine the Commercial Paper Rate for the Interest Period then selected for such Series Eighteen Bond and the Purchase Date and shall give notice by Electronic Means to the Tender Agent of the Interest Period, the Purchase Date and the Commercial Paper Rate.

(D) By 1:00 p.m. New York City time on each Rate Determination Date, the applicable Remarketing Agent shall apply for and obtain a CUSIP number for each Series Eighteen Bond in the Commercial Paper Mode (which the Tender Agent will promptly assign pursuant to Section 3.16(A)(4)) for which a Commercial Paper Rate, a Purchase Date and an Interest Period have been determined on such date and notify the applicable Remarketing Agent of such assignment by Electronic Means.

(E) By acceptance of a Series Eighteen Bond in the Commercial Paper Mode, the Owner thereof shall be deemed to have agreed, during each Interest Period, to the Commercial Paper Rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Series Eighteen Bond to the Tender Agent for purchase on the Purchase Date at the Purchase Price.

Section 2.08 Determination of Interest Rates During the Daily Mode and the Weekly Mode.

(A) Method of Determining Interest Rates. Interest on any subseries of Series Eighteen Bonds in the Daily Mode or Weekly Mode shall accrue at the rate of interest per annum determined by the Remarketing Agent for that subseries on and as of the Rate Determination Date as the minimum rate of interest which, in the judgment of the Remarketing Agent under then-existing market conditions, would result in the sale of such subseries of Series Eighteen Bonds on the Rate Determination Date at a price equal to the Purchase Price. Such determination shall be conclusive and binding upon the Port, the Trustee, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Owners.

(B) Determination Time for Daily Rate. During the Daily Mode, the Remarketing Agent for each subseries of Series Eighteen Bonds shall establish the Daily Rate for that subseries by 10:00 a.m. New York City time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day.

(C) Determination Time for Weekly Rate. During the Weekly Mode, the Remarketing Agent for each subseries of Series Eighteen Bonds shall establish the Weekly Rate for that subseries by 10:00 a.m. New York City time on each Rate Determination Date. The Weekly Rate shall be in effect (1) initially, from and including the first day the subseries of Series Eighteen Bonds become subject to the Weekly Mode to and including the following Tuesday and (2) thereafter, from and including each Wednesday to and including the following Tuesday. The Remarketing Agent shall make the Weekly Rate available (i) after 10:00 a.m. New York City time on the Rate Determination Date by telephone to any Owner or the Port, the Trustee, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and (ii) by Electronic Means to the Trustee not later than the second Business Day after the Rate Determination Date.

Section 2.09 Determination of Indexed Rates. At the option of the Port and with the consent of the Credit Facility Provider (if any), the Series Eighteen Bonds of a subseries may be converted to bear interest at the Indexed Rate to the final Maturity Date of the Series Eighteen Bonds of such subseries. Prior to any conversion to an Indexed Rate, the Port shall enter into a Supplemental Series Eighteen Bond Document setting forth the index, the spread and the redemption provisions. The Port shall select the index on which the Indexed Rate shall be based not less than five Business Days prior to the Rate Determination Date. Such index may be the Consumer Price Index, LIBOR, SIFMA Swap Index or any other index which the Port in consultation with the Remarketing Agent for the affected subseries deems appropriate. The Remarketing Agent for the affected subseries shall determine a combination of the percentage and/or the spread to be used in calculating the Indexed Rate not later than 4:00 p.m. New York City time on the Rate Determination Date. The combination of the percentage and/or the spread shall be that percent which when multiplied by the index and/or that spread which when added to or subtracted from the index, in the reasonable judgment of the Remarketing Agent for the affected subseries and the written consent of the Port, the Remarketing Agent determines will result in selling the Series Eighteen Bonds of the applicable subseries at a price equal to the Purchase Price on the Rate Determination Date at the lowest average interest cost. At the time the Remarketing Agent determines the combination of the percentage and/or the spread, the Remarketing Agent shall also determine the interest rate for the initial Interest Payment Period from the Mode Change Date to the first Interest Payment Date in the Indexed Mode, the frequency with which the Indexed Rate shall be recalculated, the Interest Payment Periods and the Interest Payment Dates. The Remarketing Agent shall make such information available by Electronic Means to any Owner of the affected subseries requesting such information or to the Port, the Trustee, the Tender Agent or the Credit Facility Provider (if any). Upon request of any Owner, the Port, the Trustee or the Credit Facility Provider (if any), the Tender Agent shall give notice of such information by Electronic Means. On each date on which the Indexed Rate is recalculated, the Calculation Agent shall give notice of such rate by Electronic Means upon request from any Owner, the Port, the Trustee, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). Such determination shall be conclusive and binding upon

the Port, the Trustee, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Owners.

Section 2.10 Determination of Term Rates.

(A) Method of Determining Term Rate, Interest Period and Purchase Date During Term Rate Mode. The Term Rate for a subseries of Series Eighteen Bonds shall be the minimum rate which, in the judgment of the Remarketing Agent for that subseries, will result in a sale of the Series Eighteen Bonds of the applicable subseries at a price equal to the Purchase Price on the Rate Determination Date for the Interest Period selected by the Port. The Remarketing Agent for a subseries of Series Eighteen Bonds shall also determine the Purchase Date as the day following the last day of the Interest Period so selected by the Port. If a new Interest Period is not selected by the Port prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period shall be the Weekly Mode.

(B) Determination Time for Term Rates. Except as provided in Section 2.10(A), once Series Eighteen Bonds of a subseries are changed to the Term Rate Mode, such Series Eighteen Bonds shall continue in the Term Rate Mode until changed to another Mode in accordance with Section 2.13. The Term Rate shall be determined by the applicable Remarketing Agent not later than 4:00 p.m. New York City time on the Rate Determination Date. After 4:00 p.m. New York City time, the Remarketing Agent shall make the Term Rate available by telephone or Electronic Means to any Owner, the Port, the Trustee, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any).

Section 2.11 Determination of Fixed Rate. Subject to Section 2.13(B), at the option of the Port and with the consent of the Credit Facility Provider (if any), the Series Eighteen Bonds of a subseries may be converted to bear interest at the Fixed Rate to the final Maturity Date of the Series Eighteen Bonds of such subseries unless on the date the Remarketing Agent for that subseries determines the Fixed Rate, that Remarketing Agent also determines that the Series Eighteen Bonds of such subseries would bear a lower effective net interest cost if such Series Eighteen Bonds were serial bonds or serial bonds and term bonds with the maturity (or Mandatory Sinking Account Payment) dates and principal amounts matching the Mandatory Sinking Account Payments, in which event the Series Eighteen Bonds shall become serial bonds or serial bonds and term bonds with such maturity (or Mandatory Sinking Account Payment) dates and principal amounts and shall bear separate Fixed Rates for each maturity. The Remarketing Agent shall determine the Fixed Rate not later than 4:00 p.m. New York City time on the Rate Determination Date. The Fixed Rate shall be the minimum interest rate which, in the judgment of the Remarketing Agent, will result in a sale of the Series Eighteen Bonds of the applicable subseries at a price equal to the Purchase Price on the Rate Determination Date unless in the judgment of the Remarketing Agent and with the written consent of the Port, the Remarketing Agent determines that the lowest yield will result by selling the Series Eighteen Bonds of the applicable subseries at a price equal to the Purchase Price (plus any original issue premium or less any original issue discount) on the Rate Determination Date. In the case of Series Eighteen Bonds to be sold at a discount, either (A) a Liquidity Facility is in effect with respect to such Series Eighteen Bonds and provides for the purchase of such Series Eighteen Bonds at such discount or (B) the Port agrees to transfer to the Tender Agent on the date of change to the Fixed Rate Mode, in immediately available funds, for deposit in the Port Purchase

Account, an amount equal to such discount. In the case of Series Eighteen Bonds sold at a premium, the premium shall be transferred to the Port on the date of change to the Fixed Rate Mode. The Remarketing Agent shall make the Fixed Rate available by telecopy or electronic mail to any Owner, the Port, the Trustee, the Tender Agent or the Credit Facility Provider (if any). Upon request of any Owner, the Port, the Trustee, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any), the Tender Agent shall give notice of such rate by Electronic Means. Such determination shall be conclusive and binding upon the Port, the Trustee, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Owners.

Section 2.12 Alternate Rate for Interest Calculation. In the case of a subseries of Series Eighteen Bonds other than Fixed Rate Bonds, if (a) the applicable Remarketing Agent fails or is unable to determine the interest rate(s) or Interest Periods with respect to any subseries of Series Eighteen Bonds, or (b) the method of determining the interest rate(s) or Interest Periods with respect to any subseries of Series Eighteen Bonds of such subseries shall be held to be unenforceable by a court of law of competent jurisdiction, the Series Eighteen Bonds of such subseries shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered an Opinion of Counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at the Alternate Rate for the Mode in effect. If either of the circumstances described in clauses (a) and (b) occurs on a Rate Determination Date for the Commercial Paper Mode, the relevant Interest Period shall be from and including such Rate Determination Date to, but not including, the next succeeding Business Day, and thereafter shall commence on a Business Day and extend to, but shall not include, the next Business Day.

Section 2.13 Changes in Mode. Subject to the provisions of this Section 2.13, the Port may effect a change in Mode with respect to the Series Eighteen Bonds of a subseries other than Fixed Rate Bonds and Series Eighteen Bonds in the Indexed Rate Mode by following the procedures set forth in this Section.

(A) Changes to Modes Other Than Fixed Rate Mode. The Series Eighteen Bonds of a subseries (other than Series Eighteen Bonds in the Fixed Rate Mode or the Indexed Rate Mode) may be changed from one Mode to another Mode as follows:

(1) Mode Change Notice; Notice to Owners. No later than the 5th Business Day preceding the proposed Mode Change Date, the Port shall give written notice to the Trustee, the Tender Agent (if any), the affected Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice, and, if the change is to a Term Rate Mode, the length of the initial Interest Period. Notice of the proposed change in Mode shall be given to the Owners of the applicable subseries pursuant to 0.

(2) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) with respect to the Series Eighteen Bonds of

such subseries (together, in the case of a change to the Commercial Paper Mode, with the Interest Period(s) and Purchase Date(s)) shall be determined by the Remarketing Agent for the affected subseries in the manner provided in Section 2.06, Section 2.07, Section 2.08, Section 2.09, Section 2.10, Section 2.11, and Section 2.12, as applicable.

(3) Conditions Precedent.

(a) The Mode Change Date shall be a Business Day.

(b) Additionally, the Mode Change Date in the case of a change:

(i) from the Commercial Paper Mode, shall be a day which is the last Purchase Date for all Interest Periods for such subseries of Series Eighteen Bonds set by the applicable Remarketing Agent; and

(ii) from the Term Rate Mode, shall be the Purchase Date for such subseries.

(c) The Trustee, the Tender Agent (if any), and the Remarketing Agent (if any) shall have received on the Mode Change Date a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Trustee, the Tender Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the applicable Remarketing Agent (if any).

(d) If the Current Mode is the Commercial Paper Mode, no Interest Period set after delivery by the Port to the applicable Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.

(e) The Port may revoke its election to effect a conversion of the interest rate on the Series Eighteen Bonds to another Mode by giving written notice of such revocation to the Trustee, the applicable Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Tender Agent, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

(f) If there shall be no Liquidity Facility in effect to provide funds for the purchase of Series Eighteen Bonds of such subseries on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall be not less than the amount required to purchase all of the Series Eighteen Bonds of such subseries at the Purchase Price (unless the Port, in its sole discretion, elects to transfer to the Tender Agent the amount of such deficiency on or before the Mode Change Date). The following additional conditions must be satisfied before a conversion to a Commercial Paper Mode shall become effective:

(i) The Port must engage, at its expense, a commercial paper issuing and paying agent (the "Issuing Agent"), reasonably acceptable to the Trustee, having access to the Securities Depository's electronic money market issuing and payment

system and otherwise eligible to serve as an issuing and paying agent under the Securities Depository's policies and procedures for the issuance and payment of commercial paper;

(ii) The affected Remarketing Agent must arrange for the execution and delivery to the Securities Depository of the required Securities Depository letter of representation for the eligibility of the Series Eighteen Bonds in the Commercial Paper Mode in the Securities Depository's book entry system and the provision of any needed CUSIP numbers;

(iii) The Port shall take all other action needed to comply with the Securities Depository requirements applicable to the issuance and payment of the Series Eighteen Bonds while in the Commercial Paper Mode; and

(iv) The Port shall enter into any amendment of this Series Eighteen Bond Certificate and the Airport Revenue Bond Ordinances, as applicable, that is needed to comply with the Securities Depository's or any Rating Agency's requirements concerning the issuance and payment of the Series Eighteen Bonds in the Commercial Paper Mode.

(4) Failure to Satisfy Conditions Precedent to Mode Change. If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Series Eighteen Bonds of such subseries shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.07; and (b) otherwise, all Series Eighteen Bonds of such subseries shall be changed to a Daily Mode.

(B) Change to Fixed Rate Mode. At the option of the Port, Series Eighteen Bonds of a subseries (other than Series Eighteen Bonds in the Indexed Rate Mode) may be changed to the Fixed Rate Mode as provided in this Section 2.13(B). Not less than 15 days (or such shorter time as may be agreed to by the Trustee, the Remarketing Agent for the subseries (if any) before the proposed Mode Change Date, the Port shall give written notice to the Trustee, the Tender Agent (if any), the affected Remarketing Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and each Rating Agency then rating the Series Eighteen Bonds stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Any such change in Mode shall be made as follows:

(a) The Mode Change Date to a Fixed Rate Mode shall be: (i) in the case of a conversion from a Daily Mode or a Weekly Mode a regularly scheduled Interest Payment Date on which interest is payable for the Daily Mode or Weekly Mode from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; and (iii) in the case of a conversion from a Commercial Paper Mode, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Series Eighteen Bonds to be converted.

(b) Not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the registered owners of the conversion pursuant to

subparagraph (c) below, the Port shall give written notice of the conversion to the Trustee, the affected Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Tender Agent, if any, setting forth the proposed Mode Change Date. Together with such notice, the Port shall file with the Trustee, an Opinion of Bond Counsel to the effect that the conversion of such subseries of the Series Eighteen Bonds to the Fixed Rate Mode, including the assignment of new maturity dates and amortization requirements pursuant to subparagraph (g) of this Section 2.13(B), shall not adversely affect the validity of the Series Eighteen Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series Eighteen Bonds would otherwise be entitled. No conversion to the Fixed Rate Mode shall occur unless the Port shall also file with the Trustee an Opinion of Bond Counsel to the same effect dated the Mode Change Date.

(c) In the event of a conversion from a Daily Mode, Weekly Mode, a Term Rate Mode or a Commercial Paper Mode, the Trustee shall give a notice of the proposed conversion to the Securities Depository as registered owner of all Series Eighteen Bonds to be converted not less than fifteen (15) days prior to the proposed Mode Change Date. Such notice shall state that the Series Eighteen Bonds to be converted shall be subject to mandatory tender at a price equal to 100% of the principal amount thereof plus accrued interest on the Mode Change Date. The principal portion of the purchase price of the Series Eighteen Bonds so tendered shall be payable solely from the proceeds of the remarketing of such subseries of Series Eighteen Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Series Eighteen Bonds on a mandatory tender date, the Series Eighteen Bonds shall not be subject to mandatory tender, shall be returned to their owners, and all Series Eighteen Bonds of such subseries shall be changed to a Daily Mode.

(d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Mode Change Date, the affected Remarketing Agent shall determine the Fixed Rate for the Series Eighteen Bonds to be converted.

(e) Such determination shall be conclusive and binding upon the Port, the Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Tender Agent and the Beneficial Owners of the Series Eighteen Bonds to which such rate shall be applicable. Not later than 5:00 p.m., New York City time, on the Rate Determination Date, the affected Remarketing Agent shall notify the Trustee and the Port of such rate by telephone.

(f) The Port may revoke its election to effect a conversion of the interest rate on the Series Eighteen Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Trustee, the affected Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Tender Agent, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

(g) Prior to the conversion of any subseries of the Series Eighteen Bonds to a Fixed Rate Mode pursuant to this Section 2.13(B):

(i) The Remarketing Agent for the subseries shall determine a serial bond maturity schedule or combination of serial maturities and term bonds that are subject to mandatory redemption that meets the requirements of this Section 2.13(B)(g)(i). The final maturity date of the Series Eighteen Bonds shall be July 1, 2026. The Series Eighteen Bonds of each subseries shall either be term bonds that are subject to mandatory redemption, or be serial bonds that mature, on the dates and in the amounts shown in Section 3.02(A), or any combination of the two. The Remarketing Agent shall select the combination of serial maturities and term bonds in the manner that produces the lowest aggregate interest payable for each subseries of Series Eighteen Bonds.

(ii) The Remarketing Agent for the subseries shall allocate the Series Eighteen Bonds to be converted to a Fixed Rate Mode between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such Series Eighteen Bonds.

(iii) The Remarketing Agent for the subseries shall set the interest rate on each Series Eighteen Bond to be converted to a Fixed Rate Mode of a particular maturity date at the lowest interest rate that shall enable such Series Eighteen Bond, upon conversion, to be remarketed at par (plus any original issue premium or less any original issue discount pursuant to Section 2.11 and plus any accrued interest) taking into account the maturity date of such Series Eighteen Bond and amortization requirements with respect to the Series Eighteen Bonds of such subseries and maturity date.

(h) Notwithstanding Section 2.13(B)(g), the Port may agree to another method for providing for payment of principal of the Series Eighteen Bonds after the Mode Change Date if (i) the Remarketing Agent for the subseries deems the utilization of such other method necessary in order to remarket such subseries of Series Eighteen Bonds at a price of par plus any original issue premium or less any original issue discount pursuant to Section 2.11 and (ii) there is delivered to the Trustee and by the Port an Opinion of Bond Counsel to the effect that utilization of such other method shall not adversely affect the validity of the Series Eighteen Bonds or any exclusion from federal income taxation to which the interest on the Series Eighteen Bonds would otherwise be entitled.

(i) If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Series Eighteen Bonds of such subseries shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.07; and (b) otherwise, all Series Eighteen Bonds of such subseries shall be changed to a Daily Mode.

ARTICLE III

REDEMPTION AND TENDER OF SERIES EIGHTEEN BONDS

Section 3.01 Terms of Redemption. The Series Eighteen Bonds are subject to redemption as set forth below. All redemptions shall be in integral multiples of the Authorized Denominations.

(A) Optional Redemption of Series Eighteen Bonds in the Commercial Paper Mode. Series Eighteen Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates.

(B) Optional Redemption of Series Eighteen Bonds in the Daily Mode or the Weekly Mode. Series Eighteen Bonds in the Daily Mode or the Weekly Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the Port, in whole on any date or in part on any Business Day at a Redemption Price equal to the principal amount of Series Eighteen Bonds called for redemption, without premium. Optional redemption of Series Eighteen Bonds in the Daily Mode or the Weekly Mode requires the prior, written consent of the providers of the Credit Facility and Liquidity Facility that are then in effect.

(C) Optional Redemption of Series Eighteen Bonds in the Indexed Rate Mode. Series Eighteen Bonds in the Indexed Rate Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the Port, in whole on any date or in part on any Interest Payment Date at a Redemption Price equal to the principal amount of Series Eighteen Bonds called for redemption, without premium

(D) Optional Redemption of Series Eighteen Bonds in the Term Rate Mode or the Fixed Rate Mode.

(1) Series Eighteen Bonds in a Term Rate Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the Port, in whole on any date or in part on their Purchase Date at a Redemption Price equal to the principal amount of Series Eighteen Bonds called for redemption, without premium.

(2) Series Eighteen Bonds in the Term Rate Mode or Fixed Rate Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the Port, at such times and upon such terms as shall be specified by the Port in a schedule to be delivered to the Trustee on or prior to such change to such Term Rate Mode or Fixed Rate Mode.

Section 3.02 Scheduled Mandatory Redemption.

(A) The Series Eighteen Bonds of each subseries shall be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on July 1st in the years and the principal amounts (after credit as provided below) as follows:

<u>Year</u>	<u>Subseries A Bonds</u>	<u>Subseries B Bonds</u>
2009	\$2,620,000	\$2,620,000
2010	2,785,000	2,785,000
2011	2,900,000	2,900,000
2012	2,910,000	2,910,000
2013	3,045,000	3,040,000
2014	3,985,000	3,985,000
2015	4,855,000	4,855,000
2016	5,080,000	5,085,000
2017	4,435,000	4,430,000
2018	4,510,000	4,515,000
2019	4,705,000	4,705,000
2020	4,935,000	4,930,000
2021	5,155,000	5,155,000
2022	3,295,000	3,295,000
2023	3,450,000	3,450,000
2024	3,605,000	3,610,000
2025	3,785,000	3,780,000
2026	<u>3,390,000</u>	<u>3,395,000</u>
Total	\$69,445,000	\$69,445,000

The Trustee shall, if requested to do so by the Port not less than 60 days in advance of a redemption date referred to above, reduce the amount of Series Eighteen Bonds of any subseries to be redeemed on any redemption date by the amount of Series Eighteen Bonds of such subseries previously redeemed as described above under "Optional Redemption" or delivered to the Trustee for cancellation, and which have not previously formed the basis for such a reduction.

(B) **Mandatory Redemption of Liquidity Facility Bonds.** Liquidity Facility Bonds shall be subject to mandatory redemption as provided in the applicable Reimbursement Agreement.

Section 3.03 Selection of Series Eighteen Bonds for Redemption. Whenever provision is made in the Series Eighteen Bond Documents for the redemption of less than all of the Series Eighteen Bonds of a subseries or any given portion thereof, subject to Section 3.01 hereof, the Trustee shall select the Series Eighteen Bonds of such subseries to be redeemed, in Authorized Denominations, by lot, in any manner; provided, however, that Liquidity Facility Bonds of such subseries shall be redeemed prior to any other Series Eighteen Bonds of such subseries. The Trustee shall promptly notify the Port in writing of any redemption of the Series Eighteen Bonds or portions thereof so selected for redemption. The selection of Series Eighteen Bonds shall be at such time as determined by the Trustee.

Section 3.04 Notice of Redemption.

(A) The Trustee shall give notice of all redemptions of Series Eighteen Bonds. Unless waived by the Trustee:

(1) While the Series Eighteen Bonds are in book-entry form the Trustee shall give notice of any optional redemption of Series Eighteen Bonds if the Trustee is directed by the Port to give notice at least two Business Days prior to the date the Trustee must give notice to the Securities Depository.

(2) While the Series Eighteen Bonds are not in book-entry form the Trustee shall give notice of any optional redemption of Series Eighteen Bonds if the Trustee is directed by the Port to give notice at least ten Business Days prior to the date the Trustee must give notice to Owners.

(3) While the Series Eighteen Bonds are in book-entry form and in Weekly Mode the Trustee shall give the Securities Depository notice of redemption not less than fifteen days prior to the date fixed for redemption. If the Series Eighteen Bonds remain in book-entry form but are converted to a mode other than the Weekly Mode, the conversion documents shall specify the minimum period for redemption notices for that mode.

(B) While the Series Eighteen Bonds are in book-entry form the Trustee shall give notice of redemption in accordance with the rules of the Securities Depository. Notice of redemption of Series Eighteen Bonds in book-entry form shall also be given contemporaneously to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), and the Rating Agencies then rating the Series Eighteen Bonds that are being redeemed.

(C) If the Series Eighteen Bonds cease to be in book-entry form notice of redemption shall be given as provided in this Section 3.04(C).

(1) Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Series Eighteen Bonds and to the respective Owners of the Series Eighteen Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee.

(2) Each notice of redemption shall state the date of such notice, the date of delivery and subseries designation of the Series Eighteen Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the Series Eighteen Bonds, to be redeemed and, in the case of Series Eighteen Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series Eighteen Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series Eighteen Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such

Series Eighteen Bond shall cease to accrue, and shall require that such Series Eighteen Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

(D) Failure by the Trustee to give notice of redemption pursuant to this Section 3.04 to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Series Eighteen Bonds or to any one or more of the Owners of the Series Eighteen Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

(E) Any notice given pursuant to this Section 3.04 may be conditional and may be rescinded by written notice given to the Trustee by the Port no later than 5 Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this Section 3.04.

Section 3.05 Partial Redemption of Series Eighteen Bonds. Upon surrender of a Series Eighteen Bond to be redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Port, a new Series Eighteen Bond or Series Eighteen Bonds of Authorized Denominations of the same subseries equal in aggregate principal amount to the redeemed portion of the Series Eighteen Bond surrendered.

Section 3.06 Effect of Redemption. Notice of redemption having been duly given as aforesaid and not having been rescinded as aforesaid, the Series Eighteen Bonds (or portions thereof) so called for redemption shall become due and payable on the date fixed for redemption designated in such notice at the Redemption Price specified in such notice plus interest accrued thereon to the date fixed for redemption, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Series Eighteen Bonds (or portions thereof) so called for redemption being held by the Trustee, interest on the Series Eighteen Bonds so called for redemption shall cease to accrue, those Series Eighteen Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Series Eighteen Bond Documents, and the Owners of those Series Eighteen Bonds (or portions thereof) shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

Section 3.07 Optional Tenders of Series Eighteen Bonds in the Daily Mode or the Weekly Mode. The Owners of Eligible Bonds (other than Liquidity Facility Bonds) in a Daily Mode or a Weekly Mode may elect to have their Series Eighteen Bonds (or portions of those Series Eighteen Bonds in any amount equal to an Authorized Denomination) purchased on any Business Day in the case of Series Eighteen Bonds in a Daily Mode or a Weekly Mode, at a price equal to the Purchase Price, upon delivery of an irrevocable written notice of tender by Electronic Means and an irrevocable telephonic notice to the affected Remarketing Agent and the Tender Agent not later than the Tender Notice Deadline.

Such notice of tender shall state the CUSIP number, subseries designation, bond number (if the Series Eighteen Bonds are not registered in the name of the Securities Depository) and the principal amount of such Series Eighteen Bond and that such Series Eighteen Bond shall be

purchased on the Purchase Date specified above. Payment of the Purchase Price shall be made pursuant to this Section 3.07 only if the Series Eighteen Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice described in this Section 3.07. An Owner who gives the notice of tender as set forth above may repurchase the Series Eighteen Bonds so tendered on such Purchase Dates if the affected Remarketing Agent agrees to sell the Series Eighteen Bonds so tendered to such Owner. If such Owner decides to repurchase such Series Eighteen Bonds and the affected Remarketing Agent agrees to sell the specified Series Eighteen Bonds to such Owner, the delivery requirements set forth in Section 3.13(C) shall be waived. The Tender Agent may assume that a Series Eighteen Bond is an Eligible Bond unless it has actual knowledge to the contrary. Such notices of tender may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Series Eighteen Bonds.

Section 3.08 Mandatory Purchase at End of Commercial Paper Rate Periods. Each Bond in the Commercial Paper Mode is subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. No notice of such mandatory purchase shall be given to the Owners.

Section 3.09 Mandatory Purchase on Mode Change Date.

(A) Series Eighteen Bonds to be changed from one Mode to another Mode (other than a change to the Fixed Rate Mode, which Series Eighteen Bonds are subject to mandatory purchase pursuant to subsection (B) of this 0) at the election of the Port are subject to mandatory purchase on the Mode Change Date. The Tender Agent shall give notice of such mandatory purchase by Electronic Means to the Securities Depository as registered Owner of the Series Eighteen Bonds subject to mandatory purchase no less than 5 Business Days for Series Eighteen Bonds which are to be changed to a Mode of 360 days or less and no less than 15 days for Series Eighteen Bonds which are to be changed to a Mode of more than 360 days or an Indexed Mode, each prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Series Eighteen Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date.

(B) Series Eighteen Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change Date at the Purchase Price (subject to Section 2.11). The Tender Agent shall give notice of such mandatory purchase as part of the notice of change of Mode to be sent to the Owners pursuant to Section 2.13(B).

Section 3.10 Mandatory Purchase at End of Interest Period for Term Rate Mode. Series Eighteen Bonds in the Term Rate Mode are subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. The Tender Agent shall give notice of such mandatory purchase to the Securities Depository as registered Owner of the Series Eighteen Bonds subject to mandatory purchase no less than 15 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Series Eighteen Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The Tender Agent may assume that a Series Eighteen Bond is an Eligible Bond unless it has actual knowledge that such Series Eighteen Bond is not an Eligible Bond.

Section 3.11 Mandatory Purchase on Expiration Date, Substitute Liquidity Facility Date, Substitute Credit Facility Date and Termination Date.

(A) On each Substitute Liquidity Facility Date and Substitute Credit Facility Date, and on the second Business Day preceding each Expiration Date, the Eligible Bonds shall be subject to mandatory purchase at the Purchase Price; and the Trustee (or the Trustee in its capacity as Tender Agent) shall draw upon the existing Liquidity Facility or Credit Facility to pay the Purchase Price. However, the Series Eighteen Bonds shall not be subject to Mandatory Purchase on the Substitute Liquidity Facility Date or Substitute Credit Facility Date or the second Business Day preceding each Expiration Date if on or prior to the 15th day prior to such Expiration Date, Substitute Liquidity Facility Date or Substitute Credit Facility Date, the Port has furnished to the Trustee an agreement to extend the Liquidity Facility or Credit Facility, as applicable. The Tender Agent shall give notice of such mandatory purchase to the Securities Depository as registered Owner of the Series Eighteen Bonds subject to mandatory purchase no less than 10 days prior to such Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Series Eighteen Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. Such notice shall also state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof. The failure to give such notice with respect to any Series Eighteen Bond shall not affect the validity of the mandatory purchase of any other Series Eighteen Bond with respect to which notice was so given.

(B) On each Termination Date, the Eligible Bonds shall be subject to mandatory purchase at a price equal to the principal amount thereof, plus accrued interest, if any, with respect thereto to the Termination Date. The Tender Agent shall give notice of such mandatory purchase to the Securities Depository as registered Owner of the Series Eighteen Bonds as soon as practicable, but no later than two Business Days after receipt of notice of termination from the Liquidity Facility Provider or the Credit Facility Provider. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Series Eighteen Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. Such notice shall also state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof.

Section 3.12 Remarketing of Series Eighteen Bonds; Notices.

(A) Remarketing of Series Eighteen Bonds. The Remarketing Agent for each subseries of Series Eighteen Bonds shall use its best efforts to offer for sale:

- (1) all Series Eighteen Bonds of that subseries, or any portions thereof as to which notice of tender has been given pursuant to Section 3.07;
- (2) all Series Eighteen Bonds of that subseries that are required to be purchased pursuant to Section 3.08, 0, Section 3.10, and Section 3.11; and
- (3) all Liquidity Facility Bonds of that subseries.

(B) Notice of Remarketing; Registration Instructions; New Series Eighteen Bonds. On each Purchase Date or Mandatory Purchase Date, as the case may be:

(1) unless the Remarketing Agent for a subseries of Series Eighteen Bonds has notified the Tender Agent and the Trustee otherwise, the Remarketing Agent for that subseries shall notify the Tender Agent and the Trustee by Electronic Means not later than 11:00 a.m., New York City time of the amount of tendered Series Eighteen Bonds which were successfully remarketed, the names of the tendering Owners and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers and the denominations then authorized pursuant to Section 2.04) with respect thereto (the Remarketing Agent may rescind or revise any such notice previously given up until the deadline for such notice); and

(2) the Trustee shall execute new Series Eighteen Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent pursuant to Section 3.13(D).

(C) Transfer of Funds; Draw on Liquidity Facility. On each Purchase Date or Mandatory Purchase Date, as the case may be:

(1) the Remarketing Agent for each subseries of Series Eighteen Bonds shall cause to be paid to the Tender Agent the Purchase Price of the remarketed Series Eighteen Bonds of that subseries by 11:45 a.m. New York City time;

(2) the Tender Agent shall give notice to the Trustee (if the Tender Agent is not the Trustee), the Port and, if a Liquidity Facility is then in effect with respect to the Series Eighteen Bonds subject to purchase, to the Liquidity Facility Provider (or the Tender Agent shall instruct the Trustee to give notice and the Trustee shall give notice) in accordance with the terms of the Liquidity Facility prior to 12:00 noon, New York City time (and promptly thereafter, the Tender Agent shall so notify the Securities Depository) of the amount equal to the Purchase Price of all Series Eighteen Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds paid to the Tender Agent pursuant to Section 3.12(C)(1) above, so that the Trustee receives from the Liquidity Facility Provider by 2:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Series Eighteen Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith; and

(3) if a Liquidity Facility is not then in effect with respect to the Series Eighteen Bonds subject to purchase or if the Liquidity Facility Provider (if any) has not paid the full amount required by clause (4) of this subsection (C) at the times required therein, the Port shall transfer Net Revenues to the Tender Agent by 2:00 p.m. New York City time on such date, in immediately available funds, in an amount sufficient, together with the proceeds of the remarketing of Series Eighteen Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith.

Section 3.13 General Provisions Relating to Tenders.

(A) Payment of Purchase Price. At or before close of business New York City time on the Purchase Date or Mandatory Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Series Eighteen Bonds, the Tender Agent shall pay

the Purchase Price of such Series Eighteen Bonds to the Owners by bank wire transfer in immediately available funds. The Tender Agent shall pay the Purchase Price from the following accounts and in the following order of priority: (1) the Remarketing Proceeds Account to the extent funds are available therein, (2) in the case of Eligible Bonds, the Liquidity Facility Deposit Account and (3) the Port Purchase Account. The Tender Agent may assume that a Series Eighteen Bond is an Eligible Bond unless it has actual knowledge to the contrary. If at close of business New York City time on any Purchase Date or Mandatory Purchase Date of Series Eighteen Bonds any balance remains in the Liquidity Facility Deposit Account in excess of any unsatisfied purchase obligation, such excess shall be promptly returned to the Liquidity Facility Provider (if any). If at close of business New York City time on any Purchase Date or Mandatory Purchase Date of Series Eighteen Bonds any balance remains in the Port Purchase Account in excess of any unsatisfied purchase obligation, such excess shall be promptly returned to the Port.

(B) Inadequate Funds for Tenders. If the funds available for purchases of Eligible Bonds pursuant to this ARTICLE III are inadequate for the purchase of all Series Eighteen Bonds of a subseries tendered on any Purchase Date or Mandatory Purchase Date, no purchase of the Series Eighteen Bonds of such subseries shall be consummated and the Tender Agent shall, after any applicable grace period, (1) return all tendered Series Eighteen Bonds of such subseries to the Owners thereof, (2) return all moneys deposited in the Remarketing Proceeds Account therefor to the applicable Remarketing Agent for return to the Persons providing such moneys, (3) return all moneys deposited in the Liquidity Facility Deposit Account therefor to the Liquidity Facility Provider (if any) and (4) return all moneys deposited in the Port Purchase Account therefor to the Port.

(C) Delivery of Series Eighteen Bonds by Tendering Owners; Undelivered Series Eighteen Bonds Deemed Purchased. All Series Eighteen Bonds to be purchased on any date shall be required to be delivered to the principal corporate office of the Tender Agent at or before 11:00 a.m. New York City time on such Purchase Date or Mandatory Purchase Date. If the Owner of a Series Eighteen Bond (or portion thereof) that is subject to purchase pursuant to this ARTICLE III fails to deliver such Series Eighteen Bond to the Tender Agent for purchase on the Purchase Date or Mandatory Purchase Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Series Eighteen Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Series Eighteen Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (D) below. Any Owner who fails to deliver such Series Eighteen Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series Eighteen Bond to the Tender Agent. The Tender Agent shall, as to any tendered Series Eighteen Bonds that have not been delivered to it: (1) promptly notify the affected Remarketing Agent of such nondelivery; and (2) instruct the Trustee to place a stop transfer against an appropriate amount of Series Eighteen Bonds registered in the name of such Owner(s) on the bond registration books. The Trustee shall place such stop(s) commencing with the lowest serial number Series Eighteen Bond registered in the name of such Owner(s) until stop transfers have been placed against an appropriate amount of Series Eighteen Bonds until the appropriate tendered Series Eighteen Bonds are delivered to the Tender Agent who shall deliver such Series Eighteen Bonds to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the bond registration books.

(D) Delivery of Series Eighteen Bonds. On the Purchase Date or Mandatory Purchase Date, the Tender Agent shall direct the Trustee to execute and deliver all Series Eighteen Bonds purchased on any Purchase Date or Mandatory Purchase Date as follows: (1) Series Eighteen Bonds purchased and remarketed by the Remarketing Agent for each subseries of Series Eighteen Bonds shall be registered and made available to the Remarketing Agent by 11:45 a.m. New York City time in accordance with the instructions of that Remarketing Agent; (2) Series Eighteen Bonds purchased with amounts paid by or on behalf of the Liquidity Facility Provider (if any) shall be registered and made available in the name of or as directed in writing by the Liquidity Facility Provider (if any) on or before 2:30 p.m. New York City time and become Liquidity Facility Bonds; and (3) Series Eighteen Bonds purchased with amounts paid by or on behalf of the Port shall be registered and made available in the name of or as directed in writing by the Port on or before 2:30 p.m. New York City time. Notwithstanding the foregoing, the Tender Agent shall not deliver any such Series Eighteen Bonds unless it has received written notice from the Liquidity Facility Provider that the amount available for the purchase of Series Eighteen Bonds (prior to a conversion to Fixed Rate) is at least equal to the aggregate amount of all Series Eighteen Bonds then Outstanding (other than Liquidity Facility Bonds) plus an amount equal to (in each case assuming an interest rate equal to the Maximum Rate) (1) 35 days' interest on Series Eighteen Bonds in a Daily Mode or a Weekly Mode or (2) 190 days' interest on Series Eighteen Bonds in a Commercial Paper Mode or a Term Rate Mode.

(E) No Sales After Payment Default. Anything in the Series Eighteen Bond Documents to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default and the Credit Facility Provider (if any) has not paid such amount under the Credit Facility, then no Remarketing Agent shall remarket any Series Eighteen Bonds.

Section 3.14 The Remarketing Agents.

(A) The Port has appointed J.P. Morgan Securities Inc. as the Remarketing Agent for the Subseries Eighteen A Bonds and Merrill Lynch & Co. as the remarketing agent for the Subseries Eighteen B Bonds. By issuing its letter of credit the initial Credit Facility Provider consents to these appointments. The Remarketing Agents shall serve as such under the terms and provisions hereof. The Remarketing Agent and each successor Remarketing Agent appointed in accordance with this Series Eighteen Bond Certificate shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the Port, the Trustee, the Tender Agent and the Port, under which the Remarketing Agent will agree particularly:

(1) to hold all moneys delivered to it hereunder for the purchase of Series Eighteen Bonds for the exclusive benefit of the Person or Persons that shall have so delivered such moneys until the Series Eighteen Bonds purchased with such moneys shall have been delivered to or for the account of such Person or Persons;

(2) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Port, the Port, the Trustee, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) at all reasonable times;

(3) to determine the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate, the Indexed Rate and the Fixed Rate and give notice of such rates in accordance with ARTICLE II hereof;

(4) to use its best efforts to find purchasers for the Series Eighteen Bonds of the applicable subseries tendered for purchase, any such sale to be made at the Purchase Price in accordance with the terms of the Series Eighteen Bond Documents;

(5) use its best efforts not to remarket Series Eighteen Bonds to the Port or any affiliate or guarantor of the Port; and

(6) to deliver to the Tender Agent all Series Eighteen Bonds held by it in accordance with the terms of the Series Eighteen Bond Documents and the Remarketing Agreement.

(B) If a Remarketing Agent shall be dissolved, or if the property or affairs of a Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or a Remarketing Agent shall cease to perform its duties for any other reason, and the Port shall not have appointed a successor Remarketing Agent, the Tender Agent shall ipso facto be deemed to be such Remarketing Agent for all purposes of the Series Eighteen Bond Documents until the appointment by the Port of a successor Remarketing Agent; provided, however, that the Tender Agent, in its capacity as Remarketing Agent, shall not be required to sell Series Eighteen Bonds or determine the interest rate on the Series Eighteen Bonds hereunder if the Tender Agent should be prohibited by law from conducting such activities. The Port will notify each Rating Agency then rating the Series Eighteen Bonds of any successor Remarketing Agent or co-Remarketing Agent.

(C) Each Remarketing Agent may in good faith hold the Series Eighteen Bonds or any other form of indebtedness issued by the Port or any security issued by the Port; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof; and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of the Remarketing Agent for any real or apparent conflict of interest by reason of any such actions.

Section 3.15 Qualifications of Remarketing Agent.

(A) Each Remarketing Agent shall be authorized by law to perform all the duties imposed upon it. Each Remarketing Agent may at any time resign and be discharged of the duties and obligations described in the Series Eighteen Bond Documents by giving at least 90 days' notice to the Port and the Trustee. If a Remarketing Agent resigns the Port shall use its best efforts to appoint a Successor Remarketing Agent prior to the effective date of the resignation. Successor Remarketing Agents may be appointed by the Port only with the written approval of the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any). A Remarketing Agent may be removed upon 90 days' notice upon the written request of the Port and upon written notice to the affected Remarketing Agent, the Port, the Trustee, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any), so long as a successor Remarketing Agent shall have been appointed and approved as provided herein and

shall have assumed the duties thereof by the effective date of such removal. The notices described in this Section 3.15(A) may be given less than 90 days in advance (but not less than 30 days in advance) with the consent of any providers of Liquidity Facilities or Credit Facilities that are then in effect.

(B) Notwithstanding any other provision to the contrary contained herein, any corporation or association into which a Remarketing Agent may be converted or merged, or with which it may be consolidated, or to which it may be consolidated, or to which it may sell or transfer its marketing business and assets as a whole or substantially as a whole, shall become a successor Remarketing Agent hereunder and fully vested with all of the rights, powers, trusts, duties and obligations of a Remarketing Agent hereunder, without the execution or filing of any instrument or any further act.

Section 3.16 The Tender Agent. The Trustee shall serve as Tender Agent for the Series Eighteen Bonds.

(A) As Tender Agent the Trustee agrees:

(1) to hold all Series Eighteen Bonds delivered to it for purchase hereunder in trust for the exclusive benefit of the respective Owners that shall have so delivered such Series Eighteen Bonds until moneys representing the Purchase Price of such Series Eighteen Bonds shall have been delivered to or for the account of or to the order of such Owners;

(2) to hold all moneys delivered to it hereunder for the purchase of Series Eighteen Bonds in trust for the exclusive benefit of the Person who has delivered such moneys until the Series Eighteen Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Owners tendering such Series Eighteen Bonds;

(3) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Port, the Trustee, the Remarketing Agents, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) at all reasonable times; and

(4) for any Series Eighteen Bonds in the Commercial Paper Mode, to assign CUSIP numbers to the Series Eighteen Bonds on each Rate Determination Date as provided in Section 2.07.

(B) The Trustee is authorized and directed to execute the Liquidity Facility. The Trustee, as Tender Agent, hereunder and under the Liquidity Facility shall be entitled to the protections, indemnities, immunities and limitations from liability afforded the Trustee under the Series Eighteen Bond Documents in the performance of its duties.

(C) Section 11.b(11) of Ordinance No. 323 permits the Trustee, before taking any action regarding an Event of Default, to require that it be furnished an indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability. However, the Trustee is not entitled to indemnity for any liability which results from the negligent action of Trustee, its negligent failure to act or its willful misconduct. In addition, the Trustee is not be entitled to any indemnity as a condition precedent to its drawing upon any

Letter of Credit or Alternate Credit Facility. The Trustee additionally agrees that it will not be entitled to indemnity as a condition precedent to making payments on the Series Eighteen Bonds when due, or directing a mandatory tender or acceleration of Series Eighteen Bonds when required.

(D) The Trustee shall not have any lien on, or right to payment from, any remarketing proceeds or draws on Credit Facilities or Liquidity Facilities that are held in the SLB Fund. The Trustee shall otherwise be entitled to the lien on amounts in the SLB Fund that is provided in Section 11.c of Ordinance No. 323.

ARTICLE IV

FUNDS AND ACCOUNTS; APPLICATION OF SERIES EIGHTEEN BOND PROCEEDS

Section 4.01 Special SLB Fund Accounts.

(A) Creation of Series Eighteen Bonds SLB Fund Accounts; Purpose. There are hereby created and established with the Trustee, as special subaccounts within various accounts of the SLB Fund for the Series Eighteen Bonds, the following:

(1) A special subaccount of the SLB Interest Account to be designated the "Series Eighteen Bonds Interest Account."

(2) A special subaccount of the SLB Term Bond Principal Account to be designated the "Series Eighteen Bonds Term Bond Principal Account."

(3) A special account in the SLB Fund to be designated the Series Eighteen Bond Purchase Fund (the "Purchase Fund"). The Trustee shall establish and maintain three separate accounts in the Purchase Fund designated, respectively, as the "Liquidity Facility Deposit Account," the "Remarketing Proceeds Account" and the "Port Purchase Account." The money in the Purchase Fund shall be held in trust and applied solely as provided in this Section.

(4) A special account in the SLB Fund to be designated the Liquidity Facility Senior Payment Account.

(5) A special account in the SLB Reserve Account to be designated the Series Eighteen Bonds Debt Service Reserve Account.

(B) *Series Eighteen Bonds Interest Account.* Whenever the Port, pursuant to Section 6.c of Ordinance No. 323, is required to make deposits from the General Account into the SLB Interest Account for the purpose of paying interest on the Series Eighteen Bonds or the Scheduled Swap Obligations for the Series Eighteen Qualified Swaps, such deposits shall be made into the Series Eighteen Bonds Interest Account.

(1) The Port shall deposit into the Series Eighteen Bonds Interest Account:

(a) an amount that, together with any other moneys previously deposited and available in the Series Eighteen Bonds Interest Account to pay interest on Series Eighteen Bonds, will equal the installment of interest falling due on the next succeeding Series Eighteen Bond interest payment date; plus

(b) an amount that, together with moneys previously deposited and available in the Series Eighteen Bonds Interest Account to pay the Scheduled Swap Obligations for the Series Eighteen Qualified Swaps, will equal the Scheduled Swap Obligations for the Series Eighteen Qualified Swaps that are due on the next succeeding payment date for those Scheduled Swap Obligations; plus

(c) the interest and any premium due in connection with the redemption of Series Eighteen Bonds called for redemption prior to maturity; any accrued interest on the Series Eighteen Bonds paid to the Trustee on the Closing Date; and any scheduled payments the Port receives under the Series Eighteen Qualified Swaps.

(2) The Series Eighteen Bonds Interest Account shall contain a segregated "Interest Draw Subaccount." While Series Eighteen Bonds are secured by a "direct-pay" Credit Facility or Liquidity Facility the Trustee shall draw on that facility to pay Series Eighteen Bond interest when due in accordance with the terms thereof and shall credit the amounts so drawn to the Interest Draw Subaccount. Amounts credited to the Interest Draw Subaccount shall be applied only to pay interest on Series Eighteen Bonds. Amounts credited to the Interest Draw Subaccount shall not be commingled with other funds held by the Trustee or Tender Agent and shall remain uninvested. The Port shall not have any right, title or interest in or to any moneys held in the Interest Draw Subaccount.

(3) If Series Eighteen Bond interest is paid from a draw on a Credit Facility or Liquidity Facility, the Trustee shall disburse amounts in the Series Eighteen Bond Interest Account (other than amounts in the Interest Draw Subaccount) to reimburse the providers of the Credit Facility or Liquidity Facility for interest paid by those providers.

(4) All moneys on deposit, from time to time, in the Series Eighteen Bonds Interest Account shall be used, invested, and applied in the same manner as, and shall otherwise be subject to all terms and conditions, provided in Ordinance No. 323 with respect to moneys on deposit in the SLB Interest Account. For purposes of investment, moneys on deposit in the Series Eighteen Bonds Interest Account, other than amounts credited to the Interest Draw Subaccount, may be commingled with other moneys on deposit in the SLB Interest Account.

(C) *Series Eighteen Bonds Term Bond Principal Account.*

(1) The Port shall cause to be deposited into the Series Eighteen Bonds Term Bond Principal Account on the first Business Day of each month to and including the first Business Day of June next preceding the last date on which Series Eighteen Bonds are subject to mandatory scheduled redemption and the final maturity date of the Series Eighteen Bonds, in approximately equal installments, an amount so that there shall be on deposit in said Series Eighteen Bonds Term Bond Principal Account funds sufficient to redeem the Series Eighteen Bonds on each Mandatory Redemption Date in accordance with the mandatory redemption

schedule for the Series Eighteen Bonds, and to pay the amount remaining due on the Series Eighteen Bonds on their maturity date.

(2) The Port shall also deposit into the Series Eighteen Bonds Term Bond Principal Account an amount sufficient to pay when due the principal of Series Eighteen Bonds called for redemption prior to maturity at the Port's option, or accelerated.

(3) While Series Eighteen Bonds are secured by a "direct-pay" Credit Facility or Liquidity Facility the Trustee shall maintain a segregated subaccount in the Series Eighteen Term Bond Principal Account called the "Principal Draw Subaccount." The Trustee shall draw on that direct-pay facility in accordance with its terms to pay when due the principal amount of any Series Eighteen Bonds that mature, are called for optional or mandatory redemption, or are accelerated, and shall credit all draws to the Principal Draw Subaccount. Amounts in the Principal Draw Subaccount shall be used only to pay principal on Series Eighteen Bonds, shall not be commingled with other funds held by the Trustee or Tender Agent and shall remain uninvested. The Port shall not have any right, title or interest in or to any moneys held in the Principal Draw Subaccount.

(4) If Series Eighteen Bond principal is paid from a draw on a Credit Facility or Liquidity Facility, the Trustee shall disburse amounts in the Series Eighteen Bond Term Bond Principal Account (other than amounts in the Principal Draw Subaccount) to reimburse the providers of the Credit Facility or Liquidity Facility for the mandatory redemption payments made by those providers.

(5) The moneys on deposit from time to time in the Series Eighteen Bonds Term Bond Principal Account shall otherwise be used, invested and applied, and shall otherwise be subject to all terms and conditions, provided in Ordinance No. 323 with respect to moneys on deposit in the SLB Term Bond Principal Account. For purposes of investment, moneys on deposit in the Series Eighteen Bond Term Bond Principal Account may be commingled with other moneys on deposit in the SLB Term Bond Principal Account.

(D) The Purchase Fund.

(1) The Trustee shall deposit each amount delivered to it hereunder for the purchase of Series Eighteen Bonds into the Remarketing Proceeds Account and shall hold such amount in trust for the exclusive benefit of the Person delivering that amount until the Series Eighteen Bonds purchased with that amount shall have been delivered to the Trustee for the account of such Person and, thereafter, for the benefit of the Owners tendering the Series Eighteen Bonds.

(2) The Trustee shall deposit all moneys delivered to it hereunder from a payment by or on behalf of the Liquidity Facility Provider (if any) for the purchase of Series Eighteen Bonds into the Liquidity Facility Deposit Account and shall hold all such moneys in trust for the exclusive benefit of the Liquidity Facility Provider (if any) until the Series Eighteen Bonds purchased with such moneys shall have been delivered to or for the account of the Liquidity Facility Provider (if any) and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Owners tendering such Series Eighteen Bonds.

(3) The Tender Agent shall deposit all moneys delivered to it hereunder from a payment by or on behalf of the Port for the purchase of Series Eighteen Bonds into the Port Purchase Account and shall hold all such moneys in trust for the exclusive benefit of the Port until the Series Eighteen Bonds purchased with such moneys shall have been delivered to or for the account of the Port and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Owners tendering such Series Eighteen Bonds.

(4) Moneys in the Liquidity Facility Deposit Account, the Remarketing Proceeds Account and the Port Purchase Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested. The Port shall not have any right, title or interest in or to any moneys held in the Purchase Fund.

(E) The Liquidity Facility Senior Payment Account. If Liquidity Facility Senior Payments are due in connection with a Liquidity Facility Bond the Port shall cause the amount of each Liquidity Facility Senior Payment to be deposited into the Liquidity Facility Senior Payment Account not less than one Business Day prior to the date it is due. Amounts in the Liquidity Facility Senior Payment Account shall be used to make Liquidity Facility Senior Payments when due under the applicable Reimbursement Agreement. Notwithstanding any other provision in this Series Eighteen Bond Certificate, no draw shall be made on a Credit Facility or a Liquidity Facility to pay Liquidity Facility Bonds.

(F) Investment Limitations. Amounts held in the Remarketing Proceeds Subaccount and the Port Purchase Subaccount by the Trustee shall be held uninvested.

(G) Additional Subaccounts. The Trustee may establish additional subaccounts within the Series Eighteen Purchase Account corresponding to the different sources of funds it receives for the purchase price of Series Eighteen Bonds to enable the Trustee to identify such sources.

(H) As provided in the SLB Ordinance, if on any Interest Payment Date insufficient funds are on deposit in the SLB Interest Account, the SLB Serial Bond Principal Account, Liquidity Facility Senior Payment Account or the SLB Term Bond Principal Account to pay amounts then owing on the SLBs (including any Liquidity Facility Senior Payments) or Scheduled Swap Payments due under the Series Eighteen Qualified Swaps, the Trustee shall withdraw from the SLB Debt Service Reserve Account an amount equal to such deficiency and apply the amount so withdrawn to pay the SLBs (including any Liquidity Facility Senior Payments) and the Scheduled Swap Payments due under the Series Eighteen Qualified Swaps.

Section 4.02 Payments of Liquidity Facility Bonds from the JLO Fund.

(A) The Port shall create a Liquidity Facility Junior Payments Fund in the JLO Fund.

(B) The Port shall set aside and pay into the JLO Fund from the first moneys available in the General Account after required payments to the SLB Fund, an amount sufficient, with other amounts available in the JLO Fund, to pay:

(1) any Other Swap Obligations when due;

(2) any Liquidity Facility Junior Payments; plus

(3) any amounts the Port subsequently agrees to deposit into the JLO Fund for the benefit of other Junior Lien Obligations.

(C) Amounts required to pay Other Swap Obligations shall be credited to the Qualified Swap Termination Payment Fund.

(D) Amounts required to pay Liquidity Facility Junior Payments shall be credited to the Liquidity Facility Junior Payments Fund. Notwithstanding any other provision in this Series Eighteen Bond Certificate, no draw shall be made on a Credit Facility or a Liquidity Facility to pay Liquidity Facility Bonds.

(E) While the Port holds the JLO Fund, if the amount available for credit to the JLO Fund is not sufficient to make all the credits that are then required to be made to Funds in the JLO Fund, the Port shall distribute the available amounts pro rata among the Funds in the JLO Fund based on the amounts that are then required to be credited to the Funds in the JLO Fund.

(F) The Port hereby pledges the Net Revenues that are available for deposit into the JLO Fund under the Airport Revenue Bond Ordinances to pay Liquidity Facility Junior Payments.

(G) The Port reserves the right to issue additional Junior Lien Obligations and to pledge the amounts in the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations. The lien of the pledge that secures the additional Junior Lien Obligations may be on a parity with, or subordinate to, the lien of the pledge that secures the Other Swap Obligations and the Liquidity Facility Junior Payments. The Port may create additional funds in the JLO Fund and covenant to make additional deposits into those funds to pay additional Junior Lien Obligations and fund reserves for additional Junior Lien Obligations.

(H) The Port shall not grant any lien on amounts that are available for deposit in the JLO Fund that is superior to the lien that secures Other Swap Obligations and the Liquidity Facility Junior Payments.

(I) The Port may elect to transfer the JLO Fund, or any of its accounts, to a qualified trustee, but only with the consent of the Qualified Swap Providers of any Qualified Swaps that are then in effect and the providers of any affected Series Eighteen Liquidity Facilities. If the Port so elects, that trustee shall be obligated to apply the amounts in the JLO Fund as provided in this subsection, and the Port shall transfer to that trustee the amounts that the Port is required to deposit into the JLO Fund.

Section 4.03 The SLB Reserve Account.

(A) So long as the reserve insurance policy issued by MBIA on April 30, 1991, is in effect, if the SLB Reserve Account is funded with more than one reserve insurance policy, or one or more reserve insurance policies and cash, then any withdrawal from the SLB Reserve Account shall be made on a pro rata basis based upon the amount that is eligible to be

drawn on each reserve insurance policy and the market value of the investments comprising the cash balance.

(B) Moneys in the SLB Reserve Account shall be used only to pay principal of and interest on, Subordinate Lien Bonds and Scheduled Swap Obligations, and only when moneys in the SLB Interest Account, SLB Serial Bond Principal Account, and SLB Term Bond Principal Account are insufficient for such purposes.

(C) Valuation of the SLB Reserve Account.

(1) The Trustee shall invest the SLB Reserve Account at the written direction of the Port in Investment Securities and shall value the Investment Securities credited to the SLB Reserve Account on each Valuation Date.

(2) For the purpose of valuing Investment Securities held in any account held by the Trustee hereunder, the Trustee shall value all investments at market on each Valuation Date. In determining market value of Investment Securities, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(3) Debt service reserve insurance policies that are credited to the SLB Reserve Account shall be valued at the amount available to be drawn under the policies.

(D) The Trustee shall credit the amount described in Section 4.04(A) to the Series Eighteen Bonds Debt Service Reserve Account.

(E) In accordance with Section 6.g of Ordinance No. 323, all earnings on the Series Eighteen Bonds Debt Service Reserve Account shall be credited to the Series Eighteen Bonds Debt Service Reserve Account unless and until the sum of all amounts credited to all accounts in the SLB Reserve Account is equal to the SLB Reserve Requirement on all Subordinate Lien Bonds then outstanding, in which event earnings on the Series Eighteen Bonds Debt Service Reserve Account shall be credited to the SLB Interest Account, or the SLB Serial Bond Principal Account, or the SLB Term Bond Principal Account, or any combination thereof as the Port may determine. The SLB Trustee shall notify the Port of the availability of earnings for credit to such accounts, so that the Port, when making the payments to the SLB Trustee required by this section, may adjust its payments for the earnings credited to such accounts.

Section 4.04 Disposition of Series Eighteen Bond Proceeds and Other Amounts. The proceeds of the Series Eighteen Bonds, net of underwriters' discount, and with other available funds of the Port, shall be deposited:

(A) into the Series Eighteen Bonds Debt Service Reserve Account the amount of \$3,972,960.29;

(B) with the Trustee as provided in ARTICLE VI; and

(C) with the Port, any remaining amount, to be applied to pay costs relating to the Series Eighteen Bonds.

ARTICLE V

CREDIT AND LIQUIDITY FACILITIES

Section 5.01 Credit and Liquidity Facilities.

(A) The Port has obtained an initial direct-pay letter of credit constituting both a Credit Facility and a Liquidity Facility for the Series Eighteen Bonds from LLOYDS TSB BANK PLC.

(B) At any time, the Port may obtain or provide for the delivery to the Trustee a Substitute Credit Facility or Substitute Liquidity Facility with respect to any subseries of Series Eighteen Bonds. If the Port wishes to obtain a Substitute Liquidity Facility without simultaneously obtaining a Substitute Credit Facility the Port shall obtain the prior written consent of the Credit Facility Provider, if any, for such subseries of Series Eighteen Bonds. All Series Eighteen Bonds that are supported by a Liquidity Facility or a Credit Facility will be *subject to mandatory tender for purchase on termination of the Liquidity Facility or Credit Facility*.

(C) On or prior to the date on which a Substitute Credit Facility or Substitute Liquidity Facility is obtained and delivered to the Trustee the Port shall furnish to the Trustee an opinion of Bond Counsel to the effect that the delivery thereof, by itself, (1) is lawful under the Act and is authorized or permitted by the Series Eighteen Bond Documents, and (2) will not adversely affect the exclusion of interest on Series Eighteen Bonds from gross income for Federal income tax purposes, nor adversely affect the validity of the affected Series Eighteen Bonds.

(D) The Port shall deliver to the Trustee, the Remarketing Agents and the Tender Agent a copy of each Substitute Credit Facility and Substitute Liquidity Facility obtained pursuant to this ARTICLE V on the effective date of such Substitute Credit Facility or Substitute Liquidity Facility, as the case may be. In the event of an extension of the Expiration Date, the Port shall give the Trustee and the Tender Agent a written notice of the new Expiration Date at least thirty (30) days prior to the Expiration date then in effect. If the Port provides a Substitute Credit Facility or Substitute Liquidity Facility (i) the Port shall give the Trustee, the Tender Agent and the Remarketing Agents a written notice of such substitution at least thirty (30) days prior to the effective date of such Substitute Credit Facility or Substitute Liquidity Facility, and (ii) Series Eighteen Bonds are subject to mandatory tender for purchase pursuant to Section 3.11(A).

(E) The Trustee shall release any then-existing Credit Facility or Liquidity Facility supporting Series Eighteen Bonds of a subseries only upon (i) the Substitution Date therefor and following the honoring of any draws on the then-existing Credit Facility or the making of advances under the then-existing Liquidity Facility to pay the Purchase Price of Series Eighteen Bonds that have been tendered for purchase on or prior to such Substitution Date and that have not been remarketed on or prior to such Substitution Date, (ii) the effective date of a change in the Mode to a Fixed Rate Mode, or (iii) the date on which all Series Eighteen Bonds of

such subseries cease to be Outstanding (whether by defeasance of the Series Eighteen Bonds in accordance with Series Eighteen Bond Documents or otherwise).

(F) Each Credit Facility for the Series Eighteen Bonds of a subseries shall provide for draws thereon or borrowings therefrom, in the aggregate, in an amount at least equal to the Required Stated Amount for all of the Series Eighteen Bonds of such subseries. Each Liquidity Facility for the Series Eighteen Bonds of a subseries shall provide for draws thereon or borrowings therefrom, in the aggregate, in an amount at least equal to the Applicable Principal and Interest Coverage for the Series Eighteen Bonds of such subseries.

(G) If at any time there shall have been delivered to the Trustee a Substitute Credit Facility or Substitute Liquidity Facility, in substitution for or replacement of the then existing Credit Facility or Liquidity Facility, the Trustee shall accept such Substitute Credit Facility or Substitute Liquidity Facility and promptly surrender the previously held Credit Facility or Liquidity Facility to the respective Credit Facility Provider or Liquidity Facility Provider; provided, however, that no such surrender shall be permitted unless provisions of Section 5.01(E) have been complied with.

(H) On or prior to a Substitution Date relating to a Series Eighteen Bond, no drawing under a Substitute Credit Facility or Substitute Liquidity Facility, as the case may be, shall be made by the Trustee with respect to such Series Eighteen Bond if the predecessor Credit Facility or Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing. After a Substitution Date relating to a Series Eighteen Bond, no drawing under a predecessor Credit Facility or Liquidity Facility shall be made by the Trustee with respect to such Series Eighteen Bond if such Substitute Credit Facility or Substitute Liquidity Facility, as the case may be, shall be effective and available to make drawings thereunder on the date of such drawing.

(I) If at any time during the term of a Credit Facility or Liquidity Facility any successor Trustee shall be appointed and qualified under the Series Eighteen Bond Documents, the Trustee shall request that the Credit Facility Provider or Liquidity Facility Provider transfer (or reissue) the Credit Facility or Liquidity Facility, as the case may be, to such successor Trustee. If the Trustee fails to make such request, the successor Trustee shall do so before accepting its appointment. The Port shall pay all costs associated with such a transfer.

(J) Other than in connection with a change in Mode to the Fixed Rate Mode, neither the Port nor the Trustee shall permit, or consent to, the delivery of a Substitute Credit Facility in substitution for or replacement of a then-existing Credit Facility securing the Series Eighteen Bonds of a subseries that is a bond insurance policy without the written confirmation from each Rating Agency then rating the Series Eighteen Bonds of such subseries to the effect that such substitution will not, by itself, result in a reduction or withdrawal of the short-term rating, if any, or the long-term rating of such Series Eighteen Bonds below the rating of such Rating Agency then in effect with respect to such Series Eighteen Bonds.

Section 5.02 Rights of Credit Facility and Liquidity Facility Providers.

(A) To the extent any provision in the Series Eighteen Bond Documents requires the Port or the Trustee to obtain or procure the consent, direction, approval or request of a Credit Facility Provider or Liquidity Facility Provider, the Port or the Trustee as the case may be, shall be required to obtain or procure such consent, direction, approval or request in all instances, except during any time in which:

(1) Such Credit Facility Provider or Liquidity Facility Provider, as the case may be, has failed to pay a properly presented conforming draw or notice of presentment under its respective Credit Facility or Liquidity Facility, which failure is continuing;

(2) Such Credit Facility or Liquidity Facility, as the case may be, shall at any time for any reason be finally determined under applicable law, by a court of competent jurisdiction, to be null and void and not valid and binding on the respective Credit Facility Provider or Liquidity Facility Provider, or the validity or enforceability thereof is being contested by such Credit Facility Provider or Liquidity Facility Provider or by any governmental agency or authority which has taken control of the assets of the Credit Facility Provider or Liquidity Facility Provider in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to act on behalf of such Credit Facility Provider or Liquidity Facility Provider; or

(3) The Credit Facility or Liquidity Facility is no longer in effect and any and all of the Port's obligations under the respective Credit Facility or the Liquidity Facility have been paid in full.

(B) Except as provided in the next sentence, if a Credit Facility Provider has not failed to pay a properly presented conforming draw under a Credit Facility, then the Credit Facility Provider shall be deemed to be the sole Owner of the Outstanding Series Eighteen Bonds secured by that Credit Facility for purposes of giving approval or consent and directing remedies and Trustee actions under the Series Eighteen Bond Documents. No Credit Facility Provider shall be permitted to consent to, or approve of, any changes in the payment dates or interest rates of Outstanding Series Eighteen Bonds or changes that reduce or limit the obligations of the Credit Facility Provider under the Credit Facility, unless those changes only take effect after a mandatory tender or redemption of then Outstanding Series Eighteen Bonds.

Section 5.03 Liquidity Facility Senior Payments and Liquidity Facility Junior Payments.

(A) The last paragraph of Section 3 of Ordinance No. 323, as amended by Ordinance No. 427-B, states:

The Port may enter into a Parity Reimbursement Agreement only if: (1) the agreement requires the Port to repay amounts paid by the provider under the related Liquidity Facility or Credit Facility in substantially equal annual amounts over a period of no less than five years; and, (2) the obligations of the Port under the agreement are not subject to acceleration unless all Subordinate Lien Bonds are accelerated or subject to tender. The limitation in clause (1) of the preceding sentence does not apply to the Port's obligation to pay the provider of the Liquidity

Facility or Credit Facility for: (i) amounts advanced by the provider to pay scheduled interest or principal payments on Subordinate Lien Bonds under a “direct-pay” Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days; (ii) interest required to be paid by the Port on amounts drawn under the Liquidity Facility or Credit Facility; or (iii) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement shall be treated as Costs of Operation and Maintenance of the Airport.

(B) The Reimbursement Agreement for each Credit Facility and Liquidity Facility shall classify any payment obligations of the Port as:

(1) Fees and expenses of the Liquidity Facility Provider or Credit Facility Provider that were incurred in connection with the Parity Reimbursement Agreement obligations of the Port, which shall be paid by the Port from Airport Revenues as Costs of Operation and Maintenance of the Airport; or,

(2) Liquidity Facility Senior Payments; or,

(3) Liquidity Facility Junior Payments, which are payable solely from the Net Revenues available in the JLO Fund for credit to the Liquidity Facility Junior Payment Account. Liquidity Facility Junior Payments consist of all payments due to a Liquidity Facility Provider except payments described in Section 5.03(B)(1) and Section 5.03(B)(2).

ARTICLE VI

DEFEASANCE

Section 6.01 Defeasance of Refunded Bonds.

The Port has irrevocably deposited the “Refunded Bonds Redemption Amount” of \$134,557,772.16 with the SLB Trustee and hereby irrevocably directs the SLB Trustee to apply such amount to call and redeem the Series A Refunded Bonds on June 18, 2008 and the Series B Refunded Bonds on June 11, 2008. The Refunded Bonds Redemption Amount consists of \$134,295,000 of Series Eighteen Bond proceeds, and \$262,772.16 of prior transfers from the Port to the Trustee which are allocable to the Refunded Bonds.

The Port certifies, based on the calculations of J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated that the Refunded Bonds Redemption Amount is sufficient to pay all principal, interest and redemption premium that is required to redeem and pay all the Series A Refunded Bonds on June 18, 2008 and all the Series B Refunded Bonds on June 11, 2008.

The SLB Trustee shall invest the Refunded Bonds Redemption Amount in accordance with the written direction of the Port in Investment Securities that mature on or before the date the invested amounts are required to pay the Refunded Bonds. After the funds in the SLB Series 17A/B Interest Account and the SLB Series 17A/B Term Bond Principal Account are used to redeem and pay all the Refunded Bonds in full, the Port hereby directs that the SLB Trustee shall transfer any amounts remaining in such accounts to the Series Eighteen Bonds Interest Account

and applied to reduce the next transfer due from the Port to pay interest on the Series Eighteen Bonds.

The SLB Trustee agrees to hold these amounts in trust and irrevocably appropriated and set aside exclusively to pay and redeem all the Series A Refunded Bonds on June 18, 2008 and all the Series B Refunded Bonds on June 11, 2008. The SLB Trustee also acknowledges that all necessary and proper fees, compensation and expenses of the SLB Trustee pertaining to the Refunded Bonds have been paid or the payment thereof provided for to the satisfaction of the SLB Trustee.

Section 6.02 Defeasance of Series Eighteen Bonds.

Series Eighteen Bonds may be defeased by complying with the requirements of Section 17 of Ordinance No. 323. However, for any Series Eighteen Bonds that are not in Fixed Rate Mode:

(A) The phrase “sufficient moneys to make such payment” in Section 17(ii) of Ordinance 323 shall mean sufficient moneys to pay the Series Eighteen Bonds to be defeased on their due date (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise), assuming that the Series Eighteen Bonds bear interest at the Maximum Rate.

(B) The defeased Series Eighteen Bonds shall be due on the first available mandatory tender or redemption date.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Amendments.

(A) Except as otherwise specifically provided in this Certificate, any amendments to this Certificate shall be made in the same manner as amendments of Ordinance No. 323.

(B) If the Series Eighteen Bonds cease to be in book-entry form the Port shall amend this Series Eighteen Bond Certificate to the extent required to conform the notices, payment provisions and other administrative provisions of the Series Eighteen Bonds to the then *current practices and procedures in the municipal bond market for securities that are similar to the Series Eighteen Bonds*. Amendments described in this Section 7.01(B) do not require consent of Owners.

(C) This Series Eighteen Bond Certificate may be amended without the consent of Owners to make any changes requested by the Port, as long as the changes do not take effect until after a date on which all Series Eighteen Bonds are subject to mandatory tender.

Section 7.02 Special Conditions for Successor Trustee. While any Credit Facility or Liquidity Facility is in effect, if The Bank of New York Trust Company, N.A. ceases to be the Trustee, the SLB Fund shall be held only in accounts that are either:

(A) Maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+'); or

(B) Maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

Section 7.03 Liability of Port Limited to Revenues. Notwithstanding anything in the Series Eighteen Bond Documents or in the Series Eighteen Bonds contained, the Port shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Series Eighteen Bond Documents for any of the purposes in the Series Eighteen Bond Documents mentioned, whether for the payment of the principal or Redemption Price of or interest on the Series Eighteen Bonds or for any other purpose of the Series Eighteen Bond Documents. Nevertheless, the Port may, but shall not be required to, advance for any of the purposes hereof any funds of the Port that may be made available to it for such purposes.

Section 7.04 Successor Is Deemed Included in All References to Predecessor. Whenever in the Series Eighteen Bond Documents either the Port or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Series Eighteen Bond Documents contained by or on behalf of the Port or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 7.05 Limitation of Rights to Parties. Nothing in the Series Eighteen Bond Documents or in the Series Eighteen Bonds expressed or implied is intended or shall be construed to give to any person other than the Port, the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Owners of the Series Eighteen Bonds, any legal or equitable right, remedy or claim under or in respect of the Series Eighteen Bond Documents or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Port, the Trustee, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Owners of the Series Eighteen Bonds. The Credit Facility Provider (if any) is expressly deemed to be a third-party beneficiary of the Series Eighteen Bond Documents.

Section 7.06 Waiver of Notice. Whenever in the Series Eighteen Bond Documents the giving of notice is required, the giving of such notice may be waived in writing or by Electronic Means by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 7.07 Severability of Invalid Provisions. If any one or more of the provisions contained in the Series Eighteen Bond Documents or in the Series Eighteen Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Series Eighteen Bond Documents and such invalidity, illegality or unenforceability shall not affect any other provision of the Series Eighteen Bond Documents, and the Series Eighteen Bond Documents shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Port hereby declares that it would have entered into the Series Eighteen Bond Documents and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Series Eighteen Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Series Eighteen Bond Documents may be held illegal, invalid or unenforceable.

Section 7.08 Notices.

(A) All notices to the Liquidity Facility Provider (if any) shall be given by Electronic Means (unless otherwise provided herein) and confirmed in writing as soon as practicable. Any notice required to be given to Owners shall also be given to the Credit Facility Provider (if any).

(B) Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Designated Corporate Trust Office (original address shown below), or at such other address as may have been filed in writing by the Trustee with the Port.

(C) Except with respect to notices to the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) with respect to claims under the Liquidity Facility or the Credit Facility, respectively, which notices shall be given in accordance with such documents, any notice to or demand upon the Port, the Remarketing Agents (if any), the Tender Agent (if any), the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent Electronically or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, to the respective following addresses (or to such other address as may have been filed in writing by such party with the Trustee):

(1) to the Port at:

The Port of Portland
121 N.W. Everett Street
Portland, Oregon 97209
Attention: Chief Financial Officer

(2) to the Remarketing Agents at:

For the Subseries Eighteen A Bonds

J.P. Morgan Securities Inc.
270 Park Avenue, 6th Floor
New York, New York 10017
Attention: Municipal Short Term Desk

For the Subseries Eighteen B Bonds:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Municipal Money Markets
Municipal Bond Division
4 World Financial Center, 9th Floor
New York, NY 10080
Attention: Manager, Municipal Money Markets

(3) to the Trustee or the Tender Agent at:

The Bank of New York Trust Company, N.A.
601 Union Street, Suite 520
Seattle, Washington 98101
Attention: Corporate Trust Department

(4) to S&P at:

Standard & Poor's
55 Water Street, 38th Floor
New York, New York 10041
Attention: Structured Finance Group
Telephone: (212) 438-2166
Facsimile: (212) 438-2153
E-Mail: pubfin_structured@sandp.com

(5) to Moody's at:

7 World Trade Center
250 Greenwich Street
New York, New York 10007
Attention: Structured Finance

(6) to Fitch at:

One State Street Plaza
New York, New York 10004
Attention: Municipal Structured Finance

Section 7.09 Notices to Rating Agencies. The Trustee shall notify S&P and Fitch, with a copy to the Port, of any of the following of which the Trustee has actual knowledge: any change in the Trustee or any Remarketing Agent, any amendment to this Series Eighteen Bond Certificate, the Airport Revenue Bond Ordinances or any Credit Facility or Liquidity Facility, the acceleration of any Series Eighteen Bonds, payment in full of all Series Eighteen Bonds, the conversion of any Series Eighteen Bonds to a rate not covered by the initial Credit Facility and Liquidity Facility with Lloyds TSB Bank plc, and any expiration, termination, extension or substitution of any Liquidity Facility or Credit Facility. The Port shall notify S&P and Fitch of any change described in this paragraph for which the Trustee does not give notice.

Section 7.10 Waiver of Personal Liability. No member, officer, agent or employee of the Port shall be individually or personally liable for the payment of the principal or Redemption Price or interest on the Series Eighteen Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Series Eighteen Bond Documents.

Section 7.11 Business Days. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.12 Governing Law. The Series Eighteen Bond Documents and the Series Eighteen Bonds are contracts made under the laws of the State of Oregon, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State.

Section 7.13 Execution in Several Counterparts. The Series Eighteen Bond Documents may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Port and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 7.14 Interpretation of Series Eighteen Bond Documents. The provisions of the Airport Revenue Bond Ordinances are incorporated into this Certificate by reference. To the maximum extent possible, the Series Eighteen Bond Documents shall be read and construed as one document.

Section 7.15 Appendices and Exhibits. Any and all schedules, appendices or exhibits referred to in and attached to this Certificate are hereby incorporated herein and made a part of this Certificate for all purposes.

DATED this 11th day of June, 2008.

THE PORT OF PORTLAND

By: 
Steven H. Schreiber,
Chief Financial Officer and Director of
Operation Services

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ACCEPTED as of the 11th day of June, 2008:

The Bank of New York Trust Company, N.A., as Trustee

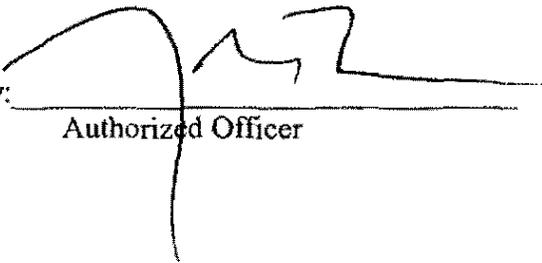
By: 
Authorized Officer

EXHIBIT A

FORM OF SERIES EIGHTEEN BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the Port or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof Cede & Co. has an interest herein.

REGISTERED

REGISTERED

No. R- _____

THE PORT OF PORTLAND

PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BOND
SERIES EIGHTEEN (MULTIMODAL VARIABLE RATE)

SUBSERIES EIGHTEEN [A/B]

<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NO.</u>
July 1, 2026	____, 2008	_____

Registered Owner: CEDE & CO.

Principal Amount: \${subseries principal amount}

The Port of Portland (the "Port"), for value received, hereby promises to pay, solely from the sources described in this Subseries Eighteen A/B Bond, to the Registered Owner identified above, or registered assigns, on the Maturity Date stated above (or if this Subseries Eighteen A/B Bond is called for earlier redemption as described herein, on the redemption date) the principal amount identified above and to pay interest as provided in this Subseries Eighteen A/B Bond. Payment of interest shall be made on the applicable Interest Payment Date to the Registered Owner identified above by the SLB Trustee, which is currently The Bank of New York Trust Company, N.A. For so long as this Subseries Eighteen A/B Bond is subject to a book-entry-only system, principal and interest payments shall be paid in same day funds on each payment date to the nominee of the securities depository for the Series Eighteen Bonds. On the date of issuance of this Subseries Eighteen A/B Bond, the securities depository for the Series Eighteen Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Subseries Eighteen A/B Bond is one of the Port's \${series amount} Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate) Subseries Eighteen A/B (the "Subseries Eighteen A/B Bonds"). The Subseries Eighteen A/B Bonds are being issued in conjunction with the Port's \${other subseries amount} Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate) Subseries Eighteen A/B (the "Subseries Eighteen A/B Bonds"). The Subseries Eighteen A Bonds and the Subseries Eighteen B Bonds (collectively, the "Series Eighteen Bonds"), are issued in Authorized Denominations under and pursuant to Oregon Revised Statutes Chapters 777 and 778 (collectively, the "Act"), and the following documents of the Port: Ordinance No. 323, as amended, Ordinance No. 155, as amended, (collectively the "Airport Revenue Bond Ordinances") and the Certificate Of The Executive Director Establishing And Determining Certain Terms Of And Other Matters Relating To The Series Eighteen Bonds that is dated as of [dated date] (the "Certificate"). The provisions of the Airport Revenue Bond Ordinances and the Certificate (collectively, the "Series Eighteen Bond Documents") are incorporated into this Subseries Eighteen A/B Bond by reference. Capitalized terms

that are used but not defined in this Subseries Eighteen A/B Bond shall have the meanings defined for such terms in the Certificate.

This Subseries Eighteen A/B Bond initially bears interest at a Weekly Rate and may be converted to other modes as provided in the Certificate. This Subseries Eighteen A/B Bond is subject to optional and mandatory tender and optional and mandatory redemption as provided in the Certificate.

While any portion of this Subseries Eighteen A/B Bond is a Liquidity Facility Bond it shall be payable solely from the Liquidity Facility Senior Payments and the Liquidity Facility Junior Payments as provided in the Series Eighteen Bond Documents and the applicable Reimbursement Agreement.

NEITHER THE PORT NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE SERIES EIGHTEEN BONDS REGARDING (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY NOMINEE OR DTC PARTICIPANTS WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE SERIES EIGHTEEN BONDS; (ii) THE DELIVERY TO ANY PARTICIPANT OR CORRESPONDENT OR TO ANY OTHER PERSON OF ANY NOTICE WITH RESPECT TO THE SERIES EIGHTEEN BONDS, INCLUDING ANY NOTICE OF REDEMPTION; (iii) THE SELECTION BY DTC OF THE BENEFICIAL INTERESTS IN SERIES EIGHTEEN BONDS TO BE REDEEMED PRIOR TO MATURITY; OR (iv) THE PAYMENT TO ANY NOMINEE, PARTICIPANT, CORRESPONDENT, OR ANY OTHER PERSON OTHER THAN THE REGISTERED OWNER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES EIGHTEEN BONDS.

THIS SUBSERIES EIGHTEEN A/B BOND IS SECURED SOLELY BY THE NET REVENUES OF THE AIRPORT THAT ARE AVAILABLE FOR DEPOSIT IN THE GENERAL ACCOUNT AND FROM AMOUNTS AVAILABLE IN THE SLB FUND AS PROVIDED IN THE SERIES EIGHTEEN BOND DOCUMENTS, AND IS NOT IN ANY MANNER OR TO ANY EXTENT A CHARGE UPON ANY OTHER REVENUES OR PROPERTY OF THE PORT. THIS SUBSERIES EIGHTEEN A/B BOND IS NOT A GENERAL OBLIGATION OF THE PORT, THE STATE OF OREGON, ITS AGENCIES, INSTRUMENTALITIES OR POLITICAL SUBDIVISIONS. THE SERIES EIGHTEEN BONDS ARE NOT IN ANY MANNER OR TO ANY EXTENT GENERAL OBLIGATIONS OF THE PORT NOR A CHARGE UPON ANY REVENUES OR PROPERTY OF THE PORT NOT SPECIFICALLY PLEDGED THERETO. THE OWNERS OF THE SERIES EIGHTEEN BONDS CANNOT COMPEL THE PORT TO LEVY ANY TAXES FOR THE PURPOSE OF PAYING ANY AMOUNTS DUE UNDER THE SERIES EIGHTEEN BONDS. THE SERIES EIGHTEEN BONDS ARE PAYABLE SOLELY AND ONLY OUT OF THE REVENUES PLEDGED THERETO.

The Series Eighteen Bonds are being issued to refund the Port's previously issued *Portland International Airport Revenue Bonds, Series Seventeen* and to pay related costs.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the *Series Eighteen Bond Documents* and the issuance of this Series Eighteen Bond do exist, have happened and have been performed in due time, form and manner as required by law.

This Series Eighteen Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee and DTC.

IN WITNESS WHEREOF, THE PORT OF PORTLAND has caused this Series Eighteen Bond to be executed in its name by the facsimile signature of its President and to be attested by the facsimile signature of an Assistant Secretary, and to bear a facsimile of the Seal of the Port, all as of the ___ day of _____, 2008.

THE PORT OF PORTLAND

[seal]

By: _____
President

ATTEST:

Assistant Secretary

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE TRUSTEE IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This is one of the \$[series amount] aggregate original principal amount of The Port of Portland Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate) Subseries Eighteen A/B which is described herein.

Date of authentication: ____, 2008.

The Bank of New York Trust Company, N.A., as Trustee

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship
and not as tenants in common
- OREGON CUSTODIANS use the following
_____ CUST UL OREG _____ MIN
as custodian for (name of minor)
- OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

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 Eighteen Bonds. The Series Eighteen 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 Eighteen Bond certificate will be issued for each Subseries of the Series Eighteen Bonds, each in the aggregate principal amount of such Subseries, 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 Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

3. Purchases of Series Eighteen Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Eighteen Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Eighteen 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 Eighteen 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 Eighteen Bonds, except in the event that use of the book-entry system for the Series Eighteen Bonds is discontinued.

4. To facilitate subsequent transfers, all Series Eighteen 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 Eighteen 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 Eighteen Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series Eighteen 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 Eighteen Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Eighteen Bonds, such as redemptions, tenders,

defaults, and proposed amendments to the Series Eighteen Bond documents. For example, Beneficial Owners of Series Eighteen Bonds may wish to ascertain that the nominee holding the Series Eighteen 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 a Subseries of the Series Eighteen Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Subseries to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series Eighteen 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 Eighteen Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Series Eighteen 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. A Beneficial Owner shall give notice to elect to have its Series Eighteen Bonds purchased or tendered, through its Participant, to the applicable Remarketing Agent and the Trustee, and shall effect delivery of such Series Eighteen Bonds by causing the Direct Participant to transfer the Participant's interest in the Series Eighteen Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series Eighteen Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series Eighteen Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Eighteen Bonds to the Bond Registrar's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series Eighteen 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 Eighteen Bond certificates are required to be printed and delivered.

11. 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 Eighteen Bond certificates will be printed and delivered to DTC.

12. 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

\$138,890,000
The Port of Portland, Oregon
Portland International Airport
Refunding Revenue Bonds
Series Eighteen
(Multimodal Variable Rate)

\$69,445,000
Subseries Eighteen A

\$69,445,000
Subseries Eighteen B

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by The Port of Portland, Oregon (the “Port”) in connection with the issuance of the Port’s Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate) - Subseries Eighteen A and Subseries Eighteen B (the “Bonds”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Port for the benefit of the Bondowners pursuant to paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (the “Rule”). This Certificate constitutes the Port’s written undertaking for the benefit of the Bondowners pursuant to paragraph (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Additional Information” means any information other than the information the Port is obligated to provide under Section 3 and Section 5 of this Certificate.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“Bondowners” means the registered owners of the Bonds, as shown on the bond register maintained by the Trustee for the Bonds, and any Beneficial Owners.

“Commission” means the Securities and Exchange Commission.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“NRMSIR” means a nationally recognized municipal securities information repository.

“Official Statement” means the final official statement for the Bonds dated June 5, 2008.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SID” means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The Port agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing for the fiscal year ended June 30, 2008):

A. The Port’s latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting

principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the official statement for the Bonds under the heading “Appendix D: Report on Audit of Financial Statements and Supplementary Information For the Year Ended June 20, 2007, with comparative totals for the year ended June 30, 2006,” and,

B. To the extent not included in Port’s annual financial statements, the financial information and operating data of the type included in the Official Statement in the section “PORTLAND INTERNATIONAL AIRPORT” under the following captions and in the following tables and charts:

1. Under the caption “Airlines Serving the Airport”;
2. In the column entitled “Total Enplaned Passengers” in the table entitled “Historical Enplaned Passengers”;
3. In the paragraph following the table entitled “Historical Enplaned Passengers,” regarding the number of origin and destination passengers at the Airport, but only to the extent that information is readily available to the Port;
4. In the table presented under the caption “Airlines Serving the Airport”;
5. In the table entitled “Enplanements By Airline”;
6. In the table entitled “Historical Cargo Tonnage”;
7. In the table entitled “Historical Landed Weight”;
8. In the table entitled “Portland International Airport Historical Financial Performance”;
9. In the table entitled “Portland International Airport Debt Service Schedule”;
10. In the section entitled “Management’s Discussion of Results”; and
11. In the table entitled “Portland International Airport Historical and Forecast Debt Service Coverage.”

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the Port’s fiscal year. The Port’s current fiscal year ends June 30. The Port may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Port may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The Port agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The Port agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bondowners;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Section 6. Termination/Modification. The Port's obligations to provide notices of the material events listed in Section 5 shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the Port (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the Port may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, 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 with respect to the Bonds, 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 either (i) is approved by the Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment or waiver of a provision of this 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 the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should 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 8. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Port's obligations hereunder, and any failure by the Port to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Port to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this

Certificate in the event of any failure of the Port to comply with this Certificate shall be an action to compel performance.

Section 9. DisclosureUSA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://disclosureusa.org> unless the Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 11. Additional Information. Nothing in this Certificate shall be deemed to prevent the Port from providing Additional Information when the Port provides information pursuant to Section 3 or Section 5 of this Certificate, when the Port provides information pursuant to the Rule in connection with other obligations, or when the Port disseminates information in any other way. If the Port chooses provide Additional Information the Port shall have no obligation to continue to provide that Additional Information when it subsequently complies with Section 3 or Section 5 of this Certificate or subsequently disseminates information in any other way.

Dated as of the 11th day of June, 2008.

The Port of Portland, Oregon

By: _____
Steven H. Schreiber, Director of Operation Services
and Chief Financial Officer

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

June 11, 2008

The Port of Portland
121 N.W. Everett
Portland, Oregon 97209

J.P. Morgan Securities Inc.
270 Park Avenue, 6th Floor
New York, New York 10017

Merrill Lynch & Co.
999 Third Avenue, Suite 3610
Seattle, Washington 98104

Subject: The Port of Portland, Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate) - \$69,445,000 Subseries Eighteen A and \$69,445,000 Subseries Eighteen B

We have acted as Bond Counsel in connection with the issuance by The Port of Portland, (the "Port") of its Portland International Airport Refunding Revenue Bonds, Series Eighteen (Multimodal Variable Rate), \$69,445,000 Subseries Eighteen A (the "Series A Bonds"), and \$69,445,000 Subseries Eighteen B (the "Series B Bonds" and collectively, with the Series A Bonds, the "Bonds"), which are dated June 11, 2008 and are in the aggregate principal amount of One Hundred Thirty-Eight Million Eight Hundred Ninety Thousand Dollars (\$138,890,000). Capitalized terms which are not defined in this opinion shall have the meanings given those terms in the Ordinances.

The Bonds are being issued pursuant to the provisions of Sections 778.145 through 778.175 and Chapter 288 of the Oregon Revised Statutes, as amended, and pursuant to Port Ordinance No. 155, enacted November 10, 1971, as amended and restated ("Ordinance No. 155"); Port Ordinance No. 323 enacted October 9, 1985, as amended and restated ("Ordinance No. 323"); and Port Ordinance No. 427-B enacted March 12, 2008 (the "Series Eighteen Ordinance" and together with Ordinance No. 155 and Ordinance No. 323, the "Ordinances").

We have examined the law, a duly certified transcript of proceedings of the Port, prepared in part by us, relating to the issuance and sale of the Bonds, and other documents which we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied on representations of the Port and other certified proceedings and certifications of the officials of the Port and other furnished to us without undertaking to verify such representations and certifications by independent investigation. We have also relied on the covenants of the State to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") with respect to the investment and use of proceeds of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds, except to the extent, if any, stated in the official statement, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon. The Bonds constitute valid and legally binding special obligations of the Port, enforceable in accordance with their terms. The Bonds are payable solely from the Net Revenues of the Airport and any amounts deposited in the SLB Fund and the SLB Construction Account, as defined and provided in the Ordinances.

2. Interest on the Bonds is excludable from gross income for federal income tax purposes; however, interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on any Bond is not excludable from gross income for federal income tax purposes during any period in which such Bond is held by a "substantial user" of the facilities financed with the Bonds or by a "related person" to a substantial user, within the meaning of Section 147(a) of the Code.

3. The opinions set forth paragraph 2 of this opinion assume that the Port will comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Port has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of Oregon personal income taxes.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. We express no opinion as to such collateral federal income tax consequences.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We express no opinion regarding any other federal, state, or local tax consequences arising with respect to ownership of the Bonds.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

The opinions set forth above are qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Port.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to your attention.

The opinions expressed herein are solely for your benefit in connection with the above-referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of this firm.

We have served only as bond counsel to the Port in connection with the Bonds and have not represented any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the Port.

Respectfully submitted,

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS LLP

By: _____
Harvey W. Rogers

