
THE PORT OF PORTLAND
(OREGON)

ORDINANCE NO. 323
(ENACTED OCTOBER 9, 1985, AS
AMENDED AND RESTATED PURSUANT TO
ORDINANCE NO. 337A WHICH WAS ENACTED OCTOBER 14, 1987,
ORDINANCE NO. 323A WHICH WAS ENACTED AUGUST 10, 1988
ORDINANCE NO. 368B WHICH WAS ENACTED OCTOBER 13, 1993
AND ORDINANCE NO. 414B WHICH WAS ENACTED MARCH 10, 2004)

AUTHORIZING
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

ORDINANCE NO. 323

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ORDINANCE NO. 323

(As Amended and Restated Pursuant to Ordinance No. 337A, Ordinance No. 323A, Ordinance No. 368B and Ordinance No. 414B)

AN ORDINANCE SUPPLEMENTING ORDINANCE NO. 155 OF THE PORT AND PROVIDING FOR THE ISSUANCE OF SUBORDINATE LIEN PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS TO PAY THE COSTS OF ACQUIRING AND CONSTRUCTING AIRPORT AND OTHER PORT IMPROVEMENTS; PRESCRIBING THE TERMS UNDER WHICH SUCH BONDS MAY BE ISSUED; PLEDGING CERTAIN REVENUES TO THE PAYMENT OF PRINCIPAL AND INTEREST ON SUCH BONDS; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

BE IT ENACTED BY THE PORT OF PORTLAND:

Section 1. Purpose. This SLB Ordinance is enacted in order to authorize the issuance of subordinate lien bonds to finance an additional concourse, and to provide the terms and conditions upon which additional subordinate lien Airport Revenue Bonds may be issued in the future.

Section 2. Definitions. The following capitalized terms used in this SLB Ordinance have the meanings specifically assigned below, unless the context clearly requires otherwise. Capitalized terms not specifically defined below shall have the meanings assigned to such terms in Ordinance No. 155, unless the context clearly requires otherwise.

a. “Additional Subordinate Lien Bonds” means Subordinate Lien Bonds issued after, and on a parity of lien with, the Series One Bonds, upon compliance with Section 10 hereof.

b. “Capitalized Interest Certificate” means a certificate signed by an Assistant Secretary of the Port and filed with the closing documents for a series of Subordinate Lien Bonds, stating (1) the amounts and dates on which moneys in the Construction Fund are to be transferred to the SLB Fund for the payment of interest on Subordinate Lien Bonds; and (2) that it is reasonable to expect that sufficient moneys will be in the Construction Fund to permit such transfers to be made to the SLB Fund.

c. “Completion Bonds” means Additional Subordinate Lien Bonds issued pursuant to Section 10b hereof.

d. “Fund” means a fund, account or other accounting category which the Port uses to account for funds relating to the Airport. A “Fund” under this Subordinate Lien Bond (“SLB”) Ordinance 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.

e. “JLO Fund” means the Junior Lien Obligation Fund created by Section 6A of this Ordinance.

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

g. “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.

h. “Qualified Swap” means: (a) any financial arrangement with respect to Subordinate Lien Bonds 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 Subordinate Lien Bonds 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) above.

i. “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.

j. “Owner” or “Subordinate Lien Bondowner” means the person listed in the Subordinate Lien Bond register on that date as the owner of an Outstanding Subordinate Lien Bond.

k. “Prior Lien Bonds” means “Bonds” as defined in Ordinance No. 155.

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

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

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

o. “Rebate Account” means the subaccount in the SLB Construction Account which is designated the “Rebate Account” and is created under Section 8(b) of this SLB Ordinance.

p. “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. However, “Scheduled Swap Obligations” shall not include any termination payments, fees, charges or indemnifications.

q. “Short Term/Demand Obligations” means each series of bonds, notes and other obligations issued as Subordinate Lien Bonds pursuant to this 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 secured by a letter of credit, line or credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility.

r. “SLB” is an abbreviation for Subordinate Lien Bonds.

s. “SLB Construction Account” means the Subordinate Lien Revenue Bond Construction Account in the Construction Fund created under Section 8 of this SLB Ordinance.

t. “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 Subordinate Lien Bonds:

(1) interest scheduled to accrue during such period on Subordinate Lien Bonds, except to the extent that, provision has been made in the proceedings to issue a series of Subordinate Lien Bonds for the payment of interest from Subordinate Lien Bond proceeds or earnings thereon, according to the schedule contained in the Capitalized Interest Certificate for the series of Subordinate Lien Bonds; plus

(2) that portion of the principal amount of such Subordinate Lien Bonds 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 Subordinate Lien Bond 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 Subordinate Lien Bonds or Qualified Swaps.

Provided, however, that the following rules shall apply to the computation of SLB Debt Service Requirement for Short Term/Demand Obligations and for Subordinate Lien Bonds which bear interest at a floating or variable rate:

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 Bonds which shall be assumed to be amortized over a period not to exceed thirty (30) years from the date of issue in such manner that the maximum Debt Service Requirement in any twelve (12) month period shall not exceed 130% of the minimum Debt Service Requirement for any other twelve (12) month period, and shall be assumed to bear interest at a fixed interest rate calculated as described in (B) below.

Short Term/Demand Obligations and any series of Subordinate Lien Bonds which bears interest at a variable or adjustable rate shall be assumed to bear interest as follows: (a) for any series of Subordinate Lien Bonds then Outstanding, at the greater of: (1) the average interest rate derived from the variable or adjustable interest rate borne by, such series of Subordinate Lien Bonds during a twelve (12) month period ending within thirty (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 Subordinate Lien Bonds, on the date of such calculation; (b) for any series of Subordinate Lien Bonds 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds, at the fixed rate of interest to be paid by the Port in accordance with such Qualified Swap; and, (d) for any series of Subordinate Lien Bonds 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 Subordinated Lien Bonds bear interest or a floating rate index exceeds a stated rate of interest on all or any portion of such Subordinate Lien Bonds, 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.

Provided further, however, that if the Port has entered into a Qualified Swap in connection with any Subordinate Lien Bonds 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 Subordinate Lien Bonds, then those Subordinate Lien Bonds 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 Subordinate Lien Bonds 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 Bonds, except as provided above for Short Term/Demand Obligations.

u. “SLB Fund” means The Port of Portland Subordinate Lien Airport Revenue Bond Fund created under Section 6 of this SLB Ordinance.

v. “SLB Interest Account” means the SLB Interest Account in the SLB Fund created under Section 6c of this SLB Ordinance.

w. “SLB Ordinance” means this Ordinance No. 323, providing the terms under which Subordinate Lien Bonds may be issued, together with any ordinances supplemental or amendatory thereto.

x. “SLB Reserve Account” means the SLB Reserve Account in the SLB Fund created under Section 6f of this SLB Ordinance.

y. “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 Subordinate Lien Bonds 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 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.

z. “SLB Trustee” means the Subordinate Lien Bond Trustee appointed pursuant to Section 11 of this SLB Ordinance.

aa. “Subordinate Lien Bonds” means any bonds or obligations issued pursuant to this SLB Ordinance.

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

[Portions of this Section 2 were amended by Section 2 of Ordinance No. 414-B.]

Section 3. Authorization of Subordinate Lien Bonds. The Port may issue Subordinate Lien Bonds pursuant to this SLB Ordinance, but only on compliance with the terms and conditions provided herein and in Ordinance No. 155, and only for the following purposes:

- a. To pay the Costs of Construction of additions, expansions and improvements at the Airport and
- b. To pay the costs of the acquisition and construction of General Aviation Airports.

Such bonds shall be designated “Portland International Airport Revenue Bonds,” but shall have a series designation which is distinct from the series designation used for the Prior Lien Bonds. Subordinate Lien Bonds shall have principal and interest payments due only on July 1 or January 1 of any year, unless the Subordinate Lien Bonds are Short Term Demand Obligations.

Section 4. Security. Principal, interest and premium, if any, on the Subordinate Lien Bonds, 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 this SLB Ordinance. The Subordinate Lien Bonds 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 this SLB Ordinance.

The covenants and agreements herein set forth to be performed by the Port shall be for the equal and proportionate benefit, security and protection of all owners of the Subordinate Lien Bonds and Qualified Swap Providers, without preference, priority, or distinction as to payment, security, or otherwise of any of the Subordinate Lien Bonds, or interest thereon, and any Scheduled Swap Obligations over any of the others for any reason or cause whatsoever, except as expressly provided in this SLB Ordinance, and all Subordinate Lien Bonds and Scheduled Swap Obligations shall rank pari passu and shall be secured equally and ratably without distinction or preference whatsoever.

Section 5. Covenants. The Port of Portland hereby covenants and agrees with the SLB Trustee, the owners of the Subordinate Lien Bonds, and Qualified Swap Providers, that so long as any Subordinate Lien Bonds are Outstanding, or the Port is obligated to make payments under a Qualified Swap:

- a. The Port shall pay, when due, all principal, interest, and premium, if any, on the Subordinate Lien Bonds and any Scheduled Swap Obligations, but solely from the Net Revenues, as provided in the Airport Revenue Bond Ordinances.
- b. 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.
- c. The Port will, for the benefit of the owners of the Subordinate Lien Bonds and Qualified Swap Providers, keep all covenants made by it in Ordinance No. 155 for the

benefit of the holders and owners of the Prior Lien Bonds, notwithstanding the discharge and payment of the Prior Lien Bonds.

d. 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 Subordinate Lien Bonds.

e. 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 Subordinate Lien Bonds, except for Qualified Swaps and Additional Subordinate Lien Bonds.

f. 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 the Net Revenues in each Fiscal Year shall be at least equal to the sum of: (1) 130% of the Debt Service Requirement for such Fiscal Year for the Prior Lien Bonds as required by Section 16 of Ordinance No. 155; plus, (2) 130% of the SLB Debt Service Requirement for such Fiscal Year on all Subordinate Lien Bonds then Outstanding. For purposes of the rate covenant set forth in the immediately preceding sentence, the term "SLB Debt Service Requirement" shall not include any Excess Principal (as hereinafter defined) coming due in any particular Fiscal Year. The Port hereby covenants and agrees that it 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 the Net Revenues in each Fiscal Year shall be at least equal to the sum of: (i) the amounts described in the first sentence of this Section 5.f; plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As used herein, the term "Excess Principal" means the principal amount of any Outstanding Subordinate Lien Bonds which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility (as defined in Section 9 hereof) is given in connection with such Subordinate Lien Bonds, is due and payable by the Port in a particular Fiscal Year (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the extent the principal amount of such Subordinate Lien Bonds, which is so due and payable in such Fiscal Year, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such Fiscal Year (whether by scheduled maturity or mandatory redemption). The Port shall enact such ordinances and prescribe and enforce such rules and regulations, or impose such contractual obligations, for the payment of said rates, rentals, fees, and charges, including, without limitation, the imposition of penalties for defaults, to the end that the provisions of this paragraph shall be complied with. In addition, the Port covenants that it 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 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.

g. Within one hundred twenty (120) days after the close of each Fiscal Year (the first such certificate to be filed with respect to the Fiscal Year in which the first Subordinate Lien Bonds are issued hereunder), 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 (1) Revenues and Net Revenues; (2) the Debt Service Requirement of the Prior Lien Bonds and the SLB Debt Service Requirement; and, (3) the aggregate amount of money which was deposited in the General Account and available for the payments into the SLB Fund due hereunder, and the ratio of such amount to the SLB Debt Service Requirement. 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 specified in the preceding paragraph of this section for said Fiscal Year, or that the Revenues were not sufficient to restore any deficiency in the amounts then required by paragraph f of Section 6 hereof 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 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 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 by 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 Subordinate Lien Bonds 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.

[Portions of this Section 5 were amended by Section 2 of Ordinance No. 337-A and Section 9 of Ordinance No. 368-B.]

Section 6. Bond Fund.

a. There is hereby created and established a special trust fund of the Port to be known and designated as "The Port of Portland Subordinate Lien Airport Revenue Bond Fund," which is referred to herein as the "SLB Fund."

b. The SLB Fund shall be administered by the SLB Trustee in the same manner as other funds held by the SLB Trustee under this SLB Ordinance. 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: (i) the principal and interest and premium, if any, on the Subordinate Lien Bonds as and when the same become due, whether at maturity or by redemption or declaration as hereinafter provided or otherwise; (ii) any Scheduled

Swap Obligations as and when the same become due; and, (iii) any Excess Principal 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 Subordinate Lien Bonds, Scheduled Swap Obligations, and Excess Principal as provided below.

c. 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 Subordinate Lien Bonds or Qualified Swaps:

(1) In the case of Subordinate Lien Bonds 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, commencing with the month which follows the month in which the first series of Subordinate Lien Bonds are issued under this SLB Ordinance, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Interest Account: (i) 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 Subordinate Lien Bonds, the aggregate of such amounts, plus other moneys previously deposited and available in the SLB Interest Account to pay interest on Subordinate Lien Bonds, or scheduled to be deposited therein pursuant to a Capitalized Interest Certificate, will equal the installment of interest falling due on the Subordinate Lien Bonds on such interest payment date; plus (ii) 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds and each payment date for that Scheduled Swap Obligation, commencing with the month which follows the month in which the first series of Subordinate Lien Bonds are issued under this SLB Ordinance, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Interest Account: (i) an amount that, together with any other moneys previously deposited and available in the SLB Interest Account to pay interest on Subordinate Lien Bonds, will equal the installment of interest falling due on the next succeeding interest payment date for those Subordinate Lien Bonds; plus (ii) 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 Subordinate Lien Bonds, 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds and any amounts due in respect of Scheduled Swap Obligations.

d. 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 Subordinate Lien Bonds are Outstanding, commencing with the month which is twelve (12) months prior to the first principal payment of any Subordinate Bond maturing serially, 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds on such principal payment date.

e. 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 Subordinate Lien Bonds are Outstanding, commencing with the month which is twelve (12) months prior to the date on which Subordinate Lien Bonds are subject to mandatory redemption, 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 Subordinate Lien Term Bonds are subject to mandatory redemption (excluding any principal due as Excess Principal), the aggregate of such amounts will equal the amount of Term Bond principal due by mandatory redemption.

f. 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 Subordinate Lien Bond 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 Subordinate Lien Bonds. Except as provided below in this paragraph, moneys in the SLB Reserve Account shall be used only to pay principal of, interest, and any premium 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. In the event that the balance in the SLB Reserve Account is reduced below the SLB Reserve 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.

g. 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 of Oregon. 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 which are subject to rebate to the federal government shall be accounted for separately, in accordance with instructions to the Trustee by the Port and shall be transferred at convenient intervals to the Port for deposit in the Rebate Account. All earnings on the SLB Fund not credited to the Rebate Account 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 Requirement on all Subordinate Lien Bonds 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 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.

[Portions of this Section 6 were amended by Section 5 of Ordinance No. 414-B.]

Section 6A. The JLO Fund

(a) There is hereby created and established a special trust fund of the Port to be known and designated as “The Port of Portland Airport Junior Lien Obligation Fund,” which is referred to herein as the “JLO Fund.”

(b) The JLO Fund shall be held and administered by the Port. The JLO Fund shall contain a Qualified Swap Termination Payment Fund and any other Funds the Port may create for the payment of Junior Lien Obligations. 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: (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. Amounts required to pay Other Swap Obligations shall be credited to the Qualified Swap Termination Payment Fund. 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.

(c) The Port hereby pledges the Net Revenues that are available for deposit into the JLO Fund under this Ordinance to pay Other Swap Obligations.

(d) 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 shall deposit into the JLO Fund, for credit to the Qualified Swap Termination Payment Fund, moneys 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 other Funds in the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations.

(e) The Port reserves the right to issue 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 Junior Lien Obligations may be on a parity with, or subordinate to, the lien of the pledge that secures the Other Swap Obligations. The Port shall, on a pro rata basis, apply amounts credited to the Qualified Swap Termination Payment Fund of the JLO Fund to: (i) pay any Other Swap Obligations; and (ii) transfer such amounts as collateral for the Port's obligations under any Qualified Swap in accordance with the terms of such Qualified Swap.

(f) 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.

(g) 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. If the Port so elects, the 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.

(h) Any amounts that are transferred as collateral from the JLO Fund to a Qualified Swap Provider (or its custodian) pursuant to this section shall cease to be subject to the liens and pledges that secure Subordinate Lien Bonds and Junior Lien Obligations.

[This Section 6A was added pursuant to Section 6 of Ordinance No. 414-B.]

Section 7. Order of Payment; Priority of Claim. All moneys to be paid to the SLB Trustee by the Port from the General Account in any month, under the provisions of this SLB Ordinance, shall be paid before any other amounts are paid in that month for any other purpose. In the event amounts in the General Account are insufficient to pay the amounts due hereunder on the date that such amounts are to be paid, all moneys then existing in the General Account, and all moneys subsequently available for deposit in the General Account, shall be immediately transferred to the SLB Trustee for deposit to the deficient accounts in the SLB Fund and no moneys from the General Account shall be disbursed for any other purpose until all payments then due hereunder have been made. If such an insufficiency occurs, the SLB Trustee shall deposit the moneys it receives to the following accounts, 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; and,

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

[Portions of this Section 7 were amended by Section 7 of Ordinance No. 414-B.]

Section 8. SLB Construction Account.

(a) There is hereby created a separate account in the Construction Fund which shall be designated as the “Subordinate Lien Revenue Bond Construction Account,” which is referred to herein as the “SLB Construction Account.” Moneys credited to the SLB Construction Account shall be accounted for separately from other moneys of the Port, and shall be applied solely for the purposes listed in Section 3 hereof, or the payment of Subordinate Lien Bonds and Scheduled Swap Obligations.

The Port shall transfer moneys in the SLB Construction Account to the SLB 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 shall be made only in accordance with the applicable law and upon a written requisition for such payment signed by an officer or employee of the Port, in the same manner as provided for withdrawals of money from the Airport Construction Fund under Section 12 of Ordinance No. 155.

(b) There is hereby created in the SLB Construction Account, a separate subaccount to be known as “SLB Rebate Account,” which is referred to herein as the “Rebate Account.” All earnings on moneys from any funds and accounts established hereunder, or any other moneys under the control of the Port which constitute “gross proceeds” of Subordinate Lien Bonds under Section 103(c)(6) of the Internal Revenue Code, and which are subject to rebate to the federal government under such section, shall be credited to the Rebate Account when earned. Such earnings on funds and accounts held by the SLB Trustee shall be transferred to the Port, as directed by the Port. Moneys in the Rebate Account shall be invested, to the extent reasonably practicable, in Investment Securities specified by the Port which mature on or before the date on which a rebate payment is required to be made to the federal government. Earnings on the Rebate Account shall be credited to the Rebate Account. Moneys in the Rebate Account shall be used solely to pay rebates to the federal government. However, if the Port reasonably determines that moneys which have been credited to the Rebate Account are not required to be rebated to the federal government, such moneys may be transferred to the General Account.

(c) Moneys credited to the SLB Construction Account shall be invested and reinvested by the Port to the extent reasonably practicable in Investment Securities maturing in such amounts and at such times as anticipated by the Port so that moneys deposited in the SLB Construction Account which are subject to rebate, shall be credited to the Rebate Account. Other earnings on the SLB Construction Account shall be credited to the SLB Construction Account and used and applied as are other moneys credited to such fund.

(d) The annual audit to be made pursuant to Paragraph J of Section 17 of Ordinance No. 155 shall include the SLB Construction Account and the SLB Capitalized Interest

Account, and shall show all receipts of funds and accounts, the investments held therein, and the disbursements and withdrawals therefrom.

[Portions of this Section 8 were amended by Section 8 of Ordinance No. 414-B.]

Section 9. Pledge of Revenues and Other Moneys; Subordination. Subject to the limitations set forth below in this Section 9, the Port hereby pledges to the payment of all Outstanding Subordinate Lien Bonds, heretofore or hereafter issued, and to the payment of all Scheduled Swap Obligations, the following:

- (a) All Revenues,
- (b) All moneys on deposit, from time to time, in the SLB Construction Account; and
- (c) All moneys on deposit, from time to time, in the SLB Fund.

By virtue, of the issuance of any letter of credit, line of credit, standby purchase agreement, surety bond, or other credit enhancement device given as security for any Subordinate Lien Bonds (herein called a “Credit Facility”), and also by virtue of the acceptance by the issuer of any such Credit Facility (herein called a “Credit Facility Provider”) of any Subordinate Lien Bond evidencing the Port’s obligation to repay any amounts drawn or paid under such Credit Facility, together with interest thereon, each Credit Facility Provider shall thereby be deemed to have agreed that, so long as no Event of Default has occurred and is continuing, such Credit Facility Provider’s right to receive payment of any Excess Principal (as defined in Section 5.f. hereof) owing to it in a particular Fiscal Year, shall be subordinated to the payment of all principal coming due on all other Subordinate Lien Bonds in such Fiscal Year, and shall be payable and secured as provided in this SLB Ordinance. All amounts of Excess Principal required to be paid to any Credit Facility Provider in any Fiscal Year shall be due and payable on July 1 of such Fiscal Year.

[Portions of this Section 9 were amended by Section 2(a) of Ordinance No. 337-A and Section 9 of Ordinance No. 414-B.]

Section 10. Additional Bonds.

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

- (1) The Trustee and the SLB Trustee, respectively, certify that no default exists in the payment of principal of, or interest and premium on any Prior Lien Bonds or Subordinate Lien Bonds;
- (2) The Trustee and the SLB Trustee, respectively, certify that, upon the issuance of such series of Subordinate Lien Bonds, the accounts in the Bond Fund for the Prior Lien Bonds and the accounts in the SLB Fund for the

Subordinate Lien Bonds 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 (a) 130% of the Debt Service Requirement (as defined in Ordinance No. 155) on all then Outstanding Prior Lien Bonds for that period plus (b) 130% of the SLB Debt Service Requirement on all then Outstanding Subordinate Lien Bonds for such period;

(4) Either:

(i) 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 Subordinate Lien Bonds, 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds, 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 (A) 130% of the Debt Service Requirement on all Prior Lien Bonds plus (B) 130% of the SLB Debt Service Requirements on all Subordinate Lien Bonds scheduled to occur during that Fiscal Year after taking into consideration the additional SLB Debt Service Requirements for the series of Bonds to be issued; or

(ii) 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 (i) 130% of the maximum Debt Service Requirement for any future Fiscal Year on all Outstanding Prior Lien Bonds plus (ii) 130% of the maximum SLB Debt Service Requirement on all Outstanding Subordinate Lien Bonds on any future Fiscal Year and the series of Subordinate Lien Bonds proposed to be issued;

(5) In the ordinance authorizing a series of Subordinate Lien Bonds to be issued, provision is made for the satisfaction of the SLB Reserve Requirement;

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

(7) The Port provides a Project Certificate.

b. The Port reserves the right to issue one or more series of Subordinate Lien Bonds to pay the cost of completing any project for which Subordinate Lien Bonds or Prior Lien Bonds have been previously issued. Prior to the issuance of any series of Completion Bonds the Port must provide, in addition to all of the requirements contained in paragraphs (1), (2) and (5) of subparagraph a of this section, (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 (i) that all amounts allocated to pay the costs of the project from the most recent series of Subordinate Lien Bonds 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, (ii) 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 (iii) 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.

c. If Subordinate Lien Bonds are being issued for the purpose of refunding previously issued Prior Lien or Subordinate Lien Bonds, the certifications described in paragraphs (a)(3) and (a)(4) of this section 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 Subordinate Lien Bonds are issued to refund Short Term/Demand Obligations, the certifications described in paragraph (a)(3) of this section are required.

d. The Port also reserves the right in this SLB Ordinance to issue or incur, for any lawful Airport purpose, bonds, notes or other obligations, secured in whole or in part by liens on the Net Revenues that are subordinate to the lien on Net Revenues securing payment of the Prior Lien Bonds and the subordinate Lien Bonds. Such inferior lien obligations may be further secured by any other source of payment lawfully available for such purposes.

Section 11. Subordinate Lien Bond Trustee.

a. Appointment. The Subordinate Lien Bond Trustee (the "SLB Trustee") shall be appointed initially by resolution of the Port adopted prior to delivery of the Series One Bonds.

b. Acceptance of 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 this SLB Ordinance and no implied covenants or obligations shall be read into this SLB Ordinance against the SLB Trustee. The SLB Trustee shall accept the trusts hereby imposed upon it, only upon and subject to the following expressed terms and conditions.

(1) Except in case an Event of default hereunder has occurred and has not been cured, the SLB Trustee agrees to perform such trusts as an ordinarily prudent trustee.

(2) The SLB Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver or employee retained or employed by it in connection herewith. The SLB Trustee may act upon the opinion or advice of any attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or, if selected or retained by the Port, approved by the SLB Trustee in the exercise of such care. The SLB Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

(3) The SLB Trustee shall not be responsible for any recital herein, or in the Subordinate Lien Bonds (except with respect to the authentication of any Subordinate Lien Bonds), or for the investment of monies (except as specifically provided in this SLB Ordinance) or for the validity of the execution by the Port of this SLB Ordinance or of any supplemental ordinances or instruments of further assurance, or for the sufficiency of the security for the Subordinate Lien Bonds issued hereunder or intended to be secured hereby. The SLB Trustee may (but shall be under no duty to) require of the Port full information and advice as to the performance of the covenants, conditions and agreements in this SLB Ordinance but without any obligation to advise the Port or Subordinate Lien Bondowners of any impending default known to the SLB Trustee.

(4) The SLB Trustee shall not be accountable for the use or application by the Port of any of the Subordinate Lien Bonds or the proceeds thereof or for the use or application of any money paid over by the SLB Trustee in accordance with the provisions of this SLB Ordinance or for the use and application of money received by any Paying Agent other than the SLB Trustee. The SLB Trustee may become the owner of Subordinate Lien Bonds secured hereby with the same rights it would have if were not the SLB Trustee.

(5) The SLB Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion, affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and

correct and to have been signed or sent by the proper person or persons. Any action taken by the SLB Trustee pursuant to this SLB Ordinance upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Subordinate Lien Bond, shall be conclusive and binding upon all future owners of the same Subordinate Lien Bond and Subordinate Lien Bonds issued in exchange therefor or in place thereof.

(6) As to the existence or non-existence of any fact or as to the sufficiency or authenticity of any instrument, paper or proceeding, the SLB Trustee shall be entitled to rely upon a certificate of the Port as sufficient evidence of the facts stated therein. The SLB Trustee may accept a certificate of the Port to the effect that a motion, resolution or ordinance in the form therein set forth has been adopted by the Port as conclusive evidence that such motion, resolution or ordinance has been duly adopted, and is in full force and effect, and may accept such motion, resolution or ordinance as sufficient evidence of the facts stated therein and the necessity or expediency of any particular dealing, transaction or action authorized or approved thereby, but may at its discretion, secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(7) The SLB Trustee 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, its own negligent failure to act, or its own willful misconduct.

(8) At any and all reasonable times, the SLB Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of the Port pertaining to the Airport and the projects financed with Subordinate Lien Bonds, and to take such memoranda from and in regard thereto as may be desired.

(9) The SLB Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(10) Notwithstanding anything elsewhere in this SLB Ordinance contained, the SLB Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Subordinate Lien Bonds, the withdrawal of any cash, or any action whatsoever within the purview of this SLB Ordinance, any showings, certificates, opinions (including without limitation, opinions of Counsel), or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the SLB Trustee deemed desirable for the purpose of establishing the right of the Port to the withdrawal of any cash, or the taking of any other action by the SLB Trustee.

(11) Before taking any action hereunder 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; provided that 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 (as said terms are defined in Port Ordinance No. 337, as amended, modified and supplemented by Port Ordinance No. 337A) given as security for the payment of any Subordinate Lien Bonds, but upon the occurrence of an Event of Default and an acceleration of the Outstanding Subordinate Lien Bonds pursuant to Section 16.a. (iii) hereof, 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 Subordinate Lien Bonds secured by such Letter of Credit or Alternate Credit Facility.

c. Fees, Charges and Expenses of the SLB Trustee. The SLB Trustee and any paying agent shall be entitled to payment or reimbursement for reasonable fees for services rendered hereunder in accordance with its schedule of charges in effect at the time of its billing, and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by them in and about the execution of the trusts created by this SLB Ordinance and in and about the exercise and performance of the powers and duties of the SLB Trustee and paying agent hereunder and for the reasonable and necessary costs and expenses incurred in defending any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligent action of SLB Trustee, its negligent failure to act or its willful misconduct). Upon an Event of Default, but only upon an Event of Default, the SLB Trustee shall have a first lien on the SLB Fund, with right of payment prior to payment of any Subordinate Lien Bond, for such fees, advances, counsel fees on trial or on appeal, costs and expenses incurred by it; provided that, the SLB Trustee shall not have any lien upon or claim against any moneys on deposit in the Seasoned Funds Account (as such term is defined in Port Ordinance No. 337, as amended, modified and supplemented by Port Ordinance No. 337A) or any investments made from such moneys, or any moneys or investments on deposit in any fund or account established under any Supplemental Ordinance which has a function similar to said Seasoned Funds Account, to the extent that such moneys or investments are being held by the SLB Trustee for the purpose of paying any redemption premium owing on any Subordinate Lien Bonds: (i) which have been called for redemption; (ii) the redemption date therefor was prior to the date of occurrence of the Event of Default referred to earlier in this sentence; and (iii) which have not been presented for payment of such redemption price.

d. Notice to Bondowners if Default Occurs. The SLB Trustee shall give to Subordinate Lien Bondowners notice of all Events of Default known to the SLB Trustee, within thirty (30) days after the occurrence of an Event of Default unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of a default in the payment of the principal of, premium, if any, or interest on any of the Subordinate Lien Bonds, 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 Subordinate Lien Bondowners.

e. Intervention by SLB Trustee. In any judicial proceeding to which the Port is a party, and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of Subordinate Lien Bonds, the SLB Trustee may intervene on behalf of Subordinate Lien Bondowners and shall do so if requested in writing by the owners of at least twenty-five percent (25%) of the aggregate principal amount of Subordinate Lien Bonds Outstanding hereunder. The rights and obligations of the SLB Trustee under this subsection are subject to the approval of a court of competent jurisdiction in the premises.

f. Successor SLB Trustee. Any company, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any company or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor SLB Trustee hereunder and vested with all of the title to the trust estate, and all the trusts, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

g. Resignation by the SLB Trustee. Provided a successor SLB Trustee is reasonably available, the SLB Trustee and any successor SLB Trustee may at any time resign from the trusts hereby created by giving thirty (30) days' written notice to the Port and by first class mail to each Subordinate Lien Bondowner; provided that no such resignation shall become effective until a successor SLB Trustee has been appointed and has agreed to act as such. Such notice to the Port may be served personally or sent by certified mail.

h. Removal of SLB Trustee. 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 Bonds 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.

i. Appointment of the Successor SLB Trustee by the Bondholders; Temporary SLB Trustee. In case the SLB Trustee hereunder shall resign or be removed, or be dissolved or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, 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 Subordinate Lien Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners or by their attorneys-in-fact, duly authorized; provided that 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 appointed by the Bondowners in the manner above provided; 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 Bondowners. Every such SLB Trustee appointed pursuant to the provisions of this subsection shall be a trust company or bank having a reported capital and surplus not less than \$15,000,000, if there be such an institution willing, qualified and able to accept the trust

upon reasonable or customary terms. 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 thirty (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.

j. Concerning any Successor SLB Trustees. Every successor SLB Trustee appointed hereunder shall execute, acknowledge or deliver to its predecessor and to the Port, an instrument in writing accepting such appointment hereunder, and thereupon such successor without any further act, deed or conveyance, shall become fully vested with all the trust estate and the rights, powers, trusts, duties and obligations of its predecessors as SLB Trustee; but such predecessor shall, nevertheless on the written request of the Port, or of its successor SLB Trustee, execute and deliver an instrument transferring to such successor SLB Trustee all the trust estate and the rights, powers and trusts of such predecessor hereunder, and every predecessor SLB Trustee shall deliver all securities and monies held by it as SLB Trustee hereunder to its successor. Should any instrument in writing from the Port be required by any such successor SLB Trustee for more fully and certainly vesting in such successor the trust estate and the rights, powers and duties hereby vested or intended to be vested in the predecessor SLB Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Port.

k. SLB Trustee Protected in Relying upon Execution of Documents. This Indenture may be accepted by the SLB Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the SLB Trustee for the release or property and the withdrawal of cash hereunder.

[Portions of this Section 11 were amended by Section 2 of Ordinance No. 337-A.]

Section 12. Amendment of this SLB Ordinance. This SLB Ordinance may be amended under the same circumstances as Ordinance No. 155 may be amended pursuant to its Section 20, except that all references to Bonds in that Section 20 shall be interpreted to mean Subordinate Lien Bonds. In addition, The Port may amend this SLB Ordinance and Ordinance No. 155 without the consent of the Owners of Subordinate Lien Bonds (but only if the right to make such amendment is expressly reserved in the Supplemental Ordinance providing for the issuance of such Bonds) for, but not limited to, the following purposes:

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 which 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 which are then typically permitted for the investment of debt service and the reserve funds of revenue bonds which have credit ratings similar to the credit ratings then in effect for the Subordinate Lien Bonds.

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

e. To permit obligations which are subordinate to the Subordinate Lien Bonds 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 Subordinate Lien Bonds 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 Subordinate Lien Bonds when the Owners exercise that right, if the Subordinate Lien Bonds 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 Subordinate Lien Bonds.

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 Subordinate Lien Bonds, or that a single reserve account will secure all series of Subordinate Lien Bonds.

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

k. To combine Ordinance No. 155 and this SLB Ordinance, to delete outdated provisions, to delete provisions which interfere with the business operations of the Port but that do not provide substantial security for owners of Subordinate Lien Bonds, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

The power granted in this Section 12 to amend Ordinance No. 155 and this SLB Ordinance for the purposes described in paragraphs a through k of this Section 12 supplements and clarifies, and does not limit, the power of the Port to amend Ordinance No. 155 under its Section 20 and this SLB Ordinance pursuant to the first sentence of this Section 12.

Section 13. SLB Ordinance to Constitute Contract, Qualified Swap Providers as Third Party Beneficiaries; Enforcement. So long as any of the Subordinate Lien Bonds are Outstanding, each of the obligations, duties, limitations, and restraints imposed upon the Port by this SLB Ordinance, shall be deemed to be a covenant between the Port and every

Subordinate Lien Bondowner, and this SLB Ordinance and every provision and covenant hereof and the Provisions of ORS 778.005 to 778.260 shall constitute a contract with every Subordinate Lien Bondowner, and shall be enforceable by any Subordinate Lien Bondowner by mandamus or other appropriate action or proceeding, at law or in equity, in any court of competent jurisdiction, including, without limiting the generality of the foregoing, the bringing of a suit or suits to compel compliance with the provisions of this SLB Ordinance in the event the Port fails to set aside and pay the Revenues from the General Accounts into the SLB Fund as herein required. 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 and covenant hereof, and each such provision and covenant shall be enforceable by such Qualified Swap Provider by mandamus or other appropriate action or proceeding, at law or in equity, in any court of competent jurisdiction, including, without limiting the generality of the foregoing, the bringing of a suit or suits to compel compliance with the provisions of this SLB Ordinance in the event the Port fails to set aside and pay the Revenues into the SLB Fund and JLO Fund as herein required. However, this provision shall not be construed to give any Qualified Swap Provider the right to consent to, or approve of, any amendments to this Ordinance or the Airport Revenue Bond Ordinances unless a Qualified Swap Provider has expressly reserved that right in a Qualified Swap.

[Portions of this Section 13 were amended by Section 10 of Ordinance No. 414-B.]

Section 14. Events of Default. Each of the following shall constitute an “Event of Default”:

a. If payment of the principal and premium (if any) of any Subordinate Lien Bond, 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

b. If payment of any installment of interest on any Subordinate Lien Bond shall not be made when the same shall become due and payable; or

c. If the Port shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in this SLB Ordinance or in any ordinance supplemental hereto on the part of the Port to be performed, and such failure shall continue for ninety (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 Subordinate Lien Bonds then Outstanding or any committee therefor; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety-day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

d. 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 herein or in any ordinance supplemental hereto or for the purpose

of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

e. If an order or decree shall be entered (1) 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 (2) 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 sixty (60) days after the entry thereof; or

f. If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (1) 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 ninety (90) days from the date of assumption or such custody or control; or (2) 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 hereunder.

Section 15. Notice to Bondowners Upon Occurrence of an Event of Default. The SLB Trustee shall give by mail to all Subordinate Lien Bondowners written notice of the occurrence of any Event of Default within thirty days after the SLB Trustee shall have knowledge that such Event of Default has occurred, unless the Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or interest on any Bond, the SLB Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or responsible officers, of the SLB Trustee in good faith determine that the withholding of such notice is in the interests of the Subordinate Lien Bondowners. For the purposes of this SLB Ordinance, the term “responsible officer” when used with respect to the SLB Trustee shall mean the chairman of the board of directors, the vice-chairman of the board of directors, the chairman of the executive committee, the vice-chairman of the executive committee, the president, any vice president, the cashier, the secretary, the treasurer, any trust officer, any assistant trust officer, any second or assistant vice president, any assistant cashier, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the SLB Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

Section 16. Remedies Upon Occurrence of Event of Default; Powers of SLB Trustee and Bondowners; Waivers of Event of Default; Termination of Proceedings.

a. Upon the occurrence of an Event of Default hereunder, the SLB Trustee, (i) for and on behalf of the Subordinate Lien Bondowners, shall have the same rights hereunder which are possessed by any Subordinate Lien Bondowner; (ii) shall be authorized to proceed, in its own name and as SLB Trustee of an express trust; (iii) may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding Subordinate Lien Bonds shall, declare all Outstanding Subordinate Lien Bonds immediately due and payable; (iv) 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 Subordinate Lien Bonds; (v) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such SLB Trustee and of the Subordinate Lien Bondowners allowed in any judicial proceedings relative to the Port or the Bonds and (vi) may, and upon the written request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Subordinate Lien Bonds then Outstanding shall, proceed to protect and enforce all rights of the Subordinate Lien Bondowners and the SLB Trustee under this SLB Ordinance, by such means or appropriate judicial proceedings as shall be suitable or deemed by it most effective in the premises, including any action at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this SLB Ordinance or in aid of the exercise of any power granted in this Ordinance or to enforce any other legal or equitable right vested in the Subordinate Lien Bondowners or the SLB Trustee by this SLB Ordinance. All rights of action (including the right to file proof of claims) under this SLB Ordinance or under any of the Subordinate Lien Bonds may be enforced by the SLB Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the SLB Trustee shall be brought in its name and as trustee of any express trust without the necessity of joining as plaintiffs or defendants any Subordinate Lien Bondowners.

b. The owners of not less than a majority in principal amount of the Subordinate Lien Bonds at the time Outstanding shall be authorized and empowered (1) 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 Subordinate Lien Bonds, or exercising any trust or power conferred upon the SLB Trustee hereunder; or (2) on behalf of the owners of the Subordinate Lien Bonds 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; provided that if, upon the occurrence of an Event of Default, any Letter of Credit or Alternate Credit Facility (as such terms are defined in Port Ordinance No. 337, as amended, modified and supplemented by Port Ordinance No. 337A) has been drawn upon for the purpose of paying any Subordinate Lien Bonds, then there shall be no waiver of such Event of Default unless and until such Letter of Credit or Alternate Credit Facility has been reinstated to allow the SLB Trustee to draw thereunder the same amount as the SLB Trustee was entitled to draw immediately prior to such Event of Default (but reduced to reflect the amount, if any, of the Subordinate Lien Bonds secured thereby which will no longer be Outstanding following such waiver). No waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

c. Notwithstanding any other provision of this SLB Ordinance the right of any owner of any Subordinate Lien Bond to receive payment of the principal of and interest on such Subordinate Lien Bond, on or after the respective due dates expressed in such Subordinate Lien Bond, 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.

All moneys received by the SLB Trustee following an Event of Default hereunder pursuant to any right given or action taken under the provisions of this 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 Subordinate Lien Bonds then due and unpaid, ratably according to the amounts due and payable on the Outstanding Subordinate Lien Bonds, without preference or priority of any kind of Subordinate Lien Bond or series of Subordinate Lien Bonds over any other Subordinate Lien Bond or series of Subordinate Lien Bonds. In exercising its rights, powers and duties hereunder, whether before or after the occurrence of an Event of Default hereunder, the SLB Trustee shall: (i) treat all Owners of Outstanding Subordinate Lien Bonds equally and ratably so as to give full effect to the parity (pari passu) nature of the lien on and pledge of the Revenues made hereunder as security for the payment of all Outstanding Subordinate Lien Bonds and series thereof; and (ii) give due regard to the rights of and consequences to the Owners of all Outstanding Subordinate Lien Bonds affected by any action taken by the SLB Trustee hereunder. In no event shall the SLB Trustee take any action which would in any way impair or diminish the lien on and pledge of the Revenues made hereunder as security for all Outstanding Subordinate Lien Bonds or the security afforded thereby without the prior written consent of the Owners of all Outstanding Subordinate Lien Bonds or series thereof affected thereby.

d. No remedy by the terms of this SLB Ordinance conferred upon or reserved to the owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder to the SLB Trustee or to the owners of the Subordinate Lien Bonds or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

e. In case the SLB Trustee or the owners of the Subordinate Lien Bonds shall have proceeded to enforce any right under this SLB Ordinance and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Port, the SLB Trustee and the holders of the Bonds shall be restored to their former positions and rights, and all rights, remedies and powers of the SLB Trustee shall continue as if no such proceedings had been taken.

[Portions of this Section 16 were amended by Section 2 of Ordinance No. 337-A.]

Section 17. Discharge of Liens and Pledges; Bonds No Longer Outstanding Hereunder. The obligations of the Port under this SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port herein or therein made or provided for, shall be fully discharged and satisfied as to any Subordinate Lien Bond and such Subordinate Lien Bond shall no longer be deemed to be Outstanding hereunder and thereunder:

- (i) when such Subordinate Lien Bond shall have been cancelled, or shall have been purchased by the SLB Trustee from moneys in the SLB Fund, or
- (ii) as to any Subordinate Lien Bond not cancelled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such

Subordinate Lien Bond, 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 Subordinate Lien Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Governmental Obligations (as defined hereinafter in this section) 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 Subordinate Lien Bond 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 a Bond shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Subordinate Lien Bond 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 this SLB Ordinance, including all Supplemental SLB Ordinances.

If, at the time of any deposit described in Section 17(ii)(b) above, the payment of the Subordinate Lien Bonds with respect to which such deposit is made is secured by a Letter of Credit or Alternate Credit Facility (as such terms are defined in Port Ordinance No. 337, as amended, modified and supplemented by Port Ordinance No. 337A), then and in such event: (A) the term “Government Obligations” as used in Section 17(ii)(b)(2) shall only mean and include direct general obligations of, or obligations the payment of the principal of and interest of which are unconditionally guaranteed by, the United States of America; and (B) the Port must deliver to the SLB Trustee an opinion of nationally recognized bankruptcy counsel to the effect that no payments made with respect to the Subordinate Lien Bonds out of the moneys or proceeds of Government Obligations deposited pursuant to Section 17(ii)(b) above will constitute avoidable preferential payments pursuant to the provisions of Section 547 of the United States Bankruptcy Code, as amended, in the event of a bankruptcy proceeding involving the Port as debtor.

Any such moneys so deposited with the SLB Trustee or other Paying Agent as provided in this section may at the direction of the Port also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the SLB Trustee and the Paying Agents pursuant to this section which is not required for the payment of the Subordinate Lien Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the Port and deposited in the General Account as and when realized and collected for use and application as are other moneys deposited in that fund.

For the purposes of this section, the term “Governmental Obligations” shall mean any of the following which are non-callable and which at the time are legal investments for the moneys proposed to be invested therein: (i) 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 (ii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

If any Subordinate Lien Bonds 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 Subordinate Lien Bonds on such due date, then interest shall cease to accrue on such Subordinate Lien Bonds, 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 Bondholder for interest thereon, in trust for the benefit of the holder of such Bond, 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 Bond, including any claim for the payment thereof.

Notwithstanding any provision of any other section of this 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 of this section for the payment of Subordinate Lien Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Subordinate Lien Bond (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 herein to the contrary, the obligations of the Port under this SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port herein or 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.

[Portions of this Section 17 were amended by Section 2 of Ordinance No. 337-A and Section 11 of Ordinance No. 414-B.]

Section 18. 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 Subordinate Lien Bonds; but nothing herein contained shall relieve any such Commissioner, officer, director or employee from the performance of any duty provided or required by law, including this SLB Ordinance.

Section 19. Limitation of Rights. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this SLB Ordinance or the Subordinate Lien Bonds is intended or shall be construed to give to any person other than the Port, the SLB Trustee and the Owners of the Subordinate Lien Bonds, any legal or equitable right, remedy or claim under or in respect to this Ordinance or any covenants, conditions and provisions herein contained; this SLB Ordinance and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive

benefit of the Port, the SLB Trustee and the Owners of the Subordinate Lien Bonds as herein provided.

Section 20. Laws Governing; Severability. This SLB Ordinance shall be construed and enforced in accordance with the Constitution and laws of the State of Oregon.

If any provision of this SLB Ordinance shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Ordinance shall not affect the remaining portions of this SLB Ordinance or any part thereof.

Section 21. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper, if the same shall be duly mailed by registered or certified mail: (i) to the Port, if addressed to The Port of Portland, P.O. Box 3529, Portland, Oregon 97208, Attention: Executive Director, or to such address as the Port may from time to time file with the SLB Trustee; and (ii) to the SLB Trustee, at the address designated in writing by it to the Port.

Section 22. Effect of Sundays and Legal Holidays. Whenever this SLB Ordinance or a Subordinate Lien Bond require any action to be taken on a Sunday or a legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this SLB Ordinance or a Subordinate Lien Bond the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Sunday or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

Section 23. Section Headings; Table of Contents. The headings or titles of the several sections hereof, and any table of contents appended hereto or copies hereof, shall be solely for the convenience of reference and shall not affect the meaning, construction, interpretation or effect of this SLB Ordinance.

Section 24. Authorization of Series One Bonds. Pursuant to the provisions of this SLB Ordinance, the Portland International Airport Revenue Bonds, Series One, are hereby authorized to be issued as Subordinate Lien Bonds. The Series One Bonds shall be in an aggregate principal amount of not more than Eleven Million Dollars (\$11,000,000), and the proceeds thereof shall be used for the purpose of paying the Costs of Construction of additions, expansions and improvements to the Airport, as set forth in the Airport Capital Improvement Program, as amended from time to time, and for other lawful purposes of the Port.

[The Series One Bonds were issued in 1985 but no longer remain outstanding.]

Section 25. Terms of Series One Bonds. The Series One Bonds shall:

- a. be dated November 1, 1985, and shall mature or be subject to mandatory redemption on July 1 in the years and amounts specified in the resolution authorizing the sale of the Series One Bonds (the “Sale Resolution”).
- b. bear interest payable semiannually on January 1 and July 1, commencing July 1, 1986 at the rates specified in the Sale Resolution;
- c. be issued in denominations of \$5,000 or integral multiples thereof, and shall be numbered consecutively in order of authentication;
- d. be issued in fully registered form, without privilege of conversion to coupon form;
- e. be subject to optional and mandatory redemption on the dates and at the prices specified in the Sale Resolution;
- f. be sold on the terms established in the Sale Resolution.

The Sale Resolution may authorize any additional acts necessary to sell and deliver the Series One Bonds in accordance with this SLB Ordinance.

Section 26. Notice of Redemption. Notice of redemption shall be given by registered mail to all Owners of Subordinate Lien Bonds to be redeemed, not less than thirty (30) days prior to the redemption date, and shall be published as required by law. Series One Bonds so called for redemption shall not bear interest after the date fixed for redemption, provided funds are on hand with the Trustee or paying agent to redeem the same. Any failure to publish notice shall not affect the validity of the Port’s proceedings to redeem the Subordinate Lien Bonds. Series One Bonds shall be called for redemption in multiples of \$5,000. Series One Bonds in denominations of more than \$5,000 shall be treated as representing the number of Series One Bonds which would be obtained by dividing the denomination of the Series One Bond by \$5,000, and may be called for redemption in part. The Owner of any Series One Bond selected for redemption in part, upon surrender of the Series One Bond for redemption, shall receive without cost a new Series One Bond, of like interest rate and maturity, in the amount of the unredeemed portion of the Series One Bond being surrendered.

Section 27. Series One Term Bond Principal Account Installments. The Port shall cause to be deposited into the SLB Term Loan Bond Principal Account monthly deposit amounts so that there shall be on deposit in the SLB Term Bond Principal Account funds sufficient to redeem the Series One Term Bonds on the first day of July in the years and principal amounts specified in the Sale Resolution. The amount of Term Bonds to be redeemed on any date may be reduced in the order determined by the Port, by the principal amount of any Series One Term Bonds which have been previously redeemed, purchased or acquired by the Port.

Section 28. Places of Payment and Paying Agents. The principal and redemption price, if any, of the Series One Bonds shall be payable at the office of the paying agent for the Series One Bonds, in Portland, Oregon. Interest shall be paid by check or draft

drawn on the paying agent and mailed to the registered Bondowners, as provided in Section 7 hereof. The paying agent for the Series One Bond shall be appointed initially by resolution of the Port adopted prior to delivery of the Series One Bonds. The paying agent shall serve as registrar for the Series One Bonds. The Port may replace the paying agent at any time, upon reasonable notice to Series One Bondowners.

Section 29. Registration, Transfer, Exchange and Replacement of Bonds.

a. No Series One Bond shall be entitled to any right or benefit under this SLB Ordinance unless it shall have been authenticated by an authorized officer of the paying agent. The paying agent shall authenticate all Series One Bonds to be delivered at closing, and shall additionally authenticate all Series One Bonds properly surrendered for exchange, transfer or replacement pursuant to this Section.

b. The ownership of all Series One Bonds shall be entered in the Series One Bond register maintained by the paying agent, and the Port, the paying agent and the SLB Trustee may treat the person listed as owner in the Series One Bond register as the Owner of the Series One Bond for all purposes.

c. The paying agent shall mail on each January 1 and July 1 the amount of Series One Bond interest then due to the name and address of each Series One Bondowner as it appears on the Series One Bond register on the fifteenth day of the preceding month (the "Record Date"). If payment is so mailed, neither the Port nor the paying agent shall have any further liability to any party for such payment.

d. Series One Bonds may be exchanged for an equal principal amount of Series One Bonds of the same maturity which are in different authorized denominations, and Series One Bonds may be transferred to other Owners if the Series One Bondowner submits the following to the paying agent:

- (1) written instructions for exchange or transfer satisfactory to the paying agent, signed by the Series One Bond owner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the paying agent; and
- (2) the Series One Bonds to be exchanged or transferred.

e. The paying agent shall note the date of authentication on each Series One Bond. The date of authentication shall be the date on which the Series One Bond owner's name is listed on the Series One Bond register.

f. For purposes of this section, Series One Bonds shall be considered submitted to the paying agent on the date the paying agent actually receives the materials described in subsection (d) of this section.

g. Mutilated, lost or destroyed Series One Bonds may be replaced by the paying agent at the request and expense of the registered owner thereof, if the owner satisfies all legal requirements for the replacement of bonds, and:

(1) furnishes indemnity satisfactory to the paying agent which will protect the paying agent and the Port against loss or liability resulting from any demand or payment on a Series One Bond which the owner seeks to have replaced; and

(2) submits an affidavit satisfactory to the paying agent describing the Series One Bond and the circumstances under which it was mutilated, lost or destroyed.

h. The paying agent shall not be required to exchange or transfer any Bonds after a notice of redemption for such Bonds has been mailed.

Section 30. Disposition of Series One Bond Proceeds. From the proceeds of the sale of the Series One Bonds, the Port shall deposit:

a. In the SLB Interest Account an amount equal to accrued interest on the Series One Bonds;

b. In the SLB Reserve Account an amount sufficient to make the balance in that account equal to the SLB Debt Service Requirement for the Series One Bonds;

c. The remainder of such proceeds shall be deposited in the SLB Construction Account.

Section 31. Covenant Regarding Tax-Exempt Status. The Port covenants for the benefit of the Series One Bondowners not to take any action, or omit to take any action reasonably within its powers, which would cause interest paid on the Series One Bonds to be includible in the gross income of federal income taxpayers. To this end, the Port specifically covenants: (a) to cause the “gross proceeds” of the Series One Bonds to be invested, and the earnings on such investments to be rebated, in a manner consistent with the applicable provisions of Section 103(c)(6) of the Internal Revenue Code of 1954, as amended; and, (b) to comply with the applicable provisions of Section 103(b) of the Internal Revenue Code of 1954, as amended.

Section 32. Form of Bonds. The Series One Bonds shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF OREGON
THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT REVENUE BOND
SERIES ONE**

No. _____

\$ _____

ISSUE DATE

INTEREST RATE

MATURITY DATE

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Port of Portland, a municipal corporation of the State of Oregon, hereby promises to pay to the registered owner hereof, or registered assigns, but solely out of the revenues hereinafter specified, on the Maturity Date the Principal Amount, and to pay interest thereon from the date hereof until maturity or prior redemption, at the Interest Rate per annum indicated above.

Interest is payable semi-annually on January 1 and July 1 of each year, commencing July 1, 1986, by check or draft drawn on [_____] as paying agent, or any successor paying agent, and mailed on the interest payment date to the registered owner shown on the bond register on the fifteenth day of the month preceding the interest payment date. Principal and redemption premium, if any, are payable on surrender of this Bond at the principal corporate trust office of the paying agent in Portland, Oregon.

This Bond is one of an authorized series of Bonds of like designation herewith, aggregating _____ Dollars (\$_____) in principal amount. This Bond and the Bonds of this series are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Oregon, including particularly ORS 778.005 to ORS 778.260, as amended, and Ordinance No. 323 (hereinafter called the "Bond Ordinance") duly enacted by The Port of Portland under said Constitution and statutes on October 9, 1985.

This Bond is secured solely by a subordinate claim to the Revenues of the Airport, as provided in the Bond Ordinance, and is not in any manner or to any extent a charge upon any other revenues or property of the Port. This Bond is not a general obligation of the Port of Portland, the State of Oregon, its agencies, instrumentalities and political subdivisions.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of Oregon and the Bond Ordinance to have happened, to exist and to have been performed precedent to and in the issuance of this Bond and the series of which it is a part, do exist, have happened and have been performed in regular and due time, form and manner as required by said Constitution, laws and Ordinances; that this Bond and the series of which it is a part do not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part as provided in the Bond Ordinance.

IN WITNESS WHEREOF, THE PORT OF PORTLAND has caused this Bond to be signed by the facsimile signatures of its President and Secretary or Assistant Secretary and to bear a facsimile of its seal as of this first day of November, 1985.

THE PORT OF PORTLAND

Secretary or Assistant Secretary
of The Port of Portland

President of The Port of Portland

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This is one of The Port of Portland, Portland International Airport Revenue Bonds, Series One, issued pursuant to the Bond Ordinance described herein.

DATED

_____, as paying agent]

By: _____
Authorized Officer

Note to Printer: The following language should be printed on the reverse of the Bond:

[insert redemption language]

All Bonds issued and to be issued under the Bond Ordinance are and will be equally secured by the liens, pledges, charges, assignments and covenants made therein, except as otherwise expressly provided or permitted in the Bond Ordinance. Reference is hereby made to the Bond Ordinance, copies of which are on file in the office of The Port of Portland and the principal office of the SLB Trustee and to all of the provisions of which any holder of this Bond by his acceptance hereof thereby assents, for definitions of terms; a description of and the nature and extent of the security for the Bonds issued or to be issued under the Bond Ordinance, including this Bond; the revenues and other moneys pledged to the payment of the interest on and principal of the Bonds; the nature and extent and manner of enforcement of the pledge; the terms and conditions upon which this Bond and the series of which it is one are issued and upon which other Bonds may heretofore have been issued or may hereafter be issued under the Bond Ordinance payable as to principal, interest and premium on a parity with this Bond out of the aforesaid revenues and other moneys and equally and ratably secured herewith; the conditions upon which the Bond Ordinance may be amended or supplemented with or without the consent of the holders of the Bonds; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of The Port of Portland and the hereinafter-mentioned SLB Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, assignments and covenants of The Port of Portland made therein may be discharged at or prior to the maturity or redemption of this Bond, and this Bond will thereafter no longer be secured by the Bond Ordinance or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with said SLB Trustee therefor sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the principal office of the paying agent, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Ordinance and upon the surrender hereof for cancellation. Upon such transfer a new registered Bond or Bonds without coupons, of authorized denominations and of the same aggregate principal amount, series, interest rate and maturity as the Bond surrendered, will be issued to the transferee in exchange therefor.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert social security or other
identifying number of assignee

the within 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 the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Firm)

Authorized Officer

[print bond opinion here]

The following abbreviations, when used in the inscription on the face of the within 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
 as custodian under the laws of Oregon for
 _____ MIN
 (Minors Name)

Additional abbreviations may also be used though not in the list above.

Section 33. Authorization of Qualified Swaps. The Board of Port Commissioners 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 the Providers of Qualified Swaps 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.

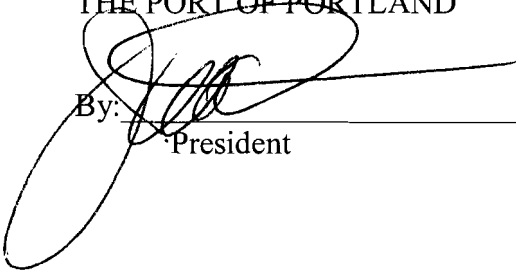
Section 34. Effect of Qualified Swaps on Airline Agreements. The adjustments to the “SLB Debt Service Requirement” that result from execution of a Qualified Swap shall be allocated to Airport cost centers in the same manner as debt service for the Subordinate Lien Bonds for which the Qualified Swap was executed or in accordance with the terms of any new or amended Airline Agreement, as negotiated between the parties in the future.

Section 35. References to Prior Lien Bond Fund, Major Maintenance Account Capital Improvement Account and Provisions Applicable Only to Prior Lien Bonds. Ordinance No. 155 provided that the Prior Lien Bond Fund, Major Maintenance Account and Capital Improvement Account shall be funded with Airport Revenues before Airport Revenues are deposited in the General Account. Subordinate Lien Bonds are payable from the first Airport Revenues deposited in the General Account, and funding of the Prior Lien Bond Fund, Major Maintenance Account and Capital Improvement Account weakens the security for the Subordinate Lien Bonds. As all Prior Lien Bonds are discharged, the Port no longer has a duty to the holders and owners of Prior Lien Bonds to maintain the Prior Lien Bond Fund, Major Maintenance Account and Capital Improvement Account. Accordingly, to enhance

the security for the Subordinate Lien Bonds, all references to the Prior Lien Bond Fund, Major Maintenance Account and Capital Improvement Account in Ordinance No. 155 and this SLB Ordinance, as amended, and all provisions of Ordinance No. 155 which are of concern exclusively to the holders and owners of Prior Lien Bonds (such as Sections 3 through 11 of Ordinance No. 155 which establish the requirements for issuance of Prior Lien Bonds, and the terms and form of the Prior Lien Bonds) shall be considered to have no further effect on Subordinate Lien Bonds and the issuance of any obligations which have a lien on the Airport Revenues which is inferior to the lien of the Subordinate Lien Bonds.

Section 36. Publication and Effectiveness of This Ordinance. A concise summary of this SLB Ordinance, including the location within the Port where a complete copy of this SLB Ordinance may be obtained without charge, shall be published within five days after passage once in a newspaper of general circulation within the Port; and this amended and restated SLB Ordinance shall become effective thirty (30) days after enacted.

PASSED AND ENACTED by the Board of Commissioners of The Port of Portland at a meeting held on March 8, 2006 and signed by its President on the same date.

THE PORT OF PORTLAND
By:  _____
President