ORDINANCE NO. 422-B

THE PORT OF PORTLAND

Enacted: November 8, 2006
Effective: December 8, 2006

Relating To The Authorization of
Interest Rate Swap Agreements
For the Outstanding
The Port of Portland
Portland International Airport
Passenger Facility Charge Revenue Bonds
Series 1999A (Non-AMT)
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ORDINANCE NO. 422-B

AN ORDINANCE AUTHORIZING INTEREST RATE SWAP AGREEMENTS RELATED TO THE PORT OF PORTLAND'S OUTSTANDING PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS, SERIES 1999A; AMENDING AND SUPPLEMENTING ORDINANCE NO. 395-B, AS AMENDED, AND ORDINANCE NO. 323, AS AMENDED, TO ACCOUNT FOR THE USE OF SUCH INTEREST RATE SWAP AGREEMENTS, TO REFLECT THE LIEN POSITION AND PRIORITY OF PAYMENTS MADE IN CONNECTION THERewith AND TO MAKE OTHER CLARIFYING CHANGES; AND MAKING FINDINGS AND DESIGNATIONS RELATED THERETO

BE IT ENACTED BY THE PORT OF PORTLAND AS FOLLOWS:
Section 1. Purpose and Defined Terms. This Ordinance is enacted to amend and supplement Ordinance No. 395-B, as amended, relating to Portland International Airport Passenger Facility Charge Revenue Bonds, and Ordinance No. 323, as amended, relating to Portland International Airport Revenue Bonds. This Ordinance authorizes interest rate swap agreements related to the Port's outstanding Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), accounts for the use of such agreements, reflects the lien position and priority of payments made in connection therewith, makes findings and designations related thereto, and makes other clarifying changes.

Section 2. Authorization of Interest Rate Swap Agreements; Findings and Designations. The Executive Director or the Director of Operation/Financial Officer of the Port (the "Executive Director") is authorized to enter into one or more interest rate swap agreements (including but not limited to ISDA Master Agreements, Schedules and Credit Support Annexes related thereto, and Confirmations) with one or more of Bear Steams Co., Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, or their affiliates, related to the Series 1999A Bonds, in an aggregate notional amount of not to exceed $60,000,000 (collectively, the "2006 Swaps"). The Executive Director is authorized to execute and deliver any documents, in form approved by legal counsel or Orrick, Herrington & Sutcliffe LLP, as bond counsel, and take any actions that the Executive Director determines are necessary or desirable to carry out the provisions of this Ordinance, such actions to include but not be limited to the negotiation and execution of documents relating to swap and/or bond insurance with respect to the transactions contemplated by this Ordinance. The Executive Director is authorized to take any actions necessary to satisfy or cause to be satisfied all conditions precedent to the execution of the 2006 Swaps as set forth in Section 10 of Ordinance No. 395-B, as amended. The Executive Director is authorized to use (or direct the use of), transfer or otherwise expend (or cause the expenditure of) any funds payable to the Port pursuant to the 2006 Swaps for any lawful use of such funds by the Port.

The Port hereby determines that the execution and delivery of the 2006 Swaps by the Port (i) will benefit the Port by managing interest rate exposure in connection with the Series 1999A Bonds, (ii) is being authorized for a permitted purpose of the Port, and (iii) will comply with the provisions of Ordinance No. 395-B, as amended, Ordinance No. 323, as amended, Section 287.025 of the Oregon Revised Statutes, Oregon Administrative Rule No. 170-060-1010 and the Port's Interest Rate Exchange Agreement Policy.

The Port hereby designates the 2006 Swaps as Derivative Products pursuant to Ordinance No. 395-B, as amended, and Qualified TLO Swaps pursuant to Ordinance No. 323, as amended. Termination payments with respect to the 2006 Swaps will initially be Third Lien Obligations (as such term in defined in Section 11 hereof), subject to the future ability and election of the Port to make such termination payments pursuant to Section 2(a), Third, of Ordinance 395-B, as amended by Section 5 of this Ordinance 422-B.

Section 3. Additional Definitions (Ordinance 395-B). The following defined terms are added to the definitions that are used in Ordinance No. 395-B, as amended:

"Parity Port Payments" means Port Payments that are payable pursuant to a Derivative Product on a parity with First Lien PFC Bonds in accordance with Section 10 hereunder.
"Parity Reciprocal Payor" means a Reciprocal Payor entitled to Parity Port Payments pursuant to a Derivative Product.

Section 4. Amended Definitions (Ordinance No. 395-B). The following defined terms used in Ordinance No. 395-B, as amended, are amended to read as follows:

"Monthly First Lien Debt Service Deposit" means an approximately equal amount to be deposited monthly in the First Lien Bond Account, such that the amount projected to be on hand in the First Lien Bond Account (i) on the next succeeding First Lien Payment Date shall be sufficient to pay the principal of and interest on First Lien PFC Bonds then coming due, on the assumption that the deposit with respect to interest and with respect to principal shall be made in each month commencing with the month following the date of issuance of First Lien PFC Bonds or the date following which capitalized debt service is no longer available for deposit in the First Lien Bond Account, and (ii) on the next succeeding date Parity Port Payments are due and payable shall be sufficient to pay Parity Port Payments.

"Port Payments" means regularly scheduled payments required to be made by or on behalf of the Port under a Derivative Product and which are determined according to a formula set forth in a Derivative Product. However, "Port Payments" shall not include any termination payments, fees, charges or indemnifications.

Section 5. Priority of Use of PFC Fund (Ordinance No. 395-B). Section 2(a) of Ordinance No. 395-B, as amended, is amended to read as follows:

(a) Flow of Funds. The Port's PFC Revenue and Additional Pledged Revenue, if pledged to First Lien PFC Bonds or the obligation of the Port to make Parity Port Payments, shall be credited to the PFC Fund as earned. The PFC Fund shall be held separate and apart from all other funds and accounts of the Port, and the PFC Revenue shall be used only for the following purposes and in the following order of priority on or before the first day of each month following the adoption of this Ordinance and until so applied shall be pledged to the payment of and subject to a lien and charge in favor of Registered Owners of the PFC Bonds and Parity Reciprocal Payors:

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

Second, to make all payments required to be made into the First Lien Reserve Account and to replenish the First Lien Reserve Account in the amounts and at the times required by Section 8(b) hereof;

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

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

Fifth, the remainder to the PFC Capital Account.

Section 6. Authorization and Lien of PFC Bonds (Ordinance No. 395-B). Section 3
of Ordinance No. 395-B, as amended, is amended to read as follows:

Section 3. Authorization and Lien of PFC Bonds. Revenue bonds of the
Port, unlimited in amount, to be known as "The Port of Portland, Oregon,
Passenger Facility Charge Revenue Bonds," are hereby authorized to be issued in
Series, and each such Series may be issued from time to time pursuant to this
Ordinance in such amounts and upon such terms and conditions as the Board may
from time to time deem to be necessary or advisable, for any purposes of the Port
now or hereafter permitted by law.

The PFC Bonds, Parity Port Payments and the lien thereof created and
established hereunder shall be obligations only of the special accounts established
under this Ordinance or in the Series Ordinance or supplemental Ordinance
authorizing such PFC Bonds or Parity Port Payments. The PFC Bonds and Parity
Port Payments shall be payable solely from and secured solely by PFC Revenue
and Additional Pledged Revenue, if any; provided, however, that any Series PFC
Bonds or Parity Port Payments also may be payable from and secured by a Credit
Facility pledged specifically to or provided for such Series of PFC Bonds or
Parity Port Payments.

From and after the time of issuance and delivery of the PFC Bonds of each
Series and so long thereafter as any of the same remain Outstanding and for so
long as Parity Port Payments remain due, the Port hereby irrevocably obligates
and binds itself to set aside and pay into the special funds created for the payment
of each Series PFC Bonds and Parity Port Payments out of PFC Revenue and
Additional Pledged Revenue, if any, on or prior to the date on which Parity Port
Payments or the interest on or principal of and interest on the PFC Bonds shall
become due, the amount necessary to pay such Parity Port Payments and interest
or principal and interest coming due on the PFC Bonds of such Series. The
foregoing sentence shall constitute a pledge of PFC Revenue and Additional
Pledged Revenue, if any, to the payment of PFC Bonds and Parity Port Payments.

Said amounts so pledged to be paid into the First Lien Bond Account are
hereby declared to be a prior lien and charge upon the PFC Revenue superior to
all other charges of any kind or nature whatsoever except for charges equal in
rank that may be made thereon to pay and secure the payment of the principal of
and interest on the First Lien PFC Bonds issued under authority of a Series
Ordinance in accordance with the provisions of Section 4 and Section 5 or 6 of
this Ordinance and Parity Port Payments.

Any amounts pledged to be paid into a debt service fund and or reserve
account created to pay and secure the payment of Subordinate Lien PFC
Obligations shall, subject to the provisions of Section 2 and of the prior paragraph of this Section 3, have the lien position on the PFC Revenue set forth in the Series Ordinance authorizing their issuance.

Neither the PFC Bonds nor the Parity Port Payments shall in any manner or to any extent constitute general obligations of the Port or of the State, or of any political subdivision of the State.

Section 7. PFC Bond Fund; First Lien Bond Account, First Lien Reserve Account, Subordinate Lien Obligations Account and Subordinate Lien Obligations Reserve Account (Ordinance No. 395-B). Section 8(a) of Ordinance No. 395-B, as amended, is amended to read as follows:

(a) First Lien Bond Account. A special account of the Port designated "The Port of Portland Passenger Facility Charge Revenue Bond Account, First Lien" (the "First Lien Bond Account") is hereby authorized to be created in the PFC Bond fund for the purpose of paying and securing the payment of First Lien PFC bonds and Parity Port Payments. The First Lien Bond Account is pledged to the payment of First Lien PFC Bonds and Parity Port Payments and shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners, from time to time, of the First Lien PFC Bonds and Parity Reciprocal Payors.

The Port hereby irrevocably obligates and binds itself for so long as any First Lien PFC Bonds remain Outstanding and for so long as any Parity Port Payments remain due to set aside and pay into the First Lien Bond Account from PFC Revenue or money in the PFC Fund including Additional Pledged Revenue, if pledged to be deposited therein, on or prior to the respective dates on which the same become due:

(a) such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding First Lien PFC Bonds;

(b) such amounts as are required to pay maturing principal or principal being redeemed of Outstanding First Lien PFC Bonds; and

(c) such amounts as are required to pay Parity Port Payments.

The foregoing sentence shall constitute a pledge by the Port of PFC Revenue to the First Lien Bond Account. To the extent amounts in the First Lien Bond Account are insufficient to make the payments required by subsections (a), (b) and (c) above, such amounts shall be applied pro rata between payments on Outstanding First Lien PFC Bonds (as required by subsections (a) and (b) above) and Parity Port Payments (as required by subsection (c) above).

Section 8. Specific Covenants (Ordinance No. 395-B). The first sentence of Section 9 of Ordinance No. 395-B, as amended, is amended to read as follows:

The Port hereby makes the following covenants and agreements with the owners and holders of each of the First Lien PFC Bonds and Parity Reciprocal
Payors for as long as any First Lien PFC Bonds remain Outstanding or the Port is obligated to make Parity Port Payments.

Section 9. Ordinance and Laws a Contract with Registered Owner (Ordinance 395-B). The following sentence is added to end of Section 13 of Ordinance No. 395-B, as amended:

So long as the obligations of the Port to any Parity Reciprocal Payor have not been discharged and satisfied, such Parity Reciprocal Payor shall be a third party beneficiary of every provision and covenant hereof.

Section 10. Application of PFC Revenue and Other Funds After Default. Section 16(b), First, of Ordinance No. 395-B, as amended, is amended to read as follows:

First: On a pro rata basis, to (i) the payment to the persons entitled thereto of all installments of interest then due to First Lien PFC Bonds, and (ii) the payment of Parity Port Payments; and

Section 11. Added Definitions (Ordinance No. 323). The following defined terms are added to the definitions that are used in Ordinance No. 323, as amended:

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

(b) "Qualified TLO Swap" means: (a) any financial arrangement with respect to bonds or other similar obligations of the Port which; (i) is entered into by the Port with an entity that is a Qualified TLO 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 bonds or other obligations as may be designated or a notional principal amount relating to all or a portion of the principal amount of such bonds or obligations), 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 TLO Swap with respect to such bonds or obligations in a written determination of the Port filed with the trustee of such bonds or obligations; 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.

(c) "Qualified TLO 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 TLO 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 TLO Swap at least as high as
the third highest Rating Category by at least two Rating Agencies then maintaining a rating for the Qualified TLO Swap Provider or its guarantor, provided that each such Qualified TLO Swap Provider executes and delivers 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.

(d) "Scheduled TLO Swap Obligations" means, with respect to any Qualified TLO Swap, the net regularly scheduled payments owed by the Port to the Qualified TLO Swap Provider. The net regularly scheduled payments owed by the Port to the Qualified TLO Swap Provider shall be calculated by subtracting the regularly scheduled payments owed to the Port by the Qualified TLO Swap Provider from the regularly scheduled payments owed by the Port to the Qualified TLO Swap Provider. However, "Scheduled TLO Swap Obligations" shall not include any termination payments, fees, charges or indemnifications.

(e) "TLO Fund" means the Third Lien Obligation Fund created by Section 6B of this Ordinance.

(f) "Third Lien Obligations" or "TLO" 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 Junior Lien Obligations and are payable from amounts deposited in the TLO Fund.

Section 12. Covenants (Ordinance No. 323). The following new Section 5(h) is added to Ordinance No. 323, as amended:

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

Section 13. The TLO Fund (Ordinance No. 323). The following new section is added to Ordinance No. 323, as amended:

Section 6B. The TLO 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 Third Lien Obligation Fund," which is referred to herein as the "TLO Fund."

(b) The TLO Fund shall be held and administered by the Port. The TLO Fund shall contain a Qualified Swap Termination Payment Fund and any other Funds the Port may create for the payment of Third Lien Obligations. The Port shall set aside and pay into the TLO Fund from the first moneys available in the General Account after required payments to the SLB Fund and the JLO Fund: (1) an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and, (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. Amounts required to pay Other TLO Swap Obligations shall be
credited to the Qualified Swap Termination Payment Fund of the TLO Fund. While the Port holds the TLO Fund, if the amount available for credit to the TLO Fund is not sufficient to make all the credits that are then required to be made to Funds in the TLO Fund, the Port shall distribute the available amounts pro rata among the Funds in the TLO Fund based on the amounts that are then required to be credited to the Funds in the TLO Fund.

(c) The Port hereby pledges the Net Revenues that are available for deposit into the TLO Fund under this Ordinance to pay Other TLO 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 TLO Swap and has not determined to make all payments with respect to a Qualified TLO Swap pursuant to Section 2(a), Third, of Ordinance No. 395-B, as amended by Section 5 of Ordinance No. 422-B, or has Third Lien Obligations outstanding, the Port shall deposit into the TLO Fund, for credit to the Qualified Swap Termination Payment Fund of the TLO Fund, moneys sufficient to: (i) pay any Other TLO Swap Obligations that are then due; and, (ii) to collateralize any Qualified TLO Swap in accordance with its terms. The Port may covenant to make additional deposits into other Funds in the TLO Fund to pay Third Lien Obligations and fund reserves for Third Lien Obligations.

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

(f) The Port shall not grant any lien on amounts that are available for deposit in the TLO Fund that is superior to the lien that secures Other TLO Swap Obligations.

(g) The Port may elect to transfer the TLO Fund, or any of its accounts, to a qualified Trustee, but only with the consent of the Qualified TLO Swap Providers of any Qualified TLO Swaps that are then in effect. If the Port so elects, the Trustee shall be obligated to apply the amounts in the TLO 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 TLO Fund.

Any amounts that are transferred as collateral from the TLO Fund to a Qualified TLO 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.

(h) This Section 6B and Section 5(h) of Ordinance No. 323, as amended by Ordinance 422-B, shall not apply to any Qualified TLO Swap if the Port has determined to make all payments with respect to such Qualified TLO Swap pursuant to Section 2(a), Third, of Ordinance 395-B, as amended by Section 5 of Ordinance 422-B.

Section 14. Order of Payments; Priority of Claims (Ordinance No. 323). Section 7 of Ordinance No. 323, as amended, is further amended to read as follows:

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;

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

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

Section 15. Publication and Effective Date of Ordinance. A concise summary of this Ordinance, including the location within the Port where a complete copy of this Ordinance may be obtained without charge, shall be published within five (5) days after passage in a newspaper of general circulation within the boundaries of the Port; and this Ordinance shall, except as otherwise provided by law, become effective thirty (30) days after enactment.
PASSED AND ENACTED by the Board of Commissioners of The Port of Portland at a meeting held on November 8, 2006, and signed by its President.

THE PORT OF PORTLAND

[Signature]

President

Approved as to Form:
ORRICK, HERRINGTON & SUTCLIFFE LLP, as Bond Counsel

[Signature]

By: Douglas E. Goe, Vice Chair, Public Finance