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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Port, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (i) interest on the Subseries Twenty-One A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954 (the "54 Code") and Section 1313(a) of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Subseries Twenty-One A Bond for any period that such Subseries Twenty-One A Bond is held by a "substantial user" of the facilities refinanced by the Subseries Twenty-One A Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 54 Code and (ii) interest on the Subseries Twenty-One B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Subseries Twenty-One B Bond for any period that such Subseries Twenty-One B Bond is held by a "substantial user" of the facilities refinanced by the Subseries Twenty-One B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Subseries Twenty-One A Bonds is not, and interest on the Subseries Twenty-One B Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series Twenty-One A Bonds is, and interest on the Series Twenty-One B Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series Twenty-One Bonds is exempt from present State of Oregon personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the accrual or receipt of interest on, the Series Twenty-One Bonds. See "TAX MATTERS."

$56,770,000
THE PORT OF PORTLAND, OREGON
Portland International Airport Refunding Revenue Bonds
$5,490,000 Subseries Twenty-One A (Non-AMT)
$51,280,000 Subseries Twenty-One B (AMT)

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

The Port of Portland (the "Port") is issuing its Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One A (Non-AMT) (the "Subseries Twenty-One A Bonds") and Subseries Twenty-One B (AMT) (the "Subseries Twenty-One B Bonds," and together with the Subseries Twenty-One A Bonds, the "Series Twenty-One Bonds") to refund certain of the Port's outstanding Portland International Airport Refunding Revenue Bonds, Series Fifteen, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Twenty-One Bonds, all as described herein. The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, serves as the trustee, registrar and paying agent for the Series Twenty-One Bonds.

The Series Twenty-One Bonds will be issued in denominations of $5,000 and integral multiples thereof within a maturity of a subseries. Interest on the Series Twenty-One Bonds will be payable on each January 1 and July 1 (or the next Business Day if January 1 or July 1 is not a Business Day), commencing January 1, 2012, at the rates set forth on the inside cover of this Official Statement.

The Series Twenty-One Bonds are not subject to redemption prior to maturity.

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

The Series Twenty-One Bonds are payable solely from available Net Revenues of the Portland International Airport and certain other money pledged thereto, all as described herein. The Series Twenty-One Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances described herein. The Series Twenty-One Bonds are not secured by any tax revenues or taxing power of the Port or the State of Oregon or its agencies, instrumentalities or political subdivisions.

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

The Series Twenty-One Bonds are offered when, as and if issued, subject to receipt of the approving opinion of Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Bond Counsel to the Port, and to certain other conditions. Certain legal matters will be passed upon for the Port by its General Counsel and for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that delivery of the Series Twenty-One Bonds will be made through the facilities of DTC in New York, New York on or about April 5, 2011.

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

March 10, 2011.

$56,770,000
THE PORT OF PORTLAND
Portland International Airport Refunding Revenue Bonds

$5,490,000 Subseries Twenty-One A (Non-AMT)

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 735240
2012	$1,635,000	3.00%	0.90%	ZK2
2013	1,720,000	3.00	1.21	ZL0
2014	1,770,000	4.00	1.65	ZM8
2015	365,000	5.00	2.20	ZN6

$51,280,000 Subseries Twenty-One B (AMT)

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 735240
2012	$6,585,000	2.00%	1.40%	ZP1
2013	7,290,000	5.00	1.77	ZQ9
2014	6,790,000	5.00	2.34	ZR7
2015	7,120,000	5.00	2.87	ZS5
2016	7,455,000	5.00	3.17	ZT3
2017	7,830,000	5.00	3.46	ZU0
2018	8,210,000	5.00	3.75	ZV8

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

Board of Commissioners

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

Executive, Financial and Legal Management of the Airport

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

Advisors and Consultants

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

Trustee

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

[This page intentionally left blank.]

OFFICIAL STATEMENT

$56,770,000
THE PORT OF PORTLAND, OREGON
Portland International Airport Refunding Revenue Bonds

$5,490,000 Subseries Twenty-One A (Non-AMT)
$51,280,000 Subseries Twenty-One B (AMT)

INTRODUCTION

This Official Statement, including the cover, inside cover, table of contents and appendices, is being provided by The Port of Portland (the "Port") to furnish information in connection with the issuance by the Port of its Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One A (Non-AMT) (the "Subseries Twenty-One A Bonds") and Subseries Twenty-One B (AMT) (the "Subseries Twenty-One B Bonds," and together with the Subseries Twenty-One A Bonds, the "Series Twenty-One Bonds"). The Series Twenty-One Bonds are being issued to refund certain of the Port's outstanding Portland International Airport Refunding Revenue Bonds, Series Fifteen, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Twenty-One Bonds. Unless otherwise defined in this Official Statement, capitalized terms have the meanings set forth in the Airport Revenue Bond Ordinances described below. The definitions of certain terms used in the Airport Revenue Bond Ordinances and in this Official Statement are set forth in Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES."

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

In connection with the issuance of its Portland International Airport Revenue Bonds, Series Twenty (the "Series Twenty Bonds"), the Port engaged Ricondo & Associates, Inc. (the "Airport Consultant") to prepare a report dated October 11, 2010 relating to the Airport and the Series Twenty Bonds. This "Report of the Airport Consultant" attached to this Official Statement as Appendix A is part of this Official Statement and should be read in its entirety. In connection with the issuance of the Series Twenty-One Bonds, the Airport Consultant performed a limited review of certain socioeconomic data, activity level at the Airport and Port financial data and projections, all made available to the Airport Consultant subsequent to the issuance of the Series Twenty Bonds. Based on that review, the Airport Consultant has confirmed that the findings reflected in the Report of the Airport Consultant regarding the Port's ability to satisfy rate covenant requirements and to provide Airport facilities sufficient to satisfy future airline and air passenger needs with reasonable levels of airline rates and charges through the fiscal year ending June 30, 2016 ("FY 2016") are still valid. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT."

The Series Twenty-One Bonds and the SLBs

The Series Twenty-One Bonds are being issued pursuant to the provisions of Sections 778.145 through 778.175 and Chapter 287A of the Oregon Revised Statutes, as amended, and pursuant to Port Ordinance No. 155, enacted by the Board of Commissioners of the Port (the "Board") on November 10, 1971, as amended, restated and supplemented ("Ordinance No. 155"); Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented ("Ordinance No. 323"); and

Port Ordinance No. 437-B, enacted by the Board on March 9, 2011, pursuant to an emergency declared by the Board (the "Series Twenty-One Ordinance," and together with Ordinance No. 155 and Ordinance No. 323, the "Airport Revenue Bond Ordinances"). The terms and administrative provisions of the Series Twenty-One Bonds are described in a Certificate of the Executive Director that is dated the date of the Series Twenty-One Bonds (the "Series Twenty-One Bond Certificate").

The Series Twenty-One Bonds are being issued as "SLBs" under the Airport Revenue Bond Ordinances, and as such are secured by a prior pledge of the Net Revenues of the Airport, on a parity with the pledge of the Net Revenues securing payment of the Port's outstanding SLBs. As of December 31, 2010, the Port had outstanding $511,565,000 in aggregate principal amount of SLBs. The Port has no obligations outstanding secured by a pledge of Net Revenues that is prior to the pledge securing the SLBs, and the Port has covenanted in the Airport Revenue Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs.

The Bank of New York Mellon Trust Company, N.A., Seattle, Washington (the "Trustee"), serves as the trustee, registrar and paying agent for the SLBs, including the Series Twenty-One Bonds.

Security and Source of Payment

Net Revenues. The Series Twenty-One Bonds are payable solely from the Net Revenues that are available for deposit in the General Account and from money in the SLB Fund (including the SLB Reserve Account) and the SLB Construction Account, as defined and provided in the Airport Revenue Bond Ordinances. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Pledge of Revenues." The Series Twenty-One Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Twenty-One Bonds are not secured by any tax revenues or taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

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

Additional Bonds and Parity Reimbursement Agreements. The Airport Revenue Bond Ordinances permit the Port to issue bonds ("Additional SLBs") and enter into certain reimbursement agreements ("Parity Reimbursement Agreements") that are secured by a pledge of Net Revenues and amounts in the SLB Fund and the SLB Construction Account that is on a parity with the pledge securing the Series Twenty-One Bonds. Additional SLBs and Parity Reimbursement Agreements are both referred to as "SLBs." Additional SLBs may be issued to pay costs related to the Airport and costs of acquisition and construction of General Aviation Airports, and to refund SLBs. The Airport Revenue Bond Ordinances impose restrictions on issuing Additional SLBs and entering into Parity Reimbursement Agreements. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Additional Bonds" and "—Parity Reimbursement Agreements."

Special Amendments. In the Series Twenty-One Ordinance, the Port has reserved the right to make certain amendments to the Airport Revenue Bond Ordinances. By purchasing the Series Twenty-One Bonds, the Owners thereof will be deemed to have consented to all of these amendments. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Special Amendments."

Continuing Disclosure

The Port has covenanted for the benefit of the holders of the Series Twenty-One Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12. See "CONTINUING DISCLOSURE" and Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Additional Information

Brief descriptions of the Series Twenty-One Bonds, the Port, the Airport, the Airport Revenue Bond Ordinances and certain other documents are included in this Official Statement (including the appendices hereto). Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and agreements and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, agreement, statute, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof.

This Official Statement is not to be construed as a contract between the Port or the Board and the purchasers or Owners of any of the Series Twenty-One Bonds.

SOURCES AND USES OF SERIES TWENTY-ONE BOND PROCEEDS

Sources and Uses

The Series Twenty-One Bonds are being issued to refund, subject to market conditions, certain of the Port's outstanding Portland International Airport Refunding Revenue Bonds, Series Fifteen, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Twenty-One Bonds. The estimated sources and uses of Series Twenty-One Bond proceeds, rounded to the nearest dollar, are set forth in Table 1.

TABLE 1
ESTIMATED SOURCES AND USES OF SERIES TWENTY-ONE BOND PROCEEDS

	Subseries Twenty-One A	Subseries Twenty-One B	Total
Sources			
Principal Amount	$ 5,490,000	$ 51,280,000	$ 56,770,000
Original Issue Premium (Discount)	281,691	3,692,679	3,974,370
Existing Debt Service Funds	144,375	1,429,706	1,574,081
Other Port Funds	169,713	–	169,713
Total Sources	$ 6,085,779	$ 56,402,385	$ 62,488,164
Uses			
Refunding Account	$ 5,975,989	$ 55,322,885	$ 61,298,874
SLB Reserve Account (1)	73,637	701,363	775,000
Costs of Issuance (2)	36,153	378,137	414,290
Total Uses	$ 6,085,779	$ 56,402,385	$ 62,488,164

(1) See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account."
(2) Includes legal, financial advisory, consulting, accounting, trustee and rating agency fees, printing and other costs of issuance and underwriters' discount.

Source: The Port.

Refunding Plan

On the date of initial delivery of the Series Twenty-One Bonds, certain proceeds of the Series Twenty-One Bonds are to be deposited with the Trustee, as escrow agent pursuant to an escrow deposit agreement. The Trustee will use those proceeds to purchase certain defeasance obligations, the maturing principal of and interest on which will be used to pay interest on the Port's Portland International Airport Refunding Revenue Bonds, Series Fifteen, set forth in Table 2 (the "Refunded Bonds") to and including the redemption date set forth in Table 2, and on the redemption date set forth in Table 2, to redeem the Refunded Bonds at the redemption price set forth in Table 2, expressed as a percentage of the principal amounts of the Refunded Bonds, plus accrued interest to the redemption date.

TABLE 2
REFUNDED BONDS

Series	Maturity Date	Principal Amount	Interest Rate	CUSIP No. 735240	Redemption Date	Redemption Price
Fifteen A	July 1, 2012	$ 1,720,000	5.00%	TV5	July 1, 2011	101%
Fifteen A	July 1, 2013	1,800,000	5.00	TW3	July 1, 2011	101
Fifteen A	July 1, 2014	1,890,000	5.00	TX1	July 1, 2011	101
Fifteen A	July 1, 2015	365,000	5.00	TY9	July 1, 2011	101
Fifteen B	July 1, 2012	4,050,000	5.375	UK7	July 1, 2011	101
Fifteen B	July 1, 2013	4,270,000	5.375	UL5	July 1, 2011	101
Fifteen B	July 1, 2014	3,635,000	5.375	UM3	July 1, 2011	101
Fifteen B	July 1, 2015	2,925,000	5.375	UN1	July 1, 2011	101
Fifteen B	July 1, 2016	3,090,000	5.00	UP6	July 1, 2011	101
Fifteen B	July 1, 2017	3,240,000	5.00	UQ4	July 1, 2011	101
Fifteen B	July 1, 2018	3,400,000	5.00	UR2	July 1, 2011	101
Fifteen D	July 1, 2012	3,475,000	5.25	VD2	July 1, 2011	101
Fifteen D	July 1, 2013	3,665,000	5.50	VE0	July 1, 2011	101
Fifteen D	July 1, 2014	3,865,000	5.50	VF7	July 1, 2011	101
Fifteen D	July 1, 2015	4,110,000	5.50	VG5	July 1, 2011	101
Fifteen D	July 1, 2016	4,305,000	5.50	VH3	July 1, 2011	101
Fifteen D	July 1, 2017	4,550,000	5.50	VJ9	July 1, 2011	101
Fifteen D	July 1, 2018	4,790,000	5.50	VK6	July 1, 2011	101
Total		**$59,145,000**				

The Port has engaged Grant Thornton LLP to verify from the information provided to them the accuracy as of the date of initial delivery of the Series Twenty-One Bonds of the mathematical computations relating to (i) the adequacy of maturing principal amounts of and interest earned on the escrowed defeasance obligations (and necessary cash balance, if any) to redeem and retire the Refunded Bonds and (ii) the yield on the Series Twenty-One Bonds and the yield on the escrowed defeasance obligations.

THE SERIES TWENTY-ONE BONDS

General

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

The Series Twenty-One Bonds will be issued only as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof within a maturity of a subseries. The Series Twenty-One Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as initial securities depository for the Series Twenty-One Bonds. So long as the Series Twenty-One Bonds are in book-entry only form, purchasers of Series Twenty-One Bonds will not receive certificates representing their interest in the Series Twenty-One Bonds purchased. See Appendix D—"DTC AND ITS BOOK-ENTRY ONLY SYSTEM."

Neither the Port nor the Trustee has any responsibility or obligation to DTC Participants or to the persons for whom they act as nominee with respect to the Series Twenty-One Bonds regarding (1) the accuracy of any records maintained by DTC or any nominee or DTC Participants with respect to any ownership interest in the Series Twenty-One Bonds; (2) the delivery to any participant or correspondent or to any other person of any notice with respect to the Series Twenty-One Bonds, including any notice of redemption; (3) the selection by DTC of the beneficial interests in Series Twenty-One Bonds to be redeemed prior to maturity; or (4) the payment to any nominee, participant, correspondent or any other person other than the registered owner, of any amount with respect to principal of, premium, if any, or interest on the Series Twenty-One Bonds.

Payment of Series Twenty-One Bonds

While the Series Twenty-One Bonds are in book-entry only form, payment of principal will be made by wire transfer to DTC or its successor upon the presentation and surrender of the Series Twenty-One Bonds at the principal office of the Trustee. Payment of interest will be made by wire transfer to DTC or its successor on the interest payment date.

While the Series Twenty-One Bonds are in book-entry only form, all notices and payments required to be made or given to Owners of Series Twenty-One Bonds by the Trustee or the Port will be made and given only to DTC or its successor, and not to participants or beneficial owners. Neither the Port nor the Trustee have any responsibility for notices and payments that are to be made or given by DTC or its successor to participants and beneficial owners.

If the Series Twenty-One Bonds cease to be in book-entry only form, then payment of principal will be made by check or draft issued upon the presentation and surrender of the Series Twenty-One Bonds at the principal office of the Trustee, and payment of interest will be made by check or draft mailed to the registered owner shown in the registration books of the Trustee at the close of business on the 15th day of the month preceding each interest payment date.

No Redemption of Series Twenty-One Bonds

The Series Twenty-One Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCE OF PAYMENT FOR THE SLBS

Pledge of Revenues

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

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

activities and/or on debt service and financing costs related to specific projects or activities or (3) tax revenues or tax-derived revenues.

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

Limited Obligations

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

Funds Under the Airport Revenue Bond Ordinances

Airport Fund. All Revenues of the Airport are required to be deposited into the Airport Fund, which is held and administered by the Port. Revenues credited to the Airport Fund must first be used and applied by the Port to the payment of the Costs of Operation and Maintenance of the Airport.

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

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

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

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

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

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

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

Amounts remaining in the General Account after these credits have been made may be used by the Port for any other lawful use or purpose pertaining to the Airport or the aviation or air transport interests of the Port, including without limitation General Aviation Airports.

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

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

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

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

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

The Airport Revenue Bond Ordinances permit the Port to substitute debt service reserve insurance for any portion of the SLB Reserve Fund Requirement, provided that the insurance is issued by a company rated, when the debt service reserve insurance is purchased by the Port, in the highest category by Standard & Poor's, Moody's Investors Service, A.M. Best Company or any comparable service. The SLB Reserve Fund Requirement set forth in Table 3 will be satisfied by a combination of cash; the surety

bonds issued by the providers, in the amounts and expiring on the dates, all as set forth in Table 3; and the portion of Series Twenty-One Bond proceeds set forth in Table 3.

TABLE 3
SLB RESERVE ACCOUNT

Provider	Expiration Date	Amount
MBIA Insurance Corporation [(1)]	July 1, 2015	$11,195,436
Financial Guaranty Insurance Company [(1)]	July 1, 2023	9,670,775
Financial Guaranty Insurance Company [(1)]	July 1, 2025	1,180,750
Financial Guaranty Insurance Company [(1)]	July 1, 2026	13,423,219
Financial Guaranty Insurance Company [(1)]	July 1, 2028	10,770,756
Financial Guaranty Insurance Company [(1)]	July 1, 2028	3,490,190
Total Surety Bonds		$49,731,126
Existing Cash		20,379,313
Series Twenty-One Bond Proceeds		775,000
Total Cash		21,154,313
Total Cash and Surety Bonds		**$70,885,439**
SLB Reserve Fund Requirement		**$48,612,797**

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

Source: The Port.

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

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

TLO Fund. The Third Lien Obligation Fund (the "TLO Fund") is held by the Port. The Port is required to set aside and pay into the TLO Fund from the first money available in the General Account

after required payments to the SLB Fund and the JLO Fund: (1) an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. The Port currently has no bonds that are Third Lien Obligations outstanding, but Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps (defined below) are payable from the TLO Fund. See "PORTLAND INTERNATIONAL AIRPORT—Interest Rate Swaps" and "—Other Obligations" and Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The TLO Fund."

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

Rate Covenant

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

Additional Bonds

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

Parity Reimbursement Agreements

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

Facility; or (c) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement are to be treated as Costs of Operation and Maintenance of the Airport. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Parity Reimbursement Agreements."

Special Amendments

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

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

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

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

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

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

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

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

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

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

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

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

(l) To amend the definition of "SLB Debt Service Requirement" so that for purposes of calculating compliance with the Port's rate covenants, the amount of principal and/or interest on SLBs and/or the amount of Scheduled Swap Obligations paid or to be paid from moneys not then included in the definition of "Revenues" or "Net Revenues" shall be disregarded and not included in any calculation of "SLB Debt Service Requirement."

(m) To amend Ordinance No. 323 to provide that for purposes of determining compliance with the provisions of Ordinance No. 323 relating to Additional SLBs, the amount of passenger facility charges, customer facility charges, state and federal grants or other payments and/or other moneys that are not then included in the definition of "Revenues" or "Net Revenues" but that are committed irrevocably to the payment of debt service on SLBs and to the payment of Scheduled Swap Obligations or that are held by the Trustee for the sole purpose of paying debt service on SLBs and paying Scheduled Swap Obligations may be disregarded and not included in the calculation of SLB Debt Service Requirement for the period in which such amounts are irrevocably committed or are held by the Trustee.

(n) To delete certain provisions of Ordinance No. 155 relating to the filing and recording of ordinances and the annual delivery of legal opinions relating thereto.

(o) To clarify that when determining compliance with the Port's covenants, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of swaps or other derivative products, shall be disregarded.

(p) To exclude from the definition of "Revenues" customer facility charges (or any portion thereof) that may be levied by the Port and collected by rental car companies from their customers and to permit the release from the pledge of Net Revenues for one or more years, and to make Net Revenues available (through a specific pledge or otherwise) to pay other obligations, including Special Obligation Bonds, subject in each case to the covenants and other provisions then applicable to or in connection with Outstanding SLBs, Scheduled Swap Obligations and Junior Lien Obligations.

(q) To combine the SLB Serial Bond Principal Account, the SLB Interest Account and the SLB Term Bond Principal Account into one account within the SLB Fund.

(r) To permit all or a portion of the Remaining Balance, as hereinafter defined, to be taken into account as "Revenues" when determining compliance by the Port with its rate covenants. For this purpose, "Remaining Balance" means for any fiscal year the amount of unencumbered funds on deposit or anticipated to be on deposit on the first day of such fiscal year in the General Account (after all deposits and payments required to be made into the SLB Fund or the JLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year).

(s) To permit the application of proceeds received from the sale of SLBs or of Junior Lien Obligations to make termination payments incurred in connection with terminating swap agreements or other derivative products.

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

THE PORT OF PORTLAND

General

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

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

Board of Commissioners

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

The Board is headed by a President who is appointed by the Governor. The President designates the other officers of the Board, including the Vice President, Secretary and Treasurer. The current Board members and their terms of office are set forth in Table 4.

TABLE 4
THE PORT OF PORTLAND
BOARD OF COMMISSIONERS

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

Source: The Port.

Port Management

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

Bill Wyatt, **Executive Director**, joined the Port as Executive Director in September 2001. Prior to joining the Port, Mr. Wyatt served as Chief of Staff to former Oregon Governor John Kitzhaber from 1994 to 2001, preceded by six years as President of the Oregon Business Council and five years as

Executive Director of the Association for Portland Progress. Mr. Wyatt served as a state representative from the Astoria, Oregon area from 1974 to 1977.

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

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

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

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

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

PORTLAND INTERNATIONAL AIRPORT

General

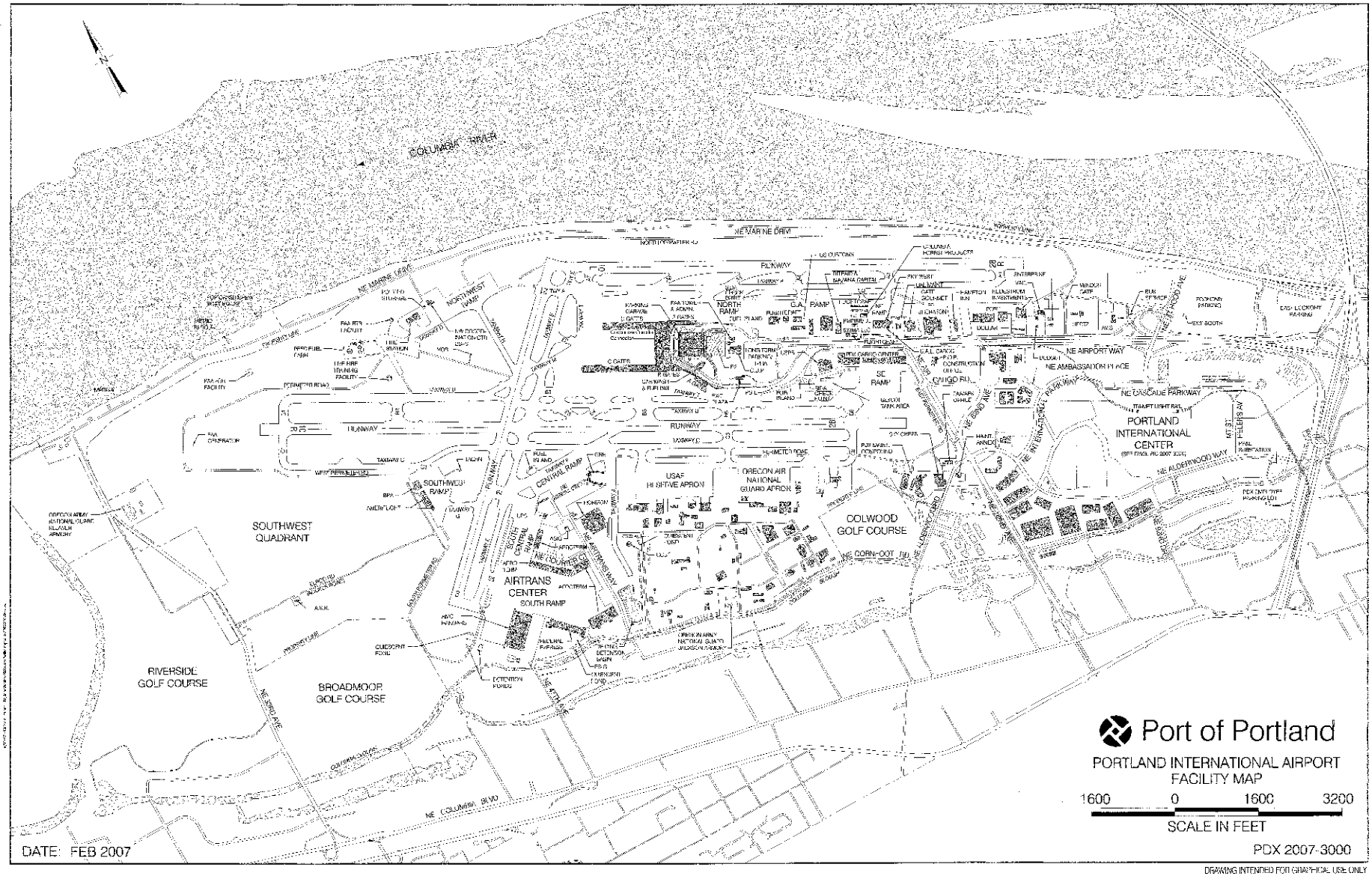
The Port has owned and operated the Airport since 1940. The Airport is located approximately 12 miles northeast of the Portland city center. The Airport is the only commercial air service facility within the Air Trade Area (defined below) and is relatively isolated from competing air service facilities.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

The Airport principally serves origin and destination passengers, which are estimated by the Port to have accounted for about 89% of total Airport passengers in FY 2010, with the remaining 11% of Airport passengers having connected between flights.

According to calendar year 2009 data provided by the Federal Aviation Administration (the "FAA"), the Airport was the 30th busiest airport in the United States in terms of enplaned passengers. The Airport is designated as a medium-hub airport by the FAA (i.e., enplaning more than 0.25% and less than 1.0% of nationwide enplaned passengers during a calendar year), and according to calendar year 2009 data provided by the FAA, was the busiest medium-hub airport in calendar year 2009 in terms of enplaned passengers.

The Airport's general service area consists of Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in the State of Oregon and Clark and Skamania Counties in the State of Washington (the "Air Trade Area"). From 2000 to 2009, the compounded annual growth rate of the population of the Air Trade Area was 1.7%, compared with 1.2% for the State. In 2009, Multnomah County (where the City of Portland and the Airport are located), was the most populated county in the State, accounting for approximately 19% of the population of the State and approximately 32% of the population of the Air Trade Area. In 2009, the Oregon counties in the Air Trade Area accounted for approximately 47% of the population of the State.

See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section II, Economic Base for Air Transportation" for additional information current as of October 2010.


Port of Portland
PORTLAND INTERNATIONAL AIRPORT
FACILITY MAP
1600 0 1600 3200
SCALE IN FEET
PDX 2007-3000
DATE: FEB 2007
DRAWING INTENDED FOR GRAPHICAL USE ONLY
COLUMBIA RIVER
NE MARINE DRIVE
RUNWAY
NORTH RAMP
SOUTHWEST RAMP
CENTRAL RAMP
SOUTH CENTRAL RAMP
SOUTH RAMP
SC RAMP
NE AIRPORT WAY
NE AMBASSADOR PLACE
NE CASCADE PARKWAY
PORTLAND INTERNATIONAL CENTER
NE ALDERWOOD WAY
NE 82ND AVE
NE 33RD AVE
NE COLUMBIA BLVD
NE CORN-OOT RD
SOUTHWEST QUADRANT
RIVERSIDE GOLF COURSE
BROADMOOR GOLF COURSE
AIRTRANS CENTER
USAF HI SPTIVE APRON
OREGON AIR NATIONAL GUARD APRON
COLWOOD GOLF COURSE

Existing Facilities

General. The Airport occupies approximately 3,200 acres of land on the southern edge of the Columbia River in Multnomah County, approximately 12 miles northeast of downtown Portland. The existing airfield consists of two parallel east/west runways (a south runway and a north runway) and one northeast/southwest crosswind runway, all of asphalt concrete construction and fully lighted. The south runway (Runway 10R-28L, which is 11,000 feet long) and the north runway (Runway 10L-28R, which has been extended to 9,825 feet long) are fully instrumented. Runway 3-21, the northeast/southwest crosswind runway, is 6,000 feet in length and is not instrumented.

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

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

A state of the art in-line baggage screening system is currently under construction and when completed in June 2011, all checked bags will be screened in an area beyond public spaces. This new system will allow the Transportation Security Administration to more efficiently screen bags for banned substances, but will also allow removal of screening machines in the ticket lobby, thus increasing circulation.

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

Ground Transportation. A TriMet MAX Light Rail station located at the southern end of the Terminal connects the Airport to Portland, Gresham, Clackamas, Beaverton and Hillsboro. Ground transportation to and from the Airport is also provided by private passenger vehicles, taxis, private bus and shuttle services and limousine services. Eight rental car companies operate at the Airport: five

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

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

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

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

Airport Futures Process

Airport Futures is a collaborative planning process involving the Port, the City of Portland and the Portland-Vancouver metropolitan community, working with a 30-member Planning Advisory Group. Beginning in fall 2007 and concluding in spring 2011, the Port updated its 2000 master plan for the Airport. Among the significant findings were that a third parallel runway will not be required during the planning period (up to 2035) and that the existing airport terminal and roads can meet the demand forecasted in the next 25 years, with modest improvements. Concurrently, the City of Portland developed a land use plan for the Airport recognizing the Airport's role in the regional economy while managing the infrastructure and livability of the City of Portland. The new airport plan district eliminates the need for the Airport to secure a conditional use permit from the City of Portland every 8 to 10 years. The three-year process reinforced the planning legacy of the City of Portland and incorporated principles of sustainability and livability.

Airport Capital Improvement Program

General. The Airport capital improvement program as of October 2010 is summarized in Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.2, Summary of Capital Projects." For purposes of the Report of the Airport Consultant, the Airport's current capital program is organized into two categories: (1) the Series Twenty Projects, which include capital projects to be funded in part with proceeds of the Series Twenty Bonds and (2) Other Capital Projects, which include other Airport capital projects that the Port currently anticipates to be undertaken during the projection period of the Report of the Airport Consultant (through FY 2016). The Series Twenty Projects are estimated to cost approximately $219.1 million (including design, engineering, construction, escalation for inflation and contingency amounts). The Series Twenty Projects include the in-line baggage screening project, completion of the north runway extension project and various other terminal and airfield improvements. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.3, The Series Twenty Projects" for additional information current as of October 2010. The Other Capital Projects include projects for both the Port Cost Center (defined below) and the Airline Cost Center and are expected to cost approximately $577.8 million, of which $106.0 million is expected to be funded with the proceeds of Additional SLBs. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 4.4, Other Capital Projects" and "—Section 5.4, Financing Plan" for additional information current as of October 2010. The Port has made no significant changes to the Airport capital improvement program since October 2010.

Airline Disapproval of Capital Improvement Projects. The Signatory Airlines have agreed to a Majority-in-Interest disapproval process related to Airport capital improvement projects. Subject to certain restrictions, the Port is able to incur indebtedness and make expenditures for capital improvements at the Airport, and all costs associated with capital improvements in the Airline Cost Center (defined below), including finance charges, can be included in the calculations of airline rates. The Series Twenty Projects are not subject to the Majority-in-Interest disapproval process. See "Airline and Cargo Agreements—*Airline Disapproval of Capital Improvement Projects*" under this heading and Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3.5, Airline Disapproval of Capital Improvement Projects" for additional information current as of October 2010.

Financing. The Port expects to finance the capital improvement program with a combination of certain grants and passenger facility charges ("PFCs"), Net Revenues, remaining proceeds of the Port's Portland International Airport Revenue Bonds, Series Nineteen, proceeds of the Series Twenty Bonds and proceeds of Additional SLBs. The Port intends to pursue FAA approval to use PFC revenues to fund PFC-eligible project costs or debt service requirements associated with its south runway rehabilitation project and deicing system improvements, both of which have been included as Other Capital Projects in

the Report of the Airport Consultant. In November 2010, the Port obtained a non-revolving credit facility (the "JLO Credit Facility") in the amount of $100 million to fund estimated costs associated with the south runway rehabilitation project and the deicing system improvements. See "Other Obligations—Junior Lien Obligations—JLO Credit Facility" under this heading. As of December 31, 2010, the Port had drawn down the JLO Credit Facility in the amount of $29,875,054. Until such time as the Port receives PFC approval from the FAA to spend PFC revenues on the south runway rehabilitation project and the deicing system improvements, the Port intends to finance these improvements from draws on the JLO Credit Facility. Upon receipt of FAA approval to use PFC revenues on the south runway rehabilitation project and deicing system improvements, currently anticipated in the second quarter of calendar year 2011, the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. See Appendix A—"Report of the Airport Consultant—Section 5.4.5, Series Twenty and Future Bond Proceeds" for additional information current as of October 2010.

Grants. The Port receives federal grants for Airport-related capital projects under the Airport Improvement Program (the "AIP"). The Port currently expects to receive AIP entitlement grants of approximately $3.7 million per year, based on (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport and (3) a 75% reduction in entitlement grants because the Port collects a $4.50 PFC. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.4.1, Federal, State, and Other Grants" for additional information current as of October 2010.

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

Passenger Facility Charges. PFC revenues are used to pay the costs of certain FAA-approved PFC-eligible projects, either by using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or by pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund costs of approved projects. Pursuant to FAA regulations, the current $4.50 PFC level collected by the Port results in a 75% reduction in AIP passenger entitlement grants. The Port is currently authorized by the FAA, pursuant to ten PFC application approvals, to impose and use approximately $737.6 million of PFC revenues for various projects. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.4.2, Passenger Facility Charge Revenues" for additional information current as of October 2010.

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

Airlines Serving the Airport

As shown in Table 5, as of December 2010, 13 United States-flag and two foreign-flag passenger airlines provided scheduled passenger service at the Airport. In addition, eight airlines provided all-cargo service. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 3.1, Airlines Serving the Airport" for additional information current as of October 2010.

TABLE 5
AIRLINES SERVING THE AIRPORT
(as of December 2010)

Scheduled passenger service	All-cargo service
United States-flag airlines	
Alaska [1]	ABX
American	Air Transport International
Continental [2]	Airpac
Delta	Ameriflight
Frontier	Empire
Hawaiian	FedEx
Horizon Air [1]	MartinAire Aviation
jetBlue	UPS
Seaport	
SkyWest (Delta Connection/United Express)	
Southwest [3]	
United [2]	
US Airways	
Foreign-flag airlines	
Air Canada	
Air Canada Jazz	

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

Source: Port records.

Historical Traffic and Activity

The Airport has historically served primarily origin and destination passengers. The Port estimates origin and destination passengers to have accounted for about 89% of total Airport passengers in FY 2010, with the remaining 11% of Airport passengers having connected between flights. Historical data on enplaned passengers at the Airport since FY 1998 is set forth in Table 6. In FY 2010, approximately 96.7% of passengers were enplaned on domestic flights at the Airport, and the remaining 3.3% were enplaned on international flights.

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

TABLE 6
HISTORICAL ENPLANED PASSENGERS
FY 1998–2011

Fiscal Year Ended June 30	Total Enplaned Passengers	Increase (Decrease)
1998	6,355,313	–
1999	6,711,676	5.6%
2000	6,897,073	2.8
2001	6,778,219	(1.7)
2002	6,047,128	(10.8)
2003	6,107,968	1.0
2004	6,336,392	3.7
2005	6,757,694	6.6
2006	7,012,004	3.8
2007	7,144,443	1.9
2008	7,449,917	4.3
2009	6,654,126	(10.7)
2010	6,477,286	(2.7)
First 6 months		
2010	3,416,176	–
2011	3,533,159	3.4%
	Compounded annual growth rate	
1998-2010		0.2%

Source: Port records, as reported by airlines.

Enplaned passengers by airline at the Airport for FY 2010 are set forth in Table 7.

TABLE 7
ENPLANED PASSENGERS BY AIRLINE
FY 2010

Airline	Enplanements	Share
Horizon Air (1)	1,282,825	19.8%
Southwest (2)	1,237,598	19.1
Alaska (1)	956,724	14.8
Delta	771,899	11.9
United (3)	575,320	8.9
SkyWest	370,593	5.7
Continental (3)	297,029	4.6
US Airways	257,588	4.0
American	211,265	3.3
Frontier	173,985	2.7
Hawaiian	165,498	2.6
jetBlue	103,658	1.6
Air Canada Jazz	54,421	0.8
Other	18,883	0.3
Total	**6,477,286**	**100.0%**

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

Source: Port records.

Air Cargo Operations

Total cargo tonnage at the Airport from FY 1990 through FY 2010 is set forth in Table 8. The movement of air cargo is an important part of the services provided at the Airport for several reasons. At the Airport, it is possible for cargo service to influence numbers of enplaned passengers because, on some routes flown by the passenger airlines, revenue from carrying cargo in the belly compartment of passenger aircraft contributes to total airline profits and can improve the viability of otherwise financially marginal routes.

TABLE 8
HISTORICAL TOTAL CARGO TONNAGE
FY 1998–2011

Fiscal Year Ended June 30	Volume (tons)	Increase (decrease)
1998	323,327	–
1999	332,866	3.0%
2000	332,601	(0.1)
2001	292,415	(12.1)
2002	264,867	(9.4)
2003	262,991	(0.7)
2004	266,472	1.3
2005	283,475	6.4
2006	291,639	2.9
2007	285,983	(1.9)
2008	265,300	(7.2)
2009	211,613	(20.2)
2010	199,905	(5.5)
First 6 months		
2010	101,986	–
2011	111,210	9.0%
	Compounded annual growth rate	
1998-2010		(3.9)%

Source: Port records.

Landed Weight

Landed weight at the Airport, which is used to calculate landing fees, is recorded according to the aircraft's certificated maximum gross landing weight, as determined by the FAA. Historical landed weight at the Airport is set forth in Table 9. Although changes in landed weight do have an effect on the Port's landing fee rates, under the Airline Agreements (defined below) and Ordinance No. 433 and the FAA's *Policy on Rates and Charges*, increased landed weight does not result in higher landing fee revenue to the Port; rather, it reduces the landing fee rate for the airlines. See "Airline and Cargo Agreements" under this heading.

TABLE 9
HISTORICAL LANDED WEIGHT
FY 1998–2011
(1000-pound units)

Fiscal Year Ended June 30	Passenger Airlines	All-Cargo Airlines	Total	Increase (Decrease)
1998	10,130,498	1,413,544	11,544,042	–
1999	10,563,654	1,540,104	12,103,758	4.8%
2000	10,627,373	1,695,417	12,322,790	1.8
2001	10,058,029	1,695,607	11,753,636	(4.6)
2002	8,891,771	1,496,913	10,388,684	(11.6)
2003	8,709,272	1,584,819	10,294,091	(0.9)
2004	8,598,665	1,418,114	10,016,779	(2.7)
2005	8,558,289	1,471,442	10,029,731	0.1
2006	8,826,387	1,500,529	10,326,916	3.0
2007	9,006,434	1,457,523	10,463,957	1.3
2008	9,339,704	1,373,540	10,713,244	2.4
2009	8,523,064	1,217,425	9,740,489	(9.1)
First 6 months				
2010	4,064,167	547,382	4,611,549	–
2011	4,159,694	573,685	4,733,379	2.6%
	Compounded annual growth rate			
1998-2010	(2.1)%	(2.5)%	(2.1)%	

Source: Port records.

Airport Cost Centers

The Port has used a cost center structure for the Airport since FY 1992. The Port has 13 cost centers; six are direct, revenue-producing cost centers and seven are indirect cost centers. The indirect cost centers are allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portion of the indirect cost centers, comprise the Airline Cost Center. The Ground Transportation, Non-Aviation, Other Aviation and Air Cargo direct cost centers, plus their allocated portion of the indirect cost centers, comprise the Port Cost Center. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.1, Financial Structure and Accounting" for additional information current as of October 2010.

Airline and Cargo Agreements

For the Airline Cost Center, the Port has entered into two types of agreements that establish procedures for setting and annually adjusting rentals, rates, fees and charges collected for the use of Airport facilities: Passenger Airline Lease and Operating Agreements (the "Signatory Airline Agreements") and Cargo Carrier Operating Agreements (together with the Signatory Airline Agreements, the "Airline Agreements"). Ordinance No. 433 (an ordinance relating to rents, fees, and other charges for use of facilities and services at the Airport) imposes rates and charges for use of Airport facilities on

airlines other than Signatory Airlines. The Airline Agreements and Ordinance No. 433 became effective July 1, 2010, and the Airline Agreements are scheduled to expire on June 30, 2015. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3, Airline Agreements" for additional information current as of October 2010.

Airline Agreements. Airlines that have executed the Signatory Airline Agreements ("Signatory Airlines") accounted for over 99% of enplaned passengers at the Airport in FY 2010. The Port has also entered into Cargo Carrier Operating Agreements with cargo airlines serving the Airport. The Airline Agreements (1) permit airlines to land at the Airport and (2) govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas. Airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Ordinance No. 433, which reflect a premium over the rates and charges established in the Signatory Airline Agreements.

Residual Rate-Setting Methodology in the Airline Cost Center. Under the residual rate-setting methodology as it applies to the Airline Cost Center, airline rentals, fees and charges are reviewed at least annually and adjusted as necessary to produce an amount such that Net Revenues at least equal the sum of: (1) the Operation and Maintenance Requirement for the Fiscal Year; (2) an amount equal to 130% of the annual deposit to the Interest, Principal and Sinking Fund accounts of the SLB Fund for the Fiscal Year; and (3) any required deposits to the SLB Reserve Account. The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each Fiscal Year, using budgeted O&M Expenses and Revenues for the coming Fiscal Year. In addition, the Port may adjust rental rates to maintain compliance with the Airport Revenue Bond Ordinances, with respect to the Airfield and Terminal cost centers.

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

Revenue Sharing. The Signatory Airline Agreements include a formula for sharing non-airline revenues, subject to certain conditions, with the Signatory Airlines during the term of the Signatory Airline Agreements (through FY 2015). Over the five-year term of the Signatory Airline Agreements, the Port has agreed to share non-airline revenues totaling $30 million (up to $6 million per Fiscal Year), subject to certain conditions, with the Signatory Airlines. The Signatory Airline Agreements also allow for additional revenue sharing if the Airport coverage ratio exceeds certain levels. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3.4, Revenue Sharing" for additional information current as of October 2010.

Airline Disapproval of Capital Improvement Projects. In the Signatory Airline Agreements, the Signatory Airlines agreed to a Majority-in-Interest ("MII") disapproval process for Airport capital improvement projects. Except as restricted by the Airline Agreements, the Port is able to incur indebtedness and make expenditures for capital improvements at the Airport, and all costs associated with capital improvements in the Airline Cost Center, including finance charges, can be included in the calculations of airline rates. Other than certain capital improvements identified in the Signatory Airline Agreements, any capital improvement with a total cost in excess of $1 million and funded in a manner that will directly impact the airline rate base is subject to the MII disapproval process. In general, Signatory Airlines can vote to disapprove a capital improvement with an MII disapproval of 75% of eligible Signatory Airlines. In the event of an MII disapproval, the Port has the option to convene a

meeting with the Airport and Airline Affairs Committee and address questions, ask that the disapproval be withdrawn, or request that another approval vote be taken. If an MII of impacted Signatory Airlines agree in writing to withdrawal of the disapproval, the Port may proceed with the capital improvement. In addition, the Port may not commence construction on any capital improvement project that received Signatory Airline approval under the MII process if, at a later date, the estimated project cost exceeds 110% of the initial estimate. Instead, the Port is required to subject the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate. The Series Twenty-One Projects are not subject to the MII disapproval process. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3.5, Airline Disapproval of Capital Improvement Projects" for additional information current as of October 2010.

The Port may implement, at any time, certain types of projects that are not subject to the MII process, including projects required by a federal or State agency for public safety, projects not covered by insurance that repair casualty damage to Airport property which must be replaced to satisfy Port obligations or to maintain required Revenues and projects necessary to insure compliance with lawful orders or requirements of other authorities with jurisdiction over Airport operations or that are required under the terms of federal or state grants. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3.5, Airline Disapproval of Capital Improvement Projects" for additional information current as of October 2010.

The Signatory Airline Agreements require the Port to allocate 100% of the debt service coverage generated by the Airlines to fund capital improvements in the Airline Cost Center or to fund the Signatory Airlines' allocated portions of capital improvements in the indirect cost centers. The Port may use debt service coverage to fund capital improvements at the Port's sole discretion. The Signatory Airlines have no disapproval rights for capital improvements funded in a manner that does not directly impact the rate base of the Signatory Airlines, such as with debt service coverage. See "*Residual Rate-Setting Methodology in the Airline Cost Center*" above and Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.3.5, Airline Disapproval of Capital Improvement Projects" and "—Section 5.3.6, Debt Service Coverage in Airline Rates" for additional information current as of October 2010.

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

Non-Airline Agreements

The Port has agreements with other entities that operate, provide services or occupy space at the Airport, including a food court restaurants, cafes, pubs, full service restaurants, full service spa, barber, full service bank, newsstands, retail shops and display advertising. In addition, several Airport tenants have executed lease agreements with the Port governing their occupancy and use of space on Airport property. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.6.2, Terminal" for additional information current as of October 2010.

Eight rental car companies operate at the Airport: five provide on-Airport service counters and vehicles (Avis, Budget, Dollar, Enterprise and Hertz), and the other three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo, National and Thrifty). All of the rental car companies pay privilege fees. The Port contracts with Standard Parking, a parking management company, to operate on-Airport automobile parking facilities. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT—Section 5.6.1, Ground Transportation" for additional information current as of October 2010.

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

Historical Operating Results

The financial data set forth in Table 10 and under the heading "Management's Discussion of Results" are derived from the Airport's financial records, which are the basis of the Airport segment of the Port's audited financial statements. The audited financial statements for the Port, including information for the Airport, for the year ended June 30, 2010, with comparative totals for the year ended June 30, 2009, are attached as Appendix B.

The data set forth in Table 10 should be read in conjunction with "Management's Discussion of Results" immediately following Table 10 and in conjunction with the Port's audited financial statements and related notes attached as Appendix B. For financial reporting purposes, the Port is considered to be an enterprise similar to a commercial entity. Accordingly, the financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred. The accounting and reporting policies of the Port and Airport conform to generally accepted accounting principles as applicable to proprietary funds of local governments.

TABLE 10
HISTORICAL FINANCIAL PERFORMANCE
FY 2007–2010
($000s)

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

(1) Items treated differently under Generally Accepted Accounting Principles than under the Airport Revenue Bond Ordinances.
(2) The Port issued pension bonds in 2002 and 2005 to fund its estimated unfunded actuarial accrued liability. See "Other Airport Matters—Pension Plans" under this heading.
(3) For presentation purposes only; the Airport Revenue Bond Ordinances require financial performance to the defined Net Revenue level only.

Source: The Port's audited financial statements.

Management's Discussion of Results

Revenues. Total operating revenues decreased 2.0% from $169.6 million in FY 2009 to $166.3 million in FY 2010. Airline revenues decreased approximately 2.9% from FY 2009 to FY 2010, primarily due to decreased Costs of Operation and Maintenance resulting from cost control measures

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

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

Net Revenues. Net Revenues increased from $76.9 million in FY 2009 to $79.1 million in FY 2010, primarily due to cost cutting measures undertaken by the Airport in response to the economic downturn. In FY 2007 through FY 2010, Net Revenues decreased from $84.7 million to $79.1 million, as a result of increased Costs of Operation and Maintenance and Debt Service. Information shown in Tables 10 and 12 was compiled from the audited financial statements of the Airport for each of FY 2007 through FY 2010 along with, as supplementary information, a Schedule of Compliance with Ordinance Nos. 155 and 323 Debt Service Coverage Requirements. These schedules indicated that Net Revenues exceeded 130% of the Debt Service Requirement in each such Fiscal Year. See Appendix B—"AUDITED FINANCIAL STATEMENTS."

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

Scheduled Debt Service Requirements

The scheduled annual debt service requirements for the SLBs (excluding FY 2011), rounded to the nearest dollar, are set forth in Table 11.

TABLE 11
SLB DEBT SERVICE SCHEDULE

Fiscal Year Ending June 30 [1]	Outstanding SLB Debt Service			Series Twenty-One Bonds Debt Service			Total SLB Debt Service
	Principal	Interest [2]	Total	Principal	Interest	Total	
2012	$ 16,165,000	$ 20,708,278	$ 36,873,278	$ 8,220,000	$ 3,166,786	$ 11,386,786	$ 48,260,063
2013	16,900,000	20,327,397	37,227,397	9,010,000	2,375,400	11,385,400	48,612,797
2014	17,200,000	19,528,065	36,728,065	8,560,000	1,959,300	10,519,300	47,247,365
2015	18,100,000	18,745,702	36,845,702	7,485,000	1,549,000	9,034,000	45,879,702
2016	20,640,000	17,870,147	38,510,147	7,455,000	1,174,750	8,629,750	47,139,897
2017	19,835,000	16,844,276	36,679,276	7,830,000	802,000	8,632,000	45,311,276
2018	20,555,000	15,858,372	36,413,372	8,210,000	410,500	8,620,500	45,033,872
2019	23,810,000	14,837,004	38,647,004	–	–	–	38,647,004
2020	24,930,000	13,667,478	38,597,478	–	–	–	38,597,478
2021	26,145,000	12,440,361	38,585,361	–	–	–	38,585,361
2022	23,165,000	11,160,846	34,325,846	–	–	–	34,325,846
2023	24,305,000	10,017,990	34,322,990	–	–	–	34,322,990
2024	19,010,000	8,818,819	27,828,819	–	–	–	27,828,819
2025	19,930,000	7,881,529	27,811,529	–	–	–	27,811,529
2026	19,760,000	6,898,830	26,658,830	–	–	–	26,658,830
2027	13,620,000	5,921,425	19,541,425	–	–	–	19,541,425
2028	14,285,000	5,256,525	19,541,525	–	–	–	19,541,525
2029	6,625,000	4,559,025	11,184,025	–	–	–	11,184,025
2030	6,940,000	4,240,475	11,180,475	–	–	–	11,180,475
2031	7,305,000	3,878,500	11,183,500	–	–	–	11,183,500
2032	7,685,000	3,493,850	11,178,850	–	–	–	11,178,850
2033	8,090,000	3,089,050	11,179,050	–	–	–	11,179,050
2034	8,510,000	2,662,725	11,172,725	–	–	–	11,172,725
2035	8,965,000	2,214,050	11,179,050	–	–	–	11,179,050
2036	9,440,000	1,741,163	11,181,163	–	–	–	11,181,163
2037	9,940,000	1,243,025	11,183,025	–	–	–	11,183,025
2038	10,460,000	718,325	11,178,325	–	–	–	11,178,325
2039	1,910,000	165,963	2,075,963	–	–	–	2,075,963
2040	1,995,000	84,788	2,079,788	–	–	–	2,079,788
Total	**$426,220,000**	**$254,873,980**	**$681,093,980**	**$ 56,770,000**	**$ 11,437,736**	**$ 68,207,736**	**$749,301,716**

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

(2) Net of capitalized interest. $112.5 million of the Series Eighteen Bonds (defined below) is assumed to bear interest at 4.94% per annum and $11.9 million is assumed to bear interest at 5.13% per annum (in each case, the fixed rates payable by the Port under the Series Eighteen Swaps corresponding to such notional amounts), and the remaining unhedged portion of $3.7 million is assumed to bear interest at 6.00% per annum. See "Interest Rate Swaps" under this heading.

Source: Port records.

Historical Debt Service Coverage

A summary of the debt service coverage for FY 2007 through FY 2010, as derived from the Port's audited financial statements, is set forth in Table 12.

TABLE 12
HISTORICAL DEBT SERVICE COVERAGE
FY 2007–2010

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

Source: The Port's audited financial statements.

Other Obligations

Parity Reimbursement Obligations. In connection with the issuance of an irrevocable direct-pay letter of credit (the "Series Eighteen Letter of Credit") securing payment of the Port's Portland International Airport Refunding Revenue Bonds, Series Eighteen, in the original aggregate principal amount of $138,890,000 (the "Series Eighteen Bonds"), the Port entered into a Reimbursement Agreement dated June 1, 2008, with Lloyds TSB Bank plc (the "Series Eighteen Reimbursement Agreement"). The Series Eighteen Reimbursement Agreement constitutes a Parity Reimbursement Agreement and therefore an SLB for purposes of the Airport Revenue Bond Ordinances, except with respect to certain payments under the Series Eighteen Reimbursement Agreement described below that constitute Junior Lien Obligations. The Series Eighteen Letter of Credit terminates on July 8, 2011. The Port currently expects to replace the Series Eighteen Letter of Credit and has initiated an RFP process to select a new Series Eighteen Letter of Credit provider. See "CERTAIN RISK FACTORS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—Series Eighteen Letter of Credit."

Junior Lien Obligations—Series Eighteen Reimbursement Agreement. The following amounts payable under the Series Eighteen Reimbursement Agreement constitute Junior Lien Obligations rather than SLBs: (1) amounts due upon acceleration of the obligations under the Series Eighteen Reimbursement Agreement upon the occurrence of an event of default under the Series Eighteen Reimbursement Agreement and (2) amounts due and payable by the Port under the Series Eighteen Reimbursement Agreement if, at the time a liquidity drawing is made under the Series Eighteen Letter of Credit, (a) the representations and warranties made by the Port under the Series Eighteen Reimbursement Agreement are not true and correct as of the date of such liquidity drawing or (b) an event of default has occurred and is continuing under the Series Eighteen Reimbursement Agreement. Events of default under the Series Eighteen Reimbursement Agreement include, among other events, a downgrade by Fitch or Standard & Poor's (without regard to credit enhancement, if any) of the rating on the Series Eighteen Bonds or other long-term obligations of the Port secured by a lien on and pledge of Net Revenues equal to the lien and pledge securing the Series Eighteen Bonds to below "BBB" (or its equivalent), or a suspension or withdrawal of such rating. The Series Eighteen Letter of Credit terminates on July 8, 2011. The Port currently expects to replace the Series Eighteen Letter of Credit and has initiated an RFP process to select a new Series Eighteen Letter of Credit provider. See "CERTAIN RISK FACTORS—Changes in

Financial Markets and Financial Condition of Parties Dealing with the Port—Series Eighteen Letter of Credit."

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

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

Junior Lien Obligations—JLO Credit Facility. In November 2010, the Port obtained a non-revolving credit facility (the "JLO Credit Facility") from Wells Fargo Bank, National Association (the "JLO Credit Facility Provider") in the amount of $100 million to fund estimated costs associated with the south runway rehabilitation project and the deicing system improvements. See "Airport Capital Improvement Program—Financing" under this heading. As of December 31, 2010, the Port had drawn down the JLO Credit Facility in the amount of $29,875,054. The JLO Credit Facility is a Junior Lien Obligation secured by a pledge of Net Revenues payable from the JLO Fund. The JLO Credit Facility terminates on November 24, 2012. Upon receipt of FAA approval to use PFC revenues on the south runway rehabilitation project and deicing system improvements, currently anticipated in the second quarter of calendar year 2011, the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. If the JLO Credit Facility is not repaid and the termination date of the JLO Credit Facility is not extended, the Port is obligated to repay the outstanding balance by no later than November 24, 2017, in equal quarterly installments of principal plus accrued interest. Upon an event of default under the JLO Credit Facility, at the option of the JLO Credit Facility Provider, all indebtedness of the Port under the JLO Credit Facility will become immediately due and payable from the JLO Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—JLO Fund" and "CERTAIN RISK FACTORS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—JLO Credit Facility."

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

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

Interest Rate Swaps

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

Swap Policy. The Board adopted a policy on Interest Rate Exchange Agreements (the "Swap Policy") in 2004. Under the Swap Policy, the Port may use interest rate exchange agreements to manage payment, interest rate spread or similar exposure undertaken in connection with existing or anticipated obligations made in the exercise of the borrowing powers of the Port. Permitted interest rate exchange agreements are a contract, an option or a forward commitment to enter into a contract that provides for payments based on levels of or changes in interest rates, or provisions to hedge payment, rate, spread or similar exposure, including an interest rate floor, cap, or an option, put or call. Under the Swap Policy, the Executive Director or the Chief Financial Officer, in consultation with the Port's general counsel, is required to ensure that the risks inherent in each agreement are evaluated and understood before entering into the agreement and that strategies are formulated to minimize the risks, including counterparty risk, rollover risk, basis risk, tax event risk, amortization risk and termination risk.

Under the Swap Policy, the Port may enter into interest rate exchange agreements only with counterparties that have demonstrated experience in such financial instruments and are (1) rated in one of the top three rating categories by at least two nationally recognized rating agencies or (2) will collateralize the agreement in accordance with all statutory requirements. The current statutory collateralization requirement are as follows: cash or obligations rated in one of the top three rating categories by at least two nationally recognized rating agencies; collateral is deposited with the Port or the State Treasurer, on behalf of the Port, or an agent of the Port; collateral has a market value to fully collateralize the agreement; and collateral is marked to market at least quarterly.

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

Swap Obligations under the Series Eighteen Swaps (including termination payments) are payable from the JLO Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Fund" and "—JLO Fund." The Series Eighteen Letter of Credit terminates on July 8, 2011. The Port currently expects to replace the Series Eighteen Letter of Credit and has initiated an RFP process to select a new Series Eighteen Letter of Credit provider. See "CERTAIN RISK FACTORS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—Series Eighteen Letter of Credit."

PFC Bond Swaps. On February 6, 2007, the Port entered into certain interest rate swaps (the "PFC Bond Swaps") in connection with the expected refunding of the Port's Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999A (the "Series 1999A PFC Bonds"), which the Port refunded through the issuance of the Series 2009A PFC Bonds on June 24, 2009. Commencing July 1, 2009, the PFC Bond Swaps require the Port to pay fixed rates of interest per annum on a notional amount of $57,985,000, and to receive variable rates of interest based on one-month LIBOR. The PFC Bond Swaps required the Port's counterparties to make cash payments to the Port totaling $5,453,000. As of June 30, 2010, the PFC Bond Swaps had a negative fair value of approximately $16,202,973. For additional discussion of the PFC Bond Swaps, see Note 7 to Appendix B—"AUDITED FINANCIAL STATEMENTS." The PFC Bond Swaps are coterminous with the maturity of the Series 2009A PFC Bonds, and their aggregate notional amounts decline each year in accordance with the scheduled mandatory redemption of the Series 2009A PFC Bonds. The Port expects to use the variable interest rate payments the Port receives under the PFC Bond Swaps to make the variable interest rate payments on the Series 2009A PFC Bonds. Scheduled TLO Swap Obligations under the PFC Bond Swaps are not payable from or secured by Net Revenues. Termination payments with respect to the PFC Swaps initially are Third Lien Obligations, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established for the payment of Subordinate Lien PFC Obligations. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—TLO Fund."

Investment of Funds

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

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

Other Airport Matters

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

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

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

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

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

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

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

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

The Port's aggregate UAL is the sum of the Port Allocated T1/T2 UAL, the Port Allocated OPSRP UAL, the Port allocated pre-SLGRP surplus, the transition surplus and the Port's UAL Side Account. The Port's aggregate UAL as of December 31, 2007 (the "2007 Port Valuation") and as of December 31, 2009 (the "2009 Port Valuation") are set forth in Table 13. Actuarial determinations are not made solely as to the Airport.

TABLE 13
PORT UNFUNDED ACTUARIAL ACCRUED LIABILITY

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

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

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

Source: 2007 Port Valuation and 2009 Port Valuation.

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

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

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

FY 2009, which was established pursuant to the 2005 Port valuation. Contributions of $1,713,699 and $2,504,858 for FY 2010 and FY 2009, respectively, were applicable to the Airport.

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulation. The Port operates the Airport pursuant to an Airport Operating Certificate issued annually by the FAA after an on-site review. In addition to this Operating Certificate, the Airport is subject to other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants from the FAA's grant program. For example, all long-term planning is subject to the FAA's approval, outside audits of the

Airport's financial statements are subject to periodic audits by the FAA, the Port's use of Revenues generated at the Airport, which is limited to aviation-related purposes, is subject to review by the FAA and the Port's use of PFC revenues and grant proceeds is also subject to audit and review.

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

In addition, the Port is required to obtain land use approvals (the "City Approvals") from the City of Portland. The current City Approvals are scheduled to expire in August 2011. Port management is currently working cooperatively with the City of Portland and other stakeholders to change the land use structure to acknowledge the Airport as a land use and to provide additional flexibility for developing the Airport as demand grows. This project, known as Airport Futures, is scheduled to be completed in 2011. See "PORTLAND INTERNATIONAL AIRPORT—Airport Futures Process."

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

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

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

Rates and Charges Regulation. The Federal Aviation Administration Authorization Act of 1994, as amended (the "FAA Act"), and FAA regulations require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. The FAA Act and regulations provide that for all airports, with certain

exceptions, the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

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

Airport Environmental Matters

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

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

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

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

Natural Resources Mitigation. Planned maintenance, development and redevelopment activities at the Airport occasionally impact protected natural resource features such as wetlands, upland grasslands and other sensitive ecosystems. Environmental and land use regulations sometimes require mitigating these impacts by avoiding, minimizing or reducing the impacts, or by replacing the impacted resources and ecosystem functions in another location. The Port can not currently estimate the cost to mitigate these planned impacts.

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

Non-Airport Environmental Matters

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

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

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

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

Two of these Portland Harbor cleanup sites—Cascade General Portland Ship Repair Yard and Willamette Cove—are also covered by settlement agreements with current property owners that require the Port to complete investigation of the uplands and adjacent sediments to the extent required by law. At the Cascade General Portland Ship Repair Yard, investigation and cleanup is being performed by the Port

pursuant to the 2000 purchase and sale agreement. At Willamette Cove, investigation and cleanup is being performed by the Port under a 2000 interim settlement with another public agency, METRO. Partial insurance recovery has been received. The Port is pursuing other PRPs' contribution to and participation in the investigation and cleanup of Portland Harbor, primarily thorough alternative dispute resolution processes.

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

No Litigation Relating to the Series Twenty-One Bonds

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

Other Litigation

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

REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc. (the "Airport Consultant") delivered a report to the Port dated October 11, 2010 regarding the Airport, the Series Twenty Bonds and related matters (the "Report of the Airport Consultant"), which is attached to this Official Statement as Appendix A and is part of this Official Statement. The information in the body of this Official Statement that is taken from the Report of the Airport Consultant summarizes or excerpts portions of the Report of the Airport Consultant and is current as of October 2010. Potential purchasers of the Series Twenty-One Bonds should read the Report of the Airport Consultant in its entirety.

The Report of the Airport Consultant discusses the economic base for air transportation (Appendix A—Section II), air traffic (Appendix A—Section III), Airport facilities and capital program (Appendix A—Section IV), and presents a financial analysis of the Airport (Appendix A—Section V), all as of October 2010.

In connection with the issuance of the Series Twenty-One Bonds, the Airport Consultant performed a limited review of certain socioeconomic data, activity level at the Airport and Port financial data and projections, all made available to the Airport Consultant subsequent to the issuance of the Series Twenty Bonds. Based on that review, the Airport Consultant has confirmed that the findings reflected in the Report of the Airport Consultant regarding the Port's ability to satisfy rate covenant requirements and

to provide Airport facilities sufficient to satisfy future airline and air passenger needs with reasonable levels of airline rates and charges through FY 2016 are still valid. See Appendix A—"REPORT OF THE AIRPORT CONSULTANT."

In the opinion of the Airport Consultant, the assumptions underlying the Port's forecast of Net Revenues provide a reasonable basis for the forecasts set forth therein. The Airport Consultant notes, however, that any forecast is subject to uncertainties, that some assumptions will not be realized, and unanticipated events and circumstances may occur, that there are likely to be differences between the forecast and actual results, and those differences may be material. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and underlying assumptions contained therein. The Airport Consultant has no responsibility to update the Report of the Airport Consultant because of events and transactions occurring after the date of that report.

The Report of the Airport Consultant was prepared by the Airport Consultant and contains prospective financial information. This prospective financial information in the Report of the Airport Consultant was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Other prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant, has been prepared by, and is the responsibility of, the Port's management. PricewaterhouseCoopers LLP, independent accountants, which audited the Port's financial statements attached to this Official Statement as Appendix B, has neither examined nor compiled this prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or offer any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in Appendix B of this Official Statement relates to the Port's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

CERTAIN RISK FACTORS

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

Demand for Air Travel

The Series Twenty-One Bonds are payable solely from the Net Revenues that are available for deposit in the General Account and from money in the SLB Fund (including the SLB Reserve Account) and the SLB Construction Account, as defined and provided in the Airport Revenue Bond Ordinances. See "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Pledge of Revenues." The collection of Net Revenues sufficient to pay debt service on the Series Twenty-One Bonds when due depends primarily on the level of aviation activity and enplaned passenger traffic at the Airport. The level of aviation activity and enplaned passenger traffic at the Airport, in turn, depend upon a number of factors including local, regional, national and international economic and political conditions; international hostilities such as those presently occurring in Iraq and elsewhere in the Middle East; world health concerns such as the 2002-2003 Severe Acute Respiratory Syndrome (or SARS) outbreak; aviation security concerns; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed in more detail in "Financial Condition of the Airlines" under this heading; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports; reliability of air service; and the availability and convenience of service at the

Airport, among others. Many of these factors are outside the Port's control. Decreases in aviation activity and enplaned passenger traffic at the Airport would result in reduced Net Revenues. A number of these factors are discussed in Appendix A—"REPORT OF THE AIRPORT CONSULTANT," which is current as of October 2010.

Financial Condition of the Airlines

Since 2001, the global airline industry has undergone substantial structural changes and has sustained significant financial losses. After a period of improved cash flow beginning in 2005, airlines are again facing significant challenges. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the state of the U.S. economy, other regional and world economies, corporate profitability, security concerns and other factors. Structural changes to the industry are the result of a number of factors including the impact of low cost carriers, internet travel web sites and carriers reorganizing under the Bankruptcy Code. Since the events of September 11, 2001, a number of airlines filed for bankruptcy reorganization. Airline bankruptcies are discussed in greater detail in "Effect of Airline Bankruptcies" under this heading.

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

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

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

Effect of Airline Bankruptcies

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

rise to an unsecured claim of the Port for damages, the amount of which may be limited by the Bankruptcy Code.

Consolidation of Airlines

Delta Air Lines and Northwest Airlines merged effective January 31, 2010. United Airlines and Continental Airlines merged effective October 1, 2010. Southwest Airlines announced in September 2010 that it would acquire AirTran Airways, subject to regulatory and shareholder approval. Such consolidations may result in decreases in gate utilization by airlines, which decreases could be significant.

Aviation Security Concerns

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

Expiration of Airline Agreements

Airport Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Signatory Airline Agreements. The current Airline Agreements are scheduled to expire on June 30, 2015. The Port anticipates that it will renegotiate such Airline Agreements prior to their expiration and to enter into new agreements. No assurance can be given concerning the outcome of any such negotiations or the content of any new airline agreements with the airlines utilizing the Airport, although airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Ordinance No. 433, which reflect a premium over the rates and charges established in the Signatory Airline Agreements. Any reduction in Revenues or change in the manner of assessing rentals, fees and charges could have an adverse impact on the timely payment of principal of or interest on the Series Twenty-One Bonds.

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

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

Series Eighteen Swaps and PFC Bond Swaps. The Port pays a fixed rate and receives a variable rate under the Series Eighteen Swaps and the PFC Bond Swaps. The Port generally expects that the variable rates it receives under the Series Eighteen Swaps and the PFC Bond Swaps will be roughly equal to the variable rates payable on the Series Eighteen Bonds and the Series 2009A PFC Bonds, respectively. However, disruptions in the bond or swap markets may cause the variable rates the Port receives to be lower than the variable rates the Port pays, increasing debt service costs to the Port above the level the Port currently anticipates. In addition, as of June 30, 2010, the Series Eighteen Swaps and the PFC Bond Swaps had and can be expected to continue to have a negative fair value, because the Port received cash payments in connection with entering into the Series Eighteen Swaps and the PFC Bond Swaps. As a result, the Port would likely be required to pay substantial amounts if the Series Eighteen Swaps or the PFC Bond Swaps were terminated prior to their respective scheduled termination dates. The Series Eighteen Swaps and the PFC Bond Swaps may be terminated for a variety of reasons beyond the Port's control, including adverse changes in the credit quality of the Port's counterparties. See "PORTLAND INTERNATIONAL AIRPORT—Interest Rate Swaps" and Note 7 to Appendix B—"AUDITED FINANCIAL STATEMENTS." The Series Eighteen Letter of Credit terminates on July 8, 2011. The Port currently expects to replace the Series Eighteen Letter of Credit and has initiated an RFP process to select a new Series Eighteen Letter of Credit provider. See "Series Eighteen Letter of Credit" below.

Series Eighteen Letter of Credit. The Series Eighteen Letter of Credit terminates on July 8, 2011. The Port currently expects to replace the Series Eighteen Letter of Credit and has initiated an RFP process to select a new Series Eighteen Letter of Credit provider. The Port currently intends to keep the Series Eighteen Bonds outstanding as variable rate obligations until the Series Eighteen Bonds mature in 2026. However, if the Port is unable to extend or replace the Series Eighteen Letter of Credit, the provider of the Series Eighteen Letter of Credit is obligated to purchase the outstanding Series Eighteen Bonds before the Series Eighteen Letter of Credit terminates. In that case the Port could be obligated to repay all principal of the Series Eighteen Bonds out of the SLB Fund over a period of five years. See "PORTLAND INTERNATIONAL AIRPORT—Other Obligations." In addition, if fees for extensions or replacements of the Series Eighteen Letter of Credit increase substantially or such extensions or replacements otherwise cease to benefit the Port, the Port may seek to refund or convert the Series Eighteen Bonds with fixed rate bonds and terminate the Series Eighteen Swaps, which may increase debt service associated with the Series Eighteen Bonds above that currently projected by the Port. See "PORTLAND INTERNATIONAL AIRPORT—Scheduled Debt Service Requirements."

JLO Credit Facility. The JLO Credit Facility terminates on November 24, 2012. Upon receipt of FAA approval to use PFC revenues on the south runway rehabilitation project and deicing system improvements, currently anticipated in the second half of calendar year 2011, the Port intends to repay the JLO Credit Facility with the proceeds of future bonds, the debt service on which is expected to be paid from PFC revenues. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program—Financing". If the JLO Credit Facility is not repaid and the termination date of the JLO Credit Facility is not extended, the Port is obligated to repay the outstanding balance by no later than November 24, 2017, in equal quarterly installments of principal plus accrued interest. Upon an event of default under the JLO Credit Facility, at the option of the JLO Credit Facility Provider, all indebtedness of the Port under the JLO Credit Facility will become immediately due and payable from the JLO Fund. See "PORTLAND INTERNATIONAL AIRPORT—Other Obligations—Junior Lien Obligations—JLO Credit Facility" and "SECURITY AND SOURCE OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—JLO Fund."

Uncertainties of Projections, Forecasts and Assumptions

This Official Statement, and particularly the information in Appendix A—"REPORT OF THE AIRPORT CONSULTANT," contains statements relating to future results that are "forward looking

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

Limitation of Remedies

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

Risk of Tax Audit of Municipal Issuers

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

FAA Reauthorization

Congressional authorization for the FAA's operating authority, including various aviation programs and excise taxes, expired in 2007 and has been subsequently extended by Congress for short periods. The 17th such extension expires March 31, 2011. The Port cannot predict the term and conditions of any future Congressional reauthorization. Failure of Congress to reauthorize the FAA's operating authority, or adverse changes in the conditions placed on such authority, may have an adverse impact on Airport operations.

Other Future Legislation and Regulations

The operation of the Airport and the ability of the Port to generate Net Revenues sufficient to pay the Series Twenty-One Bonds may be adversely affected by other future federal, state or local legislation or regulations that affect the Airport directly or affect activities at the Airport. Legislation or regulations

that could adversely affect the Net Revenues includes legislation or regulations limiting the use of Airport properties, legislation or regulations imposing additional liabilities or restrictions on the operation of the Airport or the airlines and other persons using the Airport, changes in environmental laws or regulations, reductions in federal funding for the Airport and elimination or reduction of the ability of the Port to impose PFCs or other fees and charges for use of Airport products or services. State laws may be enacted by citizen initiative, in addition to laws enacted by the Oregon Legislative Assembly. In addition, the United States Congress could enact legislation making interest on the Series Twenty-One Bonds includable in gross income, and the Oregon Legislative Assembly could enact legislation subjecting Series Twenty-One Bond interest to State taxation.

CONTINUING DISCLOSURE

The Port has covenanted for the benefit of registered and beneficial holders of the Series Twenty-One Bonds to provide certain financial information and operating data relating to the Airport (the "Annual Report") no later than nine months after the end of the preceding Fiscal Year, beginning with the Port's Fiscal Year ending June 30, 2011, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events are to be filed by the Port with the Municipal Securities Rulemaking Board (the "MSRB") through the electronic municipal market access system ("EMMA") established by the MSRB. The specific nature of the information to be contained in the Annual Report and in the notices of material events is set forth in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Port has always complied in all material respects with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 relating to the provision of Annual Reports or notices of material events.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Subseries Twenty-One A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954 (the "54 Code") and Section 1313(a) of the Tax Reform Act of 1986 (the "Act"), except that no opinion is expressed as to the status of interest on any Subseries Twenty-One A Bond for any period that such Subseries Twenty-One A Bond is held by a "substantial user" of the facilities refinanced by the Subseries Twenty-One A Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 54 Code and interest on the Subseries Twenty-One B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Subseries Twenty-One B Bond for any period that such Subseries Twenty-One B Bond is held by a "substantial user" of the facilities refinanced by the Subseries Twenty-One B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Subseries Twenty-One A Bonds is not, and interest on the Subseries Twenty-One B Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series Twenty-One A Bonds is, and interest on the Subseries Twenty-One B Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series Twenty-One Bonds is exempt from present State of Oregon personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series Twenty-One Bonds is less than the amount to be paid at maturity of such Series Twenty-One Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series Twenty-One Bonds), the difference constitutes

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

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

The Code, the 1954 Code and the Act impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series Twenty-One Bonds. The Port has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series Twenty-One Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series Twenty-One Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series Twenty-One Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series Twenty-One Bonds may adversely affect the value of, or the tax status of interest on, the Series Twenty-One Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

Future legislative proposals, if enacted into law, clarification of the Code, the 1954 Code or the Act or court decisions may cause interest on the Series Twenty-One Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series Twenty-One Bonds. Prospective purchasers of the Series Twenty-One Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series Twenty-One Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Port, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Port has covenanted, however, to comply with the requirements of the Code, the 1954 Code and the Act.

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

APPROVAL OF LEGAL MATTERS

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

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

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, serves as trustee, registrar and paying agent for the SLBs, including the Series Twenty-One Bonds. The principal office of the Trustee is currently located at 601 Union Street, Suite 520, Seattle, Washington 98101. The Bank of

New York Mellon Trust Company, N.A. is a subsidiary of The Bank of New York Mellon Corporation and successor trustee to the Corporate Trust Business of Wells Fargo Bank National Association and First Interstate Bank of Oregon.

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

INDEPENDENT ACCOUNTANTS

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

RATING

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

UNDERWRITING

The Subseries Twenty-One A Bonds are to be purchased by Goldman, Sachs & Co., acting on its own behalf and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Underwriters"), at a price of $5,760,826.96 (representing the aggregate principal amount of the Subseries Twenty-One A Bonds, plus an original issue premium of $281,691.15, less an underwriters' discount of $10,864.19). The Subseries Twenty-One B Bonds are to be purchased by the Underwriters at a price of $54,833,695.58 (representing the aggregate principal amount of the Subseries Twenty-One B Bonds, plus an original issue premium of $3,692,679.15, less an underwriters' discount of $138,983.57). The Bond Purchase Agreement between the Port and the Underwriters provides that the Underwriters will purchase all of the Series Twenty-One Bonds if any are purchased and that the purchase of the Series Twenty-One Bonds is subject to the conditions set forth in that Bond Purchase Agreement.

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

MISCELLANEOUS

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

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

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

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

THE PORT OF PORTLAND

By /s/ Vincent Granato
Chief Financial Officer and
Director of Financial & Administrative Services

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

[This page intentionally left blank.]

RICONDO
& ASSOCIATES

March 2, 2011

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

RE: Report of the Airport Consultant Dated October 11, 2010
Portland International Airport Revenue Bonds, Series Twenty
The Port of Portland

Dear Mr. Wyatt:

This letter was prepared by Ricondo & Associates, Inc. (R&A) in conjunction with the planned issuance by The Port of Portland (the Port) of its Portland International Airport Refunding Revenue Bonds, Series Twenty-One (the Series Twenty-One Bonds) to refund certain of the Port's outstanding Portland International Airport Refunding Revenue Bonds, Series Fifteen (the Series Fifteen Bonds), to fund certain reserves, and to pay related costs of issuance. This letter, along with the Report of the Airport Consultant dated October 11, 2010 (the Series Twenty Report), discussed below, is intended for inclusion in the Official Statement for the Series Twenty-One Bonds as Appendix A: Report of the Airport Consultant.

In October 2010, in conjunction with the Port's issuance of Portland International Airport Revenue Bonds, Series Twenty (the Series Twenty Bonds), R&A prepared the Series Twenty Report included as Appendix A in the Official Statement for the Series Twenty Bonds. The Port prepared the aviation activity and financial projections reflected in the Series Twenty Report (the Series Twenty Projections) based on information and assumptions that were developed and approved by Port management. The Series Twenty Projections reflected Port management's judgment of expected conditions and the Port's expected course of action during the projection period, specifically the Port's fiscal year (FY) ending June 30, 2011 through FY 2016 (the Projection Period).

The Series Twenty Report incorporated estimates of future debt service associated with the Series Twenty Bonds as well as certain future Airport Revenue Bonds anticipated by the Port to be issued during the Projection Period. At the time the Series Twenty Report was prepared, the potential refunding of certain outstanding Series Fifteen Bonds was not assumed, and any potential debt service savings related to the refunding of Series Fifteen Bonds were not reflected in the Series Twenty Report. In addition, with the Series Twenty Bonds the Port refunded the outstanding Series Twelve Bonds to realize debt service savings, which are not reflected in the Series Twenty Report. At the time the Series Twenty Report was prepared, R&A reviewed the Port's airline traffic and financial projections which were included in the Series Twenty Report, as well as the related underlying assumptions. On the basis of our review, it was our opinion that the Port's airline traffic projections, financial projections, and underlying assumptions were reasonable for the purposes of

105 EAST FOURTH STREET, SUITE 1700, CINCINNATI, OH 45202
TEL (513) 651-4700 • FAX (513) 412-3570

that analysis.

This letter (1) serves as R&A's consent to use of the Series Twenty Report as Appendix A of the Official Statement for the Series Twenty-One Bonds and (2) serves to confirm that findings reflected in the Series Twenty Report regarding the Port's ability to satisfy Rate Covenant requirements, as set forth in Section 5(f) of Port Ordinance No. 323, as amended and restated, and to provide Airport facilities sufficient to satisfy future airline and air passenger needs with reasonable levels of airline rates and charges for each Fiscal Year of the Projection Period are still valid, based on the following:

- Our review of certain socioeconomic data available since the date of the Series Twenty Report which suggests the economic base of the Airport's air trade area (i.e., the geographical area primarily served by the Airport) is still well-positioned, diverse, and capable of generating increased demand for air travel at the Airport;
- Our review of (i) Airport activity information available since the date of the Series Twenty Report which reflects enplanement growth of 3.4 percent through the first six months of FY 2011 and (ii) the Port's increase in its forecast for FY 2011 enplanement growth from 0.7 percent to 4.0 percent, which together suggest that FY 2011 activity levels at the Airport are likely to be higher than as projected in the Series Twenty Report; and
- Our review of financial data and Port financial projections available since the date of the Series Twenty Report which reflect no significant changes relative to information reflected in the Series Twenty Report, other than the debt service savings associated with the refunding of the Series Twelve Bonds as discussed previously.

The Official Statement for the Series Twenty-One Bonds presents certain information and data that is more current than the information and data reflected in the Series Twenty Report. R&A has not updated the Series Twenty Report and has no obligation to update this letter or the Series Twenty Report.

The Series Twenty Report should be read in its entirety for an understanding of the projections and underlying assumptions contained therein. Any projection is subject to uncertainties, some assumptions will not be realized, unanticipated events and circumstances may occur, and there are likely to be differences between projections and actual results, and those differences may be material.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

APPENDIX A

The Port of Portland
Portland International Airport Revenue Bonds, Series Twenty

Report of the Airport Consultant

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

RICONDO
& ASSOCIATES

October 11, 2010

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

RE: The Port of Portland
Portland International Airport Revenue Bonds, Series Twenty
Appendix A: Report of the Airport Consultant

Dear Mr. Wyatt:

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

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

Planned Series Twenty Bonds

The Port plans to issue the Series Twenty Bonds to: (1) fund a portion of the costs of certain Airport improvements including the Baggage Screening In-Line System Project, completion of the North Runway Extension Project, and various other terminal and airfield improvements (as described in Section 4.3 of this report and collectively referred to as the Series Twenty Projects); (2) fund capitalized interest; (3) fund required debt service reserve account amounts; and (4) pay the costs of issuance of the Series Twenty Bonds, all as more fully described in Chapter 5 (Financial Analysis) of this report. Estimated debt service requirements for the planned Series Twenty Bonds (and the future bonds discussed in the section below) have been incorporated in the financial tables accompanying Chapter 5 of this report.

As part of the Series Twenty Bonds financing, the Port is considering the issuance of Airport Revenue Refunding Bonds to refund all or a portion of its outstanding Series Twelve Bonds and

105 EAST FOURTH STREET, SUITE 1700, CINCINNATI, OH 45202
TEL (513) 651-4700 • FAX (513) 412-3570

expects that debt service savings would result from this potential refunding. The potential refunding of Series Twelve Bonds (and any associated debt service savings) has not been assumed in this report or the tables accompanying Chapter 5 of this report. If this refunding were to occur, the Port expects that the debt service would be lower than as reflected in the financial tables accompanying Chapter 5 of this report.

Future Bonds

The Port estimates that future Airport Revenue Bonds will not be required to complete the Series Twenty Projects. The Port currently anticipates issuing approximately $106.0 million of future Subordinate Lien Bonds (subsequent to the Series Twenty Bonds) to fund a portion of the costs of other capital projects anticipated by the Port at the Airport during the projection period--Fiscal Year[1] (FY) 2010 through FY 2016 (the Projection Period). Estimated debt service requirements for the Series Twenty Bonds and future borrowings anticipated by the Port to be issued during the Projection Period have been incorporated in the financial tables accompanying Chapter 5 of this report.

Bond Ordinances

The Series Twenty Bonds are being issued pursuant to various provisions in Port Ordinances No. 155 and No. 323 (each as amended and restated) (collectively, the Existing Bond Ordinances) and Port Ordinance No. 435-B (the Series Twenty Bond Ordinance) enacted by the Port on September 8, 2010. The Existing Bond Ordinances and the Series Twenty Bond Ordinance are referred to collectively in this report as the Bond Ordinances. Except as defined otherwise, the capitalized terms used in this section, in the "Financial Analysis" subsection below, and in Chapter 5 (Financial Analysis) of this report are as defined in the Bond Ordinances. All of the Port's currently outstanding airport revenue bonds were issued under the Existing Bond Ordinances as Subordinate Lien Bonds (SLBs) and have a parity claim to Net Revenues.

The Bond Ordinances provide that SLBs are payable solely from Net Revenues (after payment, or provision for the payment, of the Costs of Operation and Maintenance, referred to in this report as O&M Expenses) and from moneys in the SLB Fund and the SLB Construction Account. The Port has no other debt outstanding with a claim on Net Revenues senior to the claim of the SLBs.

The Bond Ordinances require that certain covenants be met while any SLBs are outstanding and that certain financial tests be met before future SLBs can be issued, including an additional bonds test requiring that projected Net Revenues, as defined in the Bond Ordinances, provide sufficient coverage for future debt service associated with outstanding SLBs (including the planned Series

[1] The Airport's Fiscal Year is the 12-month period ending June 30th.

Twenty Bonds). Chapter 5 of this report presents estimates of future debt service coverage to demonstrate the Port's ability to meet certain requirements of the Bond Ordinances, including the Rate Covenant.

Airline Agreements

As of September 1, 2010, the Port and various passenger airlines serving the Airport (the Signatory Airlines, accounting for 95 percent of FY 2010 enplaned passengers at the Airport) have entered into Signatory Passenger Airline Lease and Operating Agreements (the Signatory Airline Agreements). The Port has also entered into Cargo Carrier Operating Agreements (the Signatory Cargo Carrier Agreements) with cargo airlines serving the Airport. The Signatory Airline Agreements and the Signatory Cargo Carrier Agreements are referred to collectively in this report as the Airline Agreements.

The Airline Agreements became effective July 1, 2010 and expire June 30, 2015 (at the end of FY 2015). Airlines operating at the Airport without a signed Airline Agreement (non-signatory airlines) will be subject to the rates and charges established in Ordinance No. 433, an ordinance relating to rents, fees, and other charges for use of facilities and services at the Airport. Rates and charges as established in Ordinance No. 433 reflect a premium over signatory rates and charges.

The Airline Agreements (1) permit airlines to land at the Airport and (2) govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters, and gate areas. In addition, the Airline Agreements establish procedures for setting and annually adjusting airline rentals, rates, fees, and charges collected for the use of Airport facilities. The Airline Agreements and Ordinance No. 433 are described in more detail in Section 5.3 of this report.

As compared to the Port's previous airline agreements, which expired on June 30, 2010, the current Airline Agreements incorporate changes with respect to the formula for sharing non-airline revenues, the manner in which the sharing of non-airline revenues occurs, the formula for determining revenue sharing reductions, if any, and the manner in which the Signatory Airlines can approve or disapprove of potential capital improvement projects. Current Airline Agreement provisions related to these items are presented in more detail in Section 5.3.4 (Revenue Sharing) and Section 5.3.5 (Airline Disapproval of Capital Improvement Projects).

The financial projections reflected in Chapter 5 of this report and the accompanying financial tables for the Projection Period are based on the business terms and procedures for annual adjustment of rentals, fees, and charges contained in the Airline Agreements. For purposes of the financial projections reflected in Chapter 5 of this report, it was assumed that a similar mix of airlines

currently serving the Airport (with similar use of Airport facilities) would continue to operate at the Airport under their current agreement status (i.e., signatory, cargo, or ordinance) throughout the Projection Period. It was also assumed for purposes of preparing financial projections that the business terms of the current Airline Agreements would extend beyond their expiration at the end of FY 2015 through FY 2016. Assuming the continuation of current Airline Agreement status and the extension of current business terms beyond the current agreement expiration at the end of FY 2015 is reasonable and standard industry practice when specific changes to the current agreements have not been planned (as is the case with the Port).

Report of the Airport Consultant

This Report of the Airport Consultant is organized as follows:

- **Chapter 1—Introduction.** Provides an overview of the Port and its governance; a summary of the planned issuance of Series Twenty Bonds; and a general description of the Airport.
- **Chapter 2—Economic Base for Air Transportation**. Provides a description of the general economy of the Air Trade Area and relevant economic and demographic trends.
- **Chapter 3—Air Traffic.** Presents historical and projected aviation activity at the Airport.
- **Chapter 4—Airport Facilities and Capital Program.** Provides a description of the projects being funded with the proceeds of the Series Twenty Bonds and associated project costs. Chapter 4 also provides descriptions and associated costs for other future capital projects planned at the Airport. The financial impacts of both the Series Twenty Projects and the other capital projects are incorporated in Chapter 5 of this report and the accompanying financial tables.
- **Chapter 5—Financial Analysis.** Provides a discussion of the financial framework for the Series Twenty Bonds and the operation of the Airport (including summaries of the Bond Ordinances and the Airline Agreements); presents a summary of sources of funding for the Series Twenty Projects and other capital projects and the associated financing plan; discusses the financial implications of the Series Twenty Projects and the other capital projects; presents debt service, O&M Expenses, and Revenue projections for the Airport; and presents projections of debt service coverage, airline rates and charges, and other key financial measures.

Review of Port Projections and Findings

The Port prepared the aviation activity projections for the Airport reflected in this report (for business planning purposes). R&A reviewed the Port's projections, as well as the underlying assumptions

relative to historical trends in aviation activity at the Airport, scheduled airline service, recent airline announcements, and other factors affecting aviation demand. On the basis of our review, it is our opinion that the Port's underlying air traffic assumptions and projections of aviation activity at the Airport provide a reasonable basis from which to prepare the financial projections reflected in this report.

The Port also prepared the financial projections for the Airport reflected in this report. R&A reviewed the Port's financial projections (which are reflected in the financial tables accompanying Chapter 5 of this report) and the underlying assumptions. The Port's financial projections are based on information and assumptions (described in the body of this report) that were developed and approved by Port management. The financial projections reflect Port management's judgment, based on present circumstances, of expected conditions and the Port's expected course of action during the Projection Period. Accordingly, the financial projections present, to the best of Port management's knowledge and belief as of the date of this report, the expected financial results of the Port for the Projection Period. On the basis of our review, it is our opinion that the Port's underlying financial assumptions and financial projections for the Airport are reasonable for the purposes of this analysis.

On the basis of the assumptions and analyses described in this report, R&A provides the following opinions and findings:

Economic Base

- The Air Trade Area (i.e., the geographical area primarily served by the Airport) is well-positioned with a broad and diverse economic base. The State of Oregon's Office of Economic Analysis is projecting significant job growth in the Air Trade Area and the State of Oregon over the Projection Period. Oregon's Gross State Product, a measurement of the economic output of the Air Trade Area and the State of Oregon, is projected to have the second highest growth rate in the nation between 2010 and 2017.
- Demand for air service is highly correlated to demographic trends and economic activity within the Air Trade Area.
  - There is typically a direct relationship between population growth and long-term air travel demand. Air Trade Area population is projected to grow at a compounded annual growth rate (CAGR) of 1.4 percent during the Projection Period, slightly higher than the projected growth rate for the State of Oregon and significantly higher than the projected growth rate for the United States.
  - People between the ages of 35 and 54 tend to travel the most, and individuals with a college degree are more likely to travel by air. In 2008, Air Trade Area residents

between the ages of 35 and 54 made up 30.2 percent of the population, a greater percentage than in the State of Oregon (28.4 percent) and the United States (28.7 percent). Approximately 33.2 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree), significantly higher than in both the State (28.1 percent) and the United States (27.7 percent).

- As household income increases, air travel becomes more affordable and, therefore, is used more frequently. 38.5 percent of households in the Air Trade Area had household incomes of $60,000 or more in 2009, higher than the percentage of households in this income category for the State of Oregon (35.4 percent) and the United States (37.4 percent).
- Annual unemployment rates for the Air Trade Area from 1999-2009 were typically below those for the State of Oregon but higher than those experienced by the United States. The Air Trade Area's unemployment rate (non-seasonally adjusted) was 10.4 percent in July 2010. This rate was lower than the unemployment rate experienced by the State of Oregon (10.6 percent) and higher than the unemployment rate experienced by the United States (9.7 percent) during the same period.
- Nonagricultural employment in the Air Trade Area increased at a CAGR of 0.2 percent between 1999 and 2009, compared to 0.2 percent and 0.1 percent for the State of Oregon and the United States, respectively, during this same period. Between 1999 and 2009, Air Trade Area employment growth occurred in the government (CAGR of 1.5 percent) and services (CAGR of 1.3 percent) sectors.
- Although Air Trade Area housing prices are down 20.3 percent from their mid-2007 peak (compared with a 28.4 percent decrease from peak nationally) the Air Trade Area housing market is expected to bottom shortly with Air Trade Area housing prices anticipated to return to their 2007 peak in 2017.
- Fortune 500 employers are well represented in the Air Trade Area through companies such as Intel, Nike (headquartered in the Air Trade Area) and Wells Fargo. The Air Trade Area has established notable industry clusters in semiconductor manufacturing, creative services, the footwear and outdoor industries and wind energy.

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

Air Traffic

- Based on a review of historical growth trends in passenger traffic at the Airport, analysis of scheduled airline service and recent announcements, and linear regression modeling of key socioeconomic variables, it is our opinion that the Port's projections of enplaned passenger traffic at the Airport, reflecting a CAGR of 2.0 percent between FY 2010 and FY 2016, can realistically be attained during the Projection Period and provide a reasonable basis from which to prepare financial projections.
  - After four straight quarters of decline, the U.S. economy resumed growth in the fourth quarter of 2009, driven in part by government stimulus packages. Reflecting a return to economic growth, the Port expects modest recovery in activity at the Airport to occur in FY 2011 (a 0.7 percent growth in FY 2011 from FY 2010 levels).
  - The 2.3 percent annual growth rate assumed by the Port for enplaned passengers for FY 2012 to FY 2016 is substantially lower than the CAGR of 3.5 percent for enplaned passengers at the Airport between FY 2002 and FY 2008. The period FY 2002 to FY 2008 (following the significant decrease in enplaned passengers as a result of the terrorist attacks of September 11, 2001 and the nationwide economic slowdown, and prior to the significant decrease in FY 2009) could generally be characterized as a period of normal growth for the Airport, or as a period that was not affected by significant nationwide events.
  - Following the events of September 11, 2001 and the economic slowdown between 2000 to 2003, enplaned passengers at the Airport returned to the peak 2000 level within five years, as was the case for domestic enplaned passengers nationwide. The Port's current projection of enplaned passengers reflects a return to the FY 2008 level (7.4 million) beyond FY 2016 (over eight years into the future).
- The Port's projection of enplaned passengers at the Airport for the longer-term (FY 2012 through FY 2016) reflects a lower CAGR at 2.3 percent relative to the growth rates the Federal Aviation Administration (FAA) is projecting for nationwide domestic enplaned passengers at 2.8 percent and nationwide total enplaned passengers at 2.9 percent for federal fiscal years 2012 to 2016, even though passenger growth at the Airport has generally been similar to passenger growth for the nation.
  - For the 12-month periods ending September 30, 1998 to 2008, enplaned passengers at the Airport grew at a CAGR of 1.5 percent, compared to a CAGR of 1.4 percent for domestic U.S. enplaned passengers for the same period.

- Enplaned passengers at the Airport (and nationwide) decreased substantially in FY 2009 as fuel costs escalated, airlines raised prices and reduced capacity, and the nationwide economic recession (which began in December 2007) continued.

- The Airport has had the benefit of a diverse and stable air carrier base, which has helped promote competitive pricing and scheduling diversity. As of August 2010, the Airport had scheduled passenger service provided by 12 U.S. airlines and two foreign flag carriers. In addition, scheduled cargo service is provided by eight all-cargo carriers. Scheduled passenger service at the Airport is provided by 11 of the 15 major U.S. passenger airlines (which represent the largest group of U.S. passenger airlines in terms of their total annual revenues). Since FY 2006, no single airline has had more than a 20 percent share of enplaned passengers at the Airport.
- The Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements (it is the busiest medium hub nationwide); and ranked 30th nationwide based on total passengers in CY 2009 with 12.9 million enplaned and deplaned passengers.[2]
- With the exception of Seattle and Spokane, each of the Airport's top 20 O&D markets in FY 2009 is located 300 miles or more from the Airport, with five of the top 20 O&D markets located 1,000 miles or more from the Airport. Given the distance to these top markets, for most passengers driving is generally not a reasonable alternative to taking a flight from the Airport.

Financial Analysis

- Net Revenues are projected to be sufficient to meet the Rate Covenant requirements, as set forth in Section 5(f) of Port Ordinance No. 323, as amended and restated, in each Fiscal Year of the Projection Period. More specifically:
  - Net Revenues are projected to be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues in each Fiscal Year of the Projection Period, and
  - Net Revenues in each Fiscal Year of the Projection Period are projected to be at least equal to 130 percent of the SLB Debt Service Requirement for each such Fiscal Year for all outstanding SLBs.

[2] *Traffic Data 2009*, Airports Council International.

- The Series Twenty Projects and the other capital projects reflected in the financial tables accompanying Chapter 4 and Chapter 5 of this report are expected to provide Airport facilities sufficient to satisfy future airline and air passenger needs through the Projection Period at a cost that is expected to produce reasonable levels of airline rates and charges at the Airport.
- Average passenger airline cost per enplanement (future dollars) at the Airport is projected to increase from $11.97 in FY 2010 (preliminary) to $13.02 in FY 2016 in part as a result of increased capital and operating costs related to the Series Twenty Projects and other capital improvements reflected in this report. In 2010 dollars, average passenger airline cost per enplanement is projected to decrease from $11.97 in FY 2010 to $10.90 in FY 2016.
- In FY 2010, the debt service coverage ratio for SLBs is estimated to be 1.70x (preliminary). Between FY 2011 and FY 2016, the debt service coverage ratio for SLBs is projected to range from a low of 1.62x in FY 2011 to a high of 1.68x in FY 2016, exceeding the Rate Covenant requirement in each Fiscal Year of the Projection Period.

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

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

TABLE OF CONTENTS

LIST OF TABLES

Table No.

LIST OF EXHIBITS

Exhibit No.

I. Introduction

1.1 Background

The Port of Portland (the Port) is a port district created in its present form by the 1971 merger of the Port of Portland and the Portland Commission of Public Docks. The original Port of Portland was created in 1891 as a political subdivision of the State of Oregon (the State) and established by an act of the Oregon Legislative Assembly. The Port is responsible for aviation and marine trade within the Port District (consisting of Clackamas, Multnomah, and Washington counties, including the City of Portland). The Port owns and operates Portland International Airport, and also owns and operates two general aviation airports. In addition, the Port owns, operates, develops or maintains public maritime terminals, a dredge, business and industrial parks, and other properties. The Airport is operated as an independent enterprise by the Port and is separate from other Port enterprises, including the general aviation airports (although, from an operational perspective, the general aviation airports serve as reliever airports for the Airport). Under Ordinance No. 323 (one of the Port's existing ordinances regarding Airport Revenue Bonds), Revenues from the Airport, after meeting all other required obligations, can be used to fund projects at the general aviation airports. The Port's general overhead attributable to the Airport is charged to the Airport.

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

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

1.2 Planned Series Twenty Bonds

The Port plans to issue its Portland International Airport Revenue Bonds, Series Twenty (the Series Twenty Bonds) to (1) fund a portion of the costs of certain Airport improvements including the Baggage Screening In-Line System Project, completion of the North Runway Extension Project, and various other terminal and airfield improvements (as described in Section 4.3 of this report and referred to as the Series Twenty Projects); (2) fund capitalized interest; (3) fund required debt service reserve account amounts; and (4) pay the costs of issuance of the Series Twenty Bonds, all as more fully described in Chapter 5 (Financial Analysis) of this report. Estimated debt service for the planned Series Twenty Bonds is incorporated in tables included in Chapter 5 of this report.

The Series Twenty Bonds are being issued pursuant to various provisions in Port Ordinances No. 155 and No. 323 (each as amended and restated) (collectively, the Existing Bond Ordinances) and Port Ordinance No. 435-B (the Series Twenty Bond Ordinance) enacted by the Port on September 8, 2010. The Existing Bond Ordinances and the Series Twenty Bond Ordinance are referred to collectively in this report as the Bond Ordinances. Except as defined otherwise, the capitalized terms used in this Section 1.2 and in Chapter 5 of this report are as defined in the Bond Ordinances. All of the Port's currently outstanding Airport Revenue Bonds were issued under the Existing Bond Ordinances as parity Subordinate Lien Bonds (SLBs).

As part of the Series Twenty Bonds financing, the Port is considering refunding all or a portion of its outstanding Series Twelve Bonds and expects that debt service savings would result from this potential refunding. The potential refunding of outstanding Series Twelve Bonds (and any associated debt service savings) has not been assumed in this report or the accompanying financial tables. If this refunding were to occur, annual debt service would be lower than as reflected in this report and the accompanying financial tables.

The Bond Ordinances provide that SLBs are payable solely from Net Revenues (after payment, or provision for the payment, of the Costs of Operation and Maintenance (referred to in this report as O&M Expenses) and from moneys in the SLB Fund and the SLB Construction Account. The Port has no other debt outstanding with a claim on Net Revenues more senior than the SLBs.

The Bond Ordinances require that certain covenants, including the Rate Covenant (described in more detail in Chapter 5 of this report), be met while the SLBs are outstanding and that certain financial tests be met before future SLBs can be issued. This report presents estimates of future debt service coverage to demonstrate the Port's ability to meet certain requirements of the Bond Ordinances, including the Rate Covenant.

1.3 General Description of the Airport

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

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

The Airport principally serves origin-destination passengers, which are estimated by the Port to account for approximately 89 percent of total Airport passengers (based on FY 2010 data), with the remaining 11 percent of Airport passengers connecting between flights. The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplaned passengers;[1] and ranked 30th nationwide in total passengers in CY 2009 with 12.9 million enplaned and deplaned passengers (the busiest U.S. medium hub facility).[2]

---

[1] As defined by the FAA, a medium hub airport enplanes more than 0.25 percent and less than 1.0 percent of nationwide enplaned passengers during a calendar year. This definition equates to an airport enplaning between 1,838,242 and 7,352,969 passengers in CY 2008, the latest year for determining airport hub size. Based on Airport records, the Airport had 7,150,857 enplaned passengers in CY 2008.

[2] *Traffic Data 2009*, Airports Council International.

II. Economic Base for Air Transportation

The demand for air transportation at a particular airport is, to a large degree, a function of the demographic and economic characteristics of the airport's air trade area (i.e., the geographical area served by an airport). The correlation between demand at the Airport and the economic vitality of its air trade area is particularly strong as most of the Airport's passenger activity is origin and destination (O&D) in nature, indicating that passengers either begin or end their trips at the Airport (whether they reside, work, commute for work in the Portland area, or travel to the Portland area for business or vacation), as opposed to connecting through the Airport to reach another destination. Based on FY 2010 data, the Port estimates that O&D passengers account for approximately 89 percent of total passengers at the Airport. Therefore, passenger activity at the airport reflects demand generated through local, national, and international economic conditions and the airlines' ability to serve this demand, rather than the operational and scheduling decisions of a particular airline or airlines.

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

2.1 Air Trade Area

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

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

2.2 Demographic Profile

2.2.1 Population Growth

Actual and projected population growth in a region is a key indicator for assessing demand for air travel. **Table II-1** presents historical and projected population for the Air Trade Area, the State of Oregon, and the entire United States. Based on 2009 population counts, Multnomah County (where the City of Portland is located) was the most populated county in the Air Trade Area, accounting for 32.4 percent of the total Air Trade Area's population in 2009, with 726,855 inhabitants compared with 2,241,841 inhabitants in the Air Trade Area. The Air Trade Area's share of population within the State of Oregon was approximately 58.6 percent in 2009 (up from 56.3 percent in 2000). It should be noted that Clark and Skamania Counties (in the State of Washington), which represented approximately 19.8 percent of the Air Trade Area's population in 2009, only accounted for 6.6

LEGEND

Commercial Service Airport

Air Trade Area

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

Source: Map Resources, 2007.
Prepared by: Ricondo & Associates, Inc., June 2010.

Exhibit II-1

Air Trade Area

Table II-1

Historical & Projected Population

	Historical			Projected	Compounded Annual Growth Rate: Historical			Compounded Annual Growth Rate: Projected
Area	1990	2000	2009	2016	1990-2000	2000-2009	1990-2009	2009-2016
Clackamas County, OR	278,850	338,391	386,143	437,856	2.0%	1.5%	1.7%	1.8%
Columbia County, OR	37,557	43,560	49,592	54,698	1.5%	1.5%	1.5%	1.4%
Multnomah County, OR	583,887	660,486	726,855	737,896	1.2%	1.1%	1.2%	0.2%
Washington County, OR	311,554	445,342	537,318	613,048	3.6%	2.1%	2.9%	1.9%
Yamhill County, OR	65,551	84,992	99,037	112,081	2.6%	1.7%	2.2%	1.8%
Clark County, WA	238,053	345,238	432,002	501,811	3.8%	2.5%	3.2%	2.2%
Skamania County, WA	8,289	9,872	10,894	12,017	1.8%	1.1%	1.4%	1.4%
Air Trade Area	1,523,741	1,927,881	2,241,841	2,469,407	2.4%	1.7%	2.1%	1.4%
Oregon	2,842,321	3,421,399	3,825,657	4,182,017	1.9%	1.2%	1.6%	1.3%
United States	248,709,873	281,421,906	307,006,550	328,569,385	1.2%	1.0%	1.1%	1.0%

Sources: U.S. Department of Commerce, Bureau of the Census, Population Estimates, May 2010 (historical) and Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source (CEDDS)* , 2009 (projected).

Prepared by: Ricondo & Associates, Inc., June 2010.

percent of the population for the entire State of Washington in 2009; therefore; statistics for the entire State of Washington are not reflected on tables in this chapter.

As shown in Table II-1, the Air Trade Area's population increased at a compounded annual growth rate (CAGR) of 2.1 percent between 1990 and 2009, reflecting faster growth compared to the State of Oregon and the United States (at 1.6 and 1.1 percent respectively). Within the Air Trade Area, the highest growth in population during this period occurred in Clark, Washington, and Yamhill counties, with 3.2 percent, 2.9 percent, and 2.2 percent CAGRs, respectively.

As reflected in Table II-1, based on Woods and Poole Economics, Inc.'s estimated population counts for 2016, the Air Trade Area's population is projected to grow at a CAGR of 1.4 percent between 2009 and 2016 (compared to 1.3 percent for the State of Oregon and 1.0 percent for the United States). A number of counties in the Air Trade Area are projected to experience above-trend growth over the period of 2009 to 2016 as the population of Clark County is projected to grow at a CAGR of 2.2 percent, followed by Washington County at 1.9 percent, and Clackamas and Yamhill counties at 1.8 percent.

2.2.2 Age Distribution

Table II-2 shows that the median age in the Air Trade Area in 2008 (36.9 years) was lower than in the State of Oregon (38.0 years) and equal to the United States (36.9 years).

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

Data in Table II-2 shows that in 2008, Air Trade Area residents between the ages of 35 and 54 made up approximately 30.2 percent of the population, compared with 28.4 percent of the population of the State of Oregon and 28.7 percent of the population of the United States. The Air Trade Area's greater percentage of the population in the age category that travels most frequently nationwide represents an important source of demand for air service at the Airport.

2.2.3 Education

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

In absolute terms, the Air Trade Area is home to a large number of highly educated adults. According to 2008 data shown in **Table II-3**, approximately 33.2 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree). This percentage is significantly higher than that of both the State of Oregon

---

1 Source: Travel Industry Association, "2006 Domestic Travel Market Report."

2 Source: Arbitron, Inc., "The Arbitron Airport Television Study: Getting TV Commercials Out of the House and in Front of Affluent Consumers," June 2007.

Table II-2

Age Distribution (2008)

	Air Trade Area	Oregon	United States
Total Population	2,209,114	3,790,060	304,059,728
By Age Group			
17 and Under	24.1%	22.9%	24.3%
18 - 34	22.9%	22.9%	23.2%
35 - 54[1/]	30.2%	28.4%	28.7%
55+	22.7%	25.8%	23.8%
Total	100.0%	100.0%	100.0%
Median Age	36.9	38.0	36.9

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

Source: U.S. Department of Commerce, Bureau of the Census, *American Community Survey 2008* .
Prepared by: Ricondo & Associates, Inc., June 2010.

Table II-3

Educational Attainment (2008)

Population 25 years and over	Air Trade Area 1,490,729	Oregon 2,580,555	United States 200,030,018
Less Than High School Diploma	10.0%	11.4%	15.0%
High School Graduate	22.1%	25.6%	28.5%
Some College or Associate's Degree	34.6%	34.9%	28.8%
Bachelor's Degree[1/]	21.5%	18.0%	17.5%
Graduate or Professional Degree[1/]	11.7%	10.1%	10.2%
Total	100%	100%	100%

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

Source: U.S. Department of Commerce, Bureau of the Census, *American Community Survey 2008* .

and the United States where, respectively, 28.1 percent and 27.7 percent of the population over the age of 25 hold a bachelor's degree or higher advanced degree.

2.3 Income

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

Table II-4 presents historical per capita personal income between 2002 and 2009 for the Air Trade Area, the State of Oregon and the United States. As shown, per capita personal income was significantly higher, on an absolute basis, than equivalent measures for the State of Oregon and the United States for most years between 2002 and 2009. Per capita personal income for the Air Trade Area increased at a CAGR of 3.0 percent between 2002 and 2009, compared with CAGRs of 3.3 percent for the State of Oregon and 3.9 percent for the United States during this same period.

Table II-4 also presents projections of per capita personal income for 2016. According to data from Woods and Poole Economics, Inc. per capita personal income for the Air Trade Area is projected to increase at a CAGR of 4.4 percent, from $39,799 in 2009 to $53,733 in 2016. The 2009-2016 projection for the Air Trade Area is similar to projections for both the State of Oregon, which is projected to grow at a 4.5 percent CAGR, and the United States as a whole, which is projected to grow at an identical 4.4 percent CAGR.

An additional indicator of wealth, and thus a market's potential to generate demand for air transportation, is the percentage of households in the higher income categories. An examination of this indicator is important in that as household income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table II-4 presents percentages of households in selected household income categories for 2009. As shown, 38.5 percent of households in the Air Trade Area had household incomes of $60,000 or more in 2009, which was higher than the 35.4 percent of households in this income category for the State of Oregon and the 37.4 percent of households in this income category nationwide.

2.4 Employment

2.4.1 Labor Force Trends and Unemployment Rates

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

As shown in **Table II-5**, the Air Trade Area's civilian labor force experienced moderate growth between 1999 and 2009, ranging from approximately 1,078,000 workers in 1999 to approximately 1,176,000 workers in 2009. Over the 10-year period from 1999 to 2009, the CAGR for the Air Trade Area civilian labor force was 0.9 percent, compared to 0.9 percent and 1.0 percent for the State of Oregon and the United States, respectively, during this same period. The period from 2006 to 2009

Table II-4

Per Capita Personal Income

Year	Per Capita Personal Income (in current dollars)			Per Capita Personal Income Differential	
	Air Trade Area	Oregon	United States	Between Air Trade Area and Oregon	Between Air Trade Area and United States
Historical					
2002	$32,270	$28,960	$30,838	$3,310	$1,432
2003	$32,709	$29,607	$31,530	$3,102	$1,179
2004	$33,738	$30,679	$33,157	$3,059	$581
2005	$35,115	$31,580	$34,690	$3,535	$425
2006	$37,157	$33,648	$36,794	$3,509	$363
2007	$38,842	$35,143	$38,615	$3,699	$227
2008	$39,726	$35,970	$39,755	$3,756	($29)
2009	$39,799	$36,271	$40,255	$3,528	($456)
Projected					
2016	$53,733	$49,263	$54,499	$4,470	($766)
Compounded Annual Growth Rate					
2002-2009	3.0%	3.3%	3.9%		
2009-2016	4.4%	4.5%	4.4%		

	Percentage of Households in Income Categories (2009)		
Income Category (in 2000 $)	Air Trade Area	Oregon	United States
Less than $29,999	26.7%	31.1%	30.4%
$30,000 to $59,999	34.8%	33.5%	32.2%
$60,000 to $74,999	13.0%	12.0%	11.8%
$75,000 to $99,999	12.8%	10.9%	11.7%
$100,000 or More	12.7%	12.5%	13.9%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source (CEDDS)* , 2009.

Prepared by: Ricondo & Associates, Inc., June 2010.

Table II-5

Civilian Labor Force & Unemployment Rates

	Civilian Labor Force (000's)		
Year	Air Trade Area	Oregon	United States
1999	1,078	1,796	139,368
2000	1,076	1,810	142,583
2001	1,087	1,828	143,734
2002	1,094	1,844	144,863
2003	1,090	1,850	146,510
2004	1,089	1,850	147,401
2005	1,098	1,856	149,320
2006	1,120	1,890	151,428
2007	1,141	1,917	153,124
2008	1,166	1,949	154,287
2009	1,176	1,964	154,142
Compounded Annual Growth Rate			
1999-2009	0.9%	0.9%	1.0%
1999-2002	0.5%	0.9%	1.3%
2002-2006	0.6%	0.6%	1.1%
2006-2009	1.6%	1.3%	0.6%

	Unemployment Rates		
Year	Air Trade Area	Oregon	United States
1999	4.3%	5.5%	4.2%
2000	4.4%	5.1%	4.0%
2001	6.0%	6.4%	4.7%
2002	7.8%	7.6%	5.8%
2003	8.3%	8.1%	6.0%
2004	7.0%	7.3%	5.5%
2005	5.9%	6.2%	5.1%
2006	5.0%	5.3%	4.6%
2007	4.8%	5.1%	4.6%
2008	5.9%	6.5%	5.8%
2009	10.6%	11.1%	9.3%
July 2010	10.4%	10.6%	9.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2010.
Prepared by: Ricondo & Associates, Inc., September 2010.

showed signs of faster growth in the Air Trade Area's civilian labor force, with a CAGR of 1.6 percent outpacing the State of Oregon and the United States during this period.

As also shown in Table II-5, annual non-seasonally adjusted unemployment rates for the Air Trade Area during the 1999-2009 period were typically below those for the State of Oregon but typically higher than what was experienced by the United States. The Air Trade Area's unemployment rate was 10.4 percent in July 2010. This rate was lower than the unemployment rate experienced by the State of Oregon (10.6 percent) and higher than the unemployment rate experienced by the United States during the same period (9.7 percent).

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

2.4.2 Major Employers in the Air Trade Area

Major employers in the Air Trade Area, as measured by the number of employees, are presented in **Table II-6**. As shown, there are over 25 employers in the Air Trade Area with approximately 1,000 or more employees. The largest employer in the Air Trade Area is the computer products firm Intel with approximately 15,141 employees; followed by Providence Health System (13,825 employees); Oregon Health and Science University (12,700 employees); Fred Meyer Stores (9,630 employees); and the Kaiser Foundation Health Plan of the Northwest (8,759 employees).

Two Fortune 500 companies are headquartered in the Air Trade Area: the sports and fitness products company Nike (ranked 124th in 2009 revenues) and the metal component manufacturer Precision Castparts (ranked 325th in 2009 revenues). Other Fortune 500 companies, in addition to Intel, with a significant presence in the Air Trade Area include: Wells Fargo (5,010 employees); U.S. Bancorp (3,948 employees); Xerox (1,769 employees); and The Boeing Company (1,500 employees).

2.5 Economic Base

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

An analysis of nonagricultural employment trends by major industry sector is presented in **Table II-7** which compares the Air Trade Area's employment trends to those for the State of Oregon and the United States for 1999, 2008 and 2009. As shown, nonagricultural employment in the Air Trade Area increased from approximately 950,900 workers in 1999 to approximately 972,500 workers in 2009. This increase represents a CAGR of 0.2 percent during this period, compared to 0.2 percent and 0.1 percent for the State of Oregon and the United States, respectively, during this same period. Between 2008 and 2009, as the current economic recession took hold, nonagricultural employment in the Air Trade Area decreased at a rate of 6.0 percent, a rate that was slower than the 6.2 percent decrease experienced by the State of Oregon during this period but more rapid than the 4.3 percent

Table II-6

Major Employers in the Air Trade Area (over 1000 employees)

Rank	Employer	Product or Service	Employees	Headquartered in Air Trade Area	Rank in 2010 Fortune 500
1	Intel Corp.	Computer products	15,141		62
2	Providence Health System	Health care	13,825		
3	Oregon Health & Science University	Education/health care	12,700	X	
4	Fred Meyer Stores[1/]	Retail grocery stores	9,630	X	(see note 1)
5	Kaiser Foundation Health Plan of the Northwest	Health care	8,759	X	
6	Legacy Health System	Health care	8,251	X	
7	Nike Inc.	Sports and fitness products	7,000	X	124
8	City of Portland	Government	6,900	X	
9	Multnomah County	Government	6,659	X	
10	Wells Fargo	Financial services	5,010		19
11	Beaverton School District	Education	5,000	X	
12	Portland School District	Education	4,900	X	
13	U.S. Bancorp	Financial services	3,948		121
14	Portland Community College	Education	3,704	X	
15	Vancouver School District	Education	3,697	X	
16	Portland State University	Education	3,503	X	
17	Southwest Washington Medical Center	Health care	3,350	X	
18	Evergreen School District	Education	3,000	X	
19	Daimler Trucks North America	Truck manufacturer	2,850	X	
20	Portland General Electric	Utility provider	2,800	X	
21	Bonneville Power Administration	Government	2,659	X	
22	TriMet	Government	2,650	X	
23	Regence Blue Cross	Health care	2,243	X	
24	Standard Insurance Co.	Insurance	2,044	X	
25	Xerox Corp.	Document management technology	1,769		152
26	The Boeing Company	Aerospace manufacturer	1,500		28
27	Vestas Americas	Wind turbines	1,284	X	
28	Greenbrier Cos. Inc.	Railcar manufacturer	1,020	X	

Notes:
[1/] Fred Meyer Stores is a subsidiary of The Kroger Co. Kroger is ranked 23rd in the 2010 Fortune 500.

Sources: Portland Business Journal, *Book of Lists* , January 2010 (ranked by 2008 employees), 2010 Fortune 500 and Ricondo & Associates, Inc.

Prepared by: Ricondo & Associates, Inc., June 2010

Table II-7

Employment Trends by Major Industry Sector

	Air Trade Area Nonagricultural Employment (000's)				
Industry	1999	2008	2009	Compounded Annual Growth Rate 1999-2009	Annual Growth Rate 2008-2009
Services	341.3	405.5	388.5	1.3%	(4.2%)
Trade	158.6	166.3	155.3	(0.2%)	(6.6%)
Government	127.3	147.0	148.3	1.5%	0.9%
Manufacturing	141.8	123.2	108.6	(2.6%)	(11.9%)
Financial	65.2	67.8	64.2	(0.2%)	(5.3%)
Construction 1/	54.5	62.4	50.4	(0.8%)	(19.2%)
Transportation/Utilities	38.4	37.6	34.3	(1.1%)	(8.8%)
Information 2/	23.8	24.6	22.9	(0.4%)	(6.9%)
Total	950.9	1,034.4	972.5	0.2%	(6.0%)

	Oregon Nonagricultural Employment (000's)				
Industry	1999	2008	2009	Compounded Annual Growth Rate 1999-2009	Annual Growth Rate 2008-2009
Services	541.6	649.3	622.6	1.4%	(4.1%)
Trade	265.3	277.2	259.1	(0.2%)	(6.5%)
Government	272.3	298.0	299.8	1.0%	0.6%
Manufacturing	224.3	195.1	167.3	(2.9%)	(14.2%)
Financial	95.2	101.8	95.6	0.0%	(6.1%)
Construction 1/	93.5	102.8	80.8	(1.4%)	(21.4%)
Transportation/Utilities	57.0	58.7	53.7	(0.6%)	(8.5%)
Information 2/	36.8	35.6	33.1	(1.1%)	(7.0%)
Total	1,586.0	1,718.5	1,612.0	0.2%	(6.2%)

	United States Nonagricultural Employment (000's)				
Industry	1999	2008	2009	Compounded Annual Growth Rate 1999-2009	Annual Growth Rate 2008-2009
Services	47,385	55,524	54,236	1.4%	(2.3%)
Trade	20,863	21,226	20,152	(0.3%)	(5.1%)
Government	20,307	22,509	22,544	1.1%	0.2%
Manufacturing	17,322	13,406	11,883	(3.7%)	(11.4%)
Financial	7,648	8,145	7,758	0.1%	(4.8%)
Construction 1/	7,143	7,929	6,737	(0.6%)	(15.0%)
Transportation/Utilities	4,909	5,067	4,795	(0.2%)	(5.4%)
Information 2/	3,419	2,984	2,807	(2.0%)	(5.9%)
Total	128,996	136,790	130,912	0.1%	(4.3%)

Notes:

1/ Includes mining employment.

2/ The information sector includes communications, publishing, motion picture and sound recording, and on-line services.

Source: U.S. Department of Labor, Bureau of Labor Statistics, June 2010.

Prepared by: Ricondo & Associates, Inc., June 2010.

decrease experienced by the United States during this period. Similar to the State of Oregon and the United States, the Air Trade Area industry sector experiencing the greatest percentage decrease in employment between 2008 and 2009 was construction.

Two major industry sectors in the Air Trade Area experienced positive employment growth between 1999 and 2009, with growth occurring in the government (CAGR of 1.5 percent) and services (1.3 percent) sectors. The 2.6 percent compounded annual rate of decrease in manufacturing employment between 1999 and 2009 was not unique to the Air Trade Area as manufacturing employment nationwide decreased at an even faster compounded annual rate of 3.7 percent during this period. In 2009, as shown in **Exhibit II-2**, with the exception of government and, to a lesser extent manufacturing and services, the sectors of nonagricultural employment are generally in concert with those of the State of Oregon and the United States on a percentage basis in 2009.

A shifting of the Air Trade Area's employment base occurred between 1999 and 2009, as manufacturing employment decreased from 14.9 percent of total employment in 1999 to 11.2 percent in 2009 (-3.7 percentage points); and services employment increased from 35.9 percent of total employment in 1999 to 39.9 percent in 2009 (+4.0 percentage points). These trends in the Air Trade Area's employment base were consistent with changes in the employment base in the State of Oregon and the United States, as manufacturing employment decreased by 3.7 percentage points and 4.4 percentage points respectively and services employment increased by 4.5 and 4.7 percentage points respectively during this same period.

2.5.1 Services

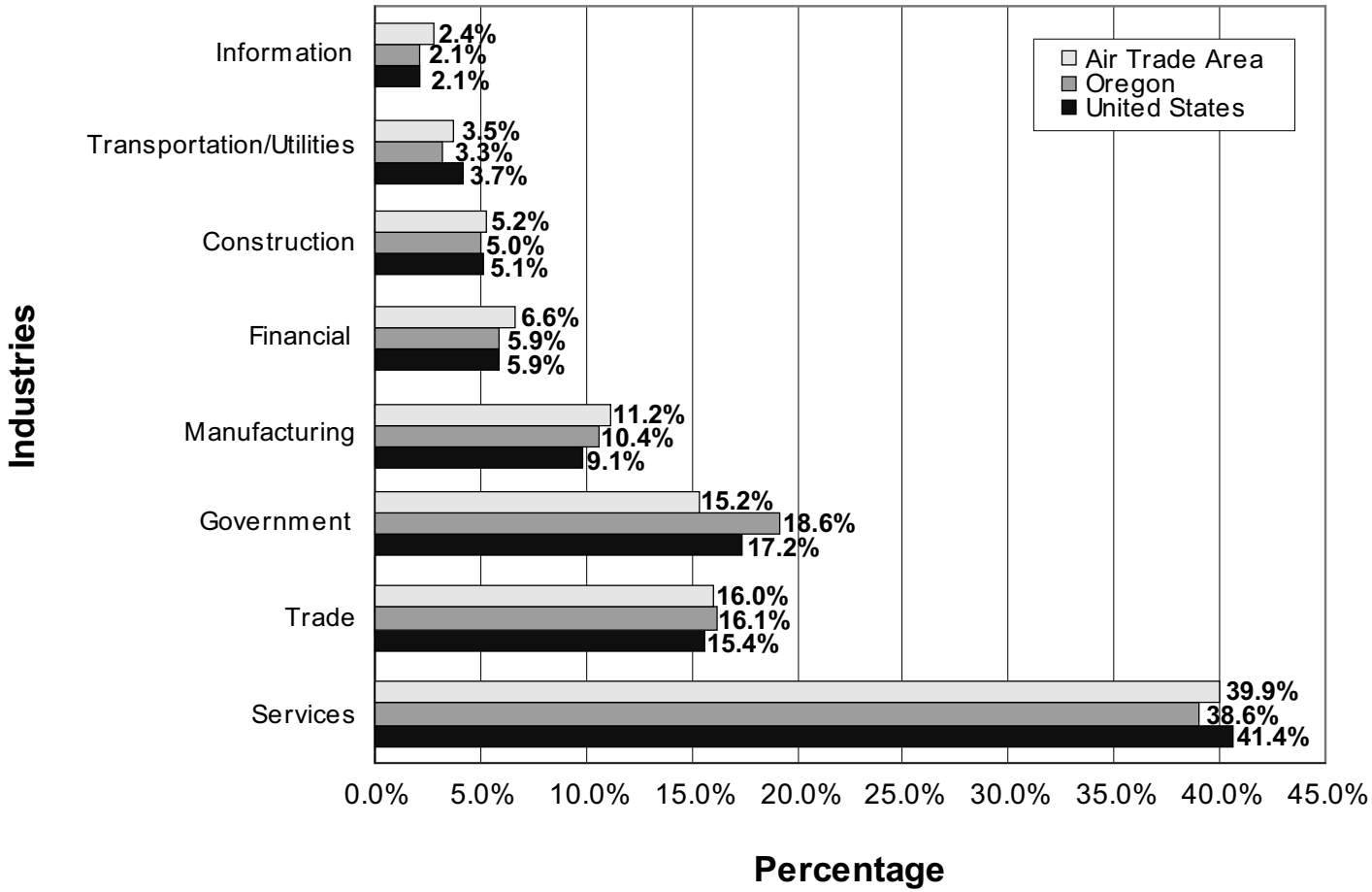
Employment in the services sector in the Air Trade Area increased at a CAGR of 1.3 percent between 1999 and 2009, compared with a 1.4 percent increase for both the State of Oregon and the United States, respectively. In 2009, the services sector in the Air Trade Area employed approximately 388,500 workers, representing 39.9 percent of the total nonagricultural workforce. This percentage is less than in the United States where services jobs accounted for 41.4 percent of nonagricultural employment in 2009. The following services represented slightly over 90 percent of the Air Trade Area's total services industry workforce in 2009: education and health (35.8 percent); professional and business (28.7 percent); and leisure and hospitality (26.2 percent).

2.5.1.1 Healthcare

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

Providence Health System, Oregon's largest health-care system, is represented in the Air Trade Area through Providence St. Vincent Medical Center (523 licensed beds), Providence Portland Medical Center (483 licensed beds), Providence Milwaukie Hospital (77 licensed beds) and Providence Newberg Medical Center (40 licensed beds). Providence's Centers of Excellence, including Providence Cancer Center, Providence Heart and Vascular Institute and Providence Brain Institute, are leading the trend in the Air Trade Area towards increased medical research.

Legacy Health System's Legacy Emanuel Hospital (554 licensed beds), is one of the Air Trade Area's two Level 1 trauma centers. Legacy's Good Samaritan Hospital and Medical Center (539 licensed beds), one of Portland's oldest hospitals, has been rated one of the top 100 cardiovascular



Source: U.S. Department of Labor, Bureau of Labor Statistics, June 2010.
Prepared by: Ricondo & Associates, Inc., June 2010.

Exhibit II-2

Percentage of 2009 Nonagricultural Employment by Industry

hospitals in the country. Legacy's Clinical Research and Technology Center, one of the largest non-academic, hospital-based research programs in the country, includes over 135 researchers that draw upon a $10 million research budget.

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

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

2.5.1.2 Higher Education

The Air Trade Area has more than 40 private and public universities and colleges presenting a wide choice of higher education opportunities, including advanced training in law, medicine, engineering, dentistry, business and science. According to Greenlight Greater Portland, a regional economic development organization, in 2009, more than 170,000 students were enrolled in the top 25 colleges and universities in the Air Trade Area. Notable undergraduate and graduate programs are offered at Portland State University (PSU), Lewis & Clark College, Reed College, the University of Oregon's Portland center, and Washington State University Vancouver's campus. The state's two largest universities, Oregon State University and the University of Oregon are both within 125 miles of Portland.

Regional science and technology education is centered around Oregon's only health and research university, Oregon Health & Science University (OHSU). OHSU has also historically been one of the region's major employers, employing approximately 12,700 workers, making it the Air Trade Area's third-largest employer.

OHSU's education and groundbreaking research programs are recognized worldwide and the University is home to numerous specialized research centers and institutes. Researchers at the Knight Cancer Institute were the first to demonstrate the success of molecularly targeted chemotherapies in cancer, while scientists at the Vollum Institute are developing new therapeutic agents to treat diseases of the nervous system. OHSU also serves the region by providing training in health care, biomedical science, environmental engineering and computer science. OHSU typically provides educational opportunities for more than 3,000 students, interns, residents, fellows and clinical trainees each year.

As a part of OHSU, the Department of Science & Engineering offers advanced education in science, engineering and technology management. The Department will soon be centrally located in OHSU's new facilities on Portland's emerging South Waterfront. PSU's Maseeh College of Engineering and Computer Science also contributes to science and technology education and innovation in the region. Washington State University Vancouver's School of Engineering and Computer Science and Portland State University's School of Extended Studies offer the Air Trade Area additional science and technology educational programs.

---

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

2.5.1.3 Creative Services

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

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

2.5.1.4 Footwear and Outdoor Industry

The Air Trade Area is also home to many of the world's leading companies in the footwear, activewear, outdoor gear and cycling industries. The Air Trade Area's industry cluster includes more than 20 footwear companies that constitute nearly 50% of the U.S. athletic footwear market, more than 20 outdoor gear and activewear companies, and established networks of designers, distributors and materials suppliers. According to the Portland Development Commission, the industry comprises 339 companies that generate $881 million in payroll. The cluster employs approximately 11,000 in Oregon and includes leading firms such as Keen, lucy, Nautilus, END, Lacrosse/Danner, Horny Toad, Columbia Sportswear, Adidas America, and Nike. While these firms have helped establish the Air Trade Area's reputation as an industry leader nationally and internationally, growth is also fueled by emerging and mid-sized companies including more than 2,700 one and two-person gear and apparel businesses.[4]

2.5.1.5 Recreation and Tourism

According to a recent report commissioned for Travel Portland, travel spending in the Portland Metro Area reached $3.5 billion in 2009.[5] From 2002-2009, the CAGR in travel spending was 4.0 percent in current dollars. Travel spending generated 28,900 jobs in the Portland Metro Area in 2009 with total earnings of $821 million.

The Air Trade Area enjoys a wide range of cultural and recreational resources that contribute to its high quality of life (in recent years, Portland has been rated the sixth best place in the United States

---

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

[5] Source: Dean Runyan Associates, "Economic Impacts of Travel 2009: Portland Oregon," April 2010. The Portland Metro Area, as defined in the document includes Clackamas, Multnomah, and Washington counties in the State of Oregon.

to live and launch a new business[6]) and attracts visitors from all over the world. From Forest Park, the largest urban park in the country, to riverfront activities, museums, art galleries and districts, numerous neighborhood and citywide parks, concert venues, film, music and arts festivals, and the Oregon Zoo, residents and visitors are able to enjoy a variety of indoor and outdoor activities.

Cultural highlights include the:

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

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

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

2.5.2 Trade

Employment in the trade sector in the Air Trade Area decreased at a compounded annual rate of 0.2 percent between 1999 and 2009, compared with a 0.2 percent decrease for the State of Oregon and a 0.3 percent decrease for the United States. In 2009, the trade sector in the Air Trade Area employed approximately 155,300 workers, representing 16.0 percent of the total nonagricultural workforce. This percentage is higher than in the United States where trade jobs accounted for 15.4 percent of nonagricultural employment in 2009. Of the Air Trade Area employees in the trade sector, approximately 65 percent were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table II-8** presents total retail sales for the Air Trade Area, the State of Oregon and the United States between 2002 and 2009. As shown in Table II-8, between 2002 and 2007 total retail sales in the Air Trade Area grew at a CAGR, 2.9 percent, that was greater than the growth that both the State of Oregon and the United States experienced during this period (2.7 and 2.4 percent CAGRs, respectively). Between 2007 and 2009, as the recession took hold, Air Trade Area retail sales decreased at a compounded annual rate of 5.0 percent, less than the decrease that both the State of Oregon and the United States experienced during this period (5.2 and 5.5 percent decreases, respectively).

Table II-8 also presents projections of total retail sales for 2016. According to data from Woods and Poole Economics, Inc., total retail sales for the Air Trade Area are projected to increase from

---

[6] Source: Fortune Small Business, "100 Best Places to Live and Launch 2008," July 2008.

Table II-8

Total Retail Sales
(In 2004 Dollars, Amounts in Millions)

Year	Air Trade Area	Oregon	United States
Historical			
2002	$25,371	$44,021	$3,536,043
2003	$26,004	$45,067	$3,616,903
2004	$26,918	$46,605	$3,749,550
2005	$27,888	$48,206	$3,864,722
2006	$28,748	$49,602	$3,950,657
2007	$29,206	$50,225	$3,980,329
2008	$28,398	$48,647	$3,834,703
2009	$26,347	$45,091	$3,554,629
Projected			
2016	$31,759	$54,026	$4,173,243
Compounded Annual Growth Rate			
2002 - 2007	2.9%	2.7%	2.4%
2007 - 2009	-5.0%	-5.2%	-5.5%
2009 - 2016	2.7%	2.6%	2.3%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data Source (CEDDS)* , 2009.

Prepared by: Ricondo & Associates, Inc., June 2010.

approximately $26.3 billion in 2009 to approximately $31.8 billion in 2016. This increase represents a CAGR of 2.7 percent during this period, compared to a 2.6 percent rate for the State of Oregon and 2.3 percent for the United States.

International trade is a vital component of the Air Trade Area's economy. According to the Office of Trade and Industry Information of the U.S. Department of Commerce's International Trade Administration, nearly one quarter of Oregon manufacturing jobs are dependent upon international trade. Export-supported jobs linked to manufacturing account for almost eight percent of Oregon's total private-sector employment. According to a 2010 Brookings Institution study, among the nation's 100 largest metropolitan areas, the Air Trade Area ranks twelfth in total value of exports and second in terms of exports as a percentage of Gross Metropolitan Product.

Similarly, businesses in the Air Trade Area have taken advantage of overseas markets and expanded their operations internationally. Many of the Air Trade Area's top companies (e.g., Nike) depend on offshore plants and suppliers for manufacturing and assembly as well as raw materials. This expanding international business activity generates demand for both international air travel and air freight services as well as marine services. In 2009, according to the Foreign Trade Division of the U.S. Department of Commerce's Bureau of the Census, total trade activity, including air freight, between the Columbia-Snake Customs District (which includes the Air Trade Area) and the rest of the world was valued at $20.1 billion.

2.5.3 Government

Employment in the government sector in the Air Trade Area increased at a CAGR of 1.5 percent between 1999 and 2009, compared to 1.0 percent for the State of Oregon and 1.1 percent for the United States. In 2009, the government sector in the Air Trade Area employed approximately 148,300 workers, representing 15.2 percent of the total nonagricultural workforce. This percentage is lower than in the United States where government jobs accounted for 17.2 percent of nonagricultural employment in 2009.

Government employment in the Air Trade Area has proven to be recession resistant as the sector gained jobs at a 0.9 percent rate between 2008 and 2009 compared with increases of 0.6 and 0.2 percent, respectively for the State of Oregon and the nation over the same period. As shown in Table II-6, government employers are among the major employers in the Air Trade Area with more than 1000 employees including the City of Portland (6,900 employees) and Multnomah County (6,659 employees).

While the federal government is still hiring broadly, future state and local government hiring will likely be impacted by growing budget pressures. For example, in August 2010, the Governor of Oregon announced that an unspecified number of state workers will likely lose their jobs as a result of an additional eight percent cut in the state budget over the next nine months.[7]

Although not included in the employment data cited above, the military's impact on the Air Trade Area's workforce, both directly and indirectly, is much less than in the State of Washington and California. In terms of direct employment, the only significant military installation in the Air Trade

[7] Source: Portland Tribune, "Governor Says $377 Million Shortfall Means More Agency Cuts," August 26, 2010.

Area is the 142nd Fighter Wing of the Oregon Air National Guard, which occupies 246 acres of leased land on the Airport.

According to a March 2010 Oregon Employment Department study; Oregon's defense industry has historically been a small part of the state's economy; however, this trend is starting to change. After years of negligible growth for the industry, U.S. Department of Defense spending in Oregon nearly doubled between 2006 and 2007, and by 2008 spending topped $1.4 billion. That was triple the value of orders Oregon's defense industry received just five years earlier. In 2008, two Air Trade Area counties, Multnomah and Clackamas, received the largest amount of procurement contracts (by dollar value) of any Oregon counties.

2.5.4 Manufacturing

The manufacturing sector generated the highest amount of travel spending, including demand for air travel services, of any industry sector in 2009 according to the National Business Travel Association. Employment in the manufacturing sector in the Air Trade Area decreased at a compounded annual rate of 2.6 percent between 1999 and 2009, compared with a 2.9 percent decrease for the State of Oregon and a 3.7 percent decrease for the United States. Despite the decrease in employment, the manufacturing sector remains an important sector in the Air Trade Area. In 2009, the manufacturing sector in the Air Trade Area employed approximately 108,600 workers, representing 11.2 percent of the total nonagricultural workforce. This percentage is higher than in the United States where manufacturing jobs accounted for 9.1 percent of nonagricultural employment in 2009.

According to the Bureau of Labor Statistics database, the Air Trade Area's manufacturing sector is led by the computer and electronic product manufacturing industry, which represented approximately 31 percent of the Air Trade Area's total manufacturing employment in 2009. This industry is anchored by Intel, the Air Trade Area's largest employer, which began its operations in the Air Trade Area in 1974. As recently as 2005, the Air Trade Area accounted for approximately 10 percent of the nation's semiconductor output and is often referred to as the "Silicon Forest." The fabricated metal (10 percent of total manufacturing employment) and food products manufacturing industries (8 percent of total manufacturing employment) also make up significant percentages of manufacturing employment.

Despite implementing job cuts during the recent economic downturn, Air Trade Area semiconductor manufacturers have recently announced, or are expected to announce, plans to increase employment to meet the predicted rebound in chip sales:

- In April 2010, Linear Technology Corp. stated that it is considering constructing a second chip factory, next door to its existing facility in Clark County, Washington. According to the company, the new investment would be in the hundreds of millions of dollars and add at least 200 jobs.
- ON Semiconductor is preparing to install $7 million in new equipment at its Multnomah County chip factor and hire more than 40 new employees.[8]

[8] Source: The Oregonian, "Northwest Tech Firms Gearing Up to Grow Again," May 7, 2010.

The Air Trade Area's nascent biotech manufacturing industry is expected to benefit from Genentech's April 2010 opening of a $400 million cancer drug manufacturing center in Washington County. The company currently employs 250 at this center and plans to hire additional workers over the next few years.[10] The Air Trade Area biotech manufacturing industry is also supported by research activities conducted at Oregon Health & Science University (discussed in Section 2.5.1.2).

The Air Trade Area is also becoming a center for green energy. Germany's Solar World and Sanyo of Japan have both located production facilities in the Air Trade Area. Santa Clara-based Solaicx announced in January 2010 plans to triple the production and double employment at its North Portland facility. In August 2010, Danish wind power giant, Vestas, announced plans to keep its North American headquarters in Portland and move to a newly renovated building in Portland's Pearl District.

Though not as significant as its operations in the neighboring state of Washington, Boeing's aerospace manufacturing plant in Multnomah County is set to undergo a $120 million expansion that will add approximately 152 jobs over the next three years.[11] The plant makes components for nearly all of the company's airplanes, and the expansion will create a 60,000 sq. ft. facility to treat metals such as titanium and stainless steel, used in making commercial airplane parts.

2.5.5 Financial

The financial sector comprises financial, insurance and real estate services. The financial sector (e.g., investment banking) generated the second highest amount of travel spending, including demand for air travel services, of any industry sector in 2009 according to the National Business Travel Association. Employment in the financial sector in the Air Trade Area decreased at a compounded annual rate of 0.2 percent between 1999 and 2009, compared with no growth for the State of Oregon and a 0.1 percent increase for the United States. In 2009, the financial sector in the Air Trade Area employed approximately 64,200 workers, representing 6.6 percent of the total nonagricultural workforce. This percentage is higher than in the United States where financial jobs accounted for 5.9 percent of nonagricultural employment in 2009.

As shown in Table II-6, three financial companies are among the major employers in the Air Trade Area with more than 1,000 employees. These companies include Wells Fargo (5,010 employees), U.S. Bancorp (3,948 employees) and Standard Insurance Company (2,044 employees) which is also headquartered in the Air Trade Area.

Table II-9 presents total bank deposits for the Air Trade Area, the State of Oregon and the United States between 1999 and 2009. Total bank deposits represent an indicator of the economic activity of the financial sector. As shown, total bank deposits in the Air Trade Area have steadily increased from approximately $15.8 billion in 1999 to approximately $31.8 billion in 2009. This increase represents a CAGR of 7.3 percent during this period compared to 6.4 percent for the State of Oregon and 7.2 percent for the United States.

---

9 Source: The Oregonian, "Intel is Mum, but Company Reportedly Plans New Hillsboro Plant," August 19, 2010.
10 Source: The Oregonian, "Genentech Opens in Hillsboro, Fueling Oregon's Biotech Aspirations," April 5, 2010.
11 Source: The Oregonian, "Boeing Plans to Invest $120 Million and Create 152 Jobs at Gresham Location," March 5, 2010.

Table II-9

Total Bank Deposits

Fiscal Year [1/]	Total Bank Deposits ($000,000) Air Trade Area	Oregon	United States
1999	$15,775	$28,346	$3,783,554
2000	$16,525	$29,656	$4,003,744
2001	$17,637	$31,262	$4,326,207
2002	$19,070	$33,479	$4,606,092
2003	$21,927	$37,337	$5,132,110
2004	$22,964	$39,165	$5,464,782
2005	$25,150	$42,284	$5,933,763
2006	$26,783	$45,275	$6,449,864
2007	$28,590	$47,944	$6,702,053
2008	$29,583	$49,162	$7,025,791
2009	$31,847	$52,620	$7,559,616
Compounded Annual Growth Rate			
1999 - 2009	7.3%	6.4%	7.2%

Note:
[1/] Twelve months ending June 30.

Source: Federal Deposit Insurance Corporation (FDIC), *Summary of Deposits Report* , October 2009.
Prepared by: Ricondo & Associates, Inc., June 2010.

The industry sectors described in this section of the chapter benefit from various sources of investment, including venture capital investments. Venture capital investments in the State of Oregon contribute to the dynamism of the Air Trade Area through the creation of new ventures, the availability of additional funding to hire new employees and the spending of research and development funds. Dow Jones VentureSource reported that State of Oregon companies raised $147 million in venture capital backing in 2009, down 14 percent from 2008. While the State of Oregon and the Air Trade Area receive less attention compared to the Silicon Valley or Seattle, venture capital investors have found promise in several local startups. These include Jive Software, a maker of business collaboration tools, which landed $12 million from venture firm Sequoia Capital in October 2009. Air Trade Area-based ClearEdge Power, which makes fuel cell energy technology, raised $29 million last year from Kohlberg Ventures.

2.5.6 Construction

Employment in the construction sector in the Air Trade Area decreased at a compounded annual rate of 0.8 percent between 1999 and 2009, compared with a 1.4 percent decrease for the State of Oregon and a 0.6 percent decrease for the United States. In 2009, the construction sector in the Air Trade Area employed approximately 50,400 workers, representing 5.2 percent of the total nonagricultural workforce. This percentage is approximately equal to the United States where construction jobs accounted for 5.1 percent of nonagricultural employment in 2009.

The Air Trade Area commercial real estate market is slowly beginning to stabilize after vacancy rates have risen from 11.4 percent in 2007 to 15.5 percent in Q2 2010.[12] The downtown Portland office submarket is beginning to recover and registered positive demand of almost 8,700 sq. ft. in Q2 2010. The suburban office submarket is not faring as well, with tenants still continuing to downsize, but losses in this submarket have decreased from recent quarters to just under 54,000 sq. ft. of negative net absorption in Q2 2010. In Q1 2010, the only major office construction project expected to deliver in 2010, the 360,000 sq. ft. LEED certified First and Main building, opened for lease. The future commercial office construction pipeline remains virtually empty with just 85,000 sq. ft. of office space currently under construction. This lack of new construction as well as the anticipated economic recovery is expected to eventually bring the supply/demand balance back to equilibrium which will lead to renewed demand for new office space and the construction jobs that go along with these projects.

As shown in **Table II-10**, Air Trade Area residential building permit units and valuation experienced a boom and bust cycle over the 1999 to 2009 period that roughly mirrored the experience of the United States as a whole (except that Air Trade Area housing units did not grow as rapidly as the nation during the "boom" phase). From 1999 until the peak of the most recent residential real estate building cycle in 2005, the Air Trade Area's residential building permit units increased at a CAGR of 2.3 percent (compared to 4.4 percent for the United States) and building permit valuation increased at a CAGR of 10.6 percent (compared to 10.5 percent for the United States). From 2005 through 2009, the Air Trade Area's residential building permit units decreased at a compounded annual rate of 30.5 percent (compared to a decrease of 27.9 percent for the United States) and building permit valuation decreased at a compounded annual rate of 28.3 percent (compared to a decrease of 26.6 percent for the United States).

---

[12] Source: Information in this paragraph was adapted from Grubb and Ellis, "Office Trends Report-First Quarter 2010 Portland, OR" and "Office Trends Report-Second Quarter 2010 Portland Oregon."

Table II-10

Residential Building Permit Units & Valuation

Year	Air Trade Area		Oregon		United States	
	Units	Valuation ($000)	Units	Valuation ($000)	Units	Valuation ($000)
1999	15,077	1,647,561	23,249	2,652,791	1,663,533	181,246,047
2000	12,962	1,623,152	19,877	2,533,331	1,592,267	185,743,681
2001	13,839	2,016,078	21,322	2,997,980	1,636,676	196,242,858
2002	14,331	2,142,423	22,186	3,347,381	1,747,678	219,188,681
2003	16,003	2,331,719	25,015	3,770,948	1,889,214	249,693,105
2004	15,859	2,490,144	27,309	4,458,126	2,052,060	290,119,463
2005	17,251	3,008,429	31,024	5,483,148	2,155,316	329,254,468
2006	15,376	2,767,808	26,623	4,941,557	1,838,903	291,314,492
2007	13,115	2,333,009	21,101	4,000,483	1,398,415	225,236,551
2008	7,408	1,448,204	11,676	2,247,277	905,359	141,623,457
2009	4,020	795,799	7,039	1,355,776	582,963	95,410,298
Compounded Annual Growth Rate						
1999-2005	2.3%	10.6%	4.9%	12.9%	4.4%	10.5%
2005-2009	-30.5%	-28.3%	-31.0%	-29.5%	-27.9%	-26.6%

Source: U.S. Department of Commerce, Bureau of the Census, June 2010.
Prepared by: Ricondo & Associates, Inc., June 2010.

According to the most recent S&P/Case-Shiller Home Price Index report, Air Trade Area home prices are down 20.3 percent since the local market peak in mid-2007 (versus a 28.4 percent decrease from peak nationally). Research firm Fiserv forecasted in April 2010 that Air Trade Area home prices will bottom in the first quarter of 2011, but will not return to peak levels until the fourth quarter of 2017.

2.5.7 Transportation/Utilities

Employment in the transportation/utilities sector in the Air Trade Area decreased at a compounded annual rate of 1.1 percent between 1999 and 2009, compared with a 0.6 percent decrease for the State of Oregon and a 0.2 percent decrease for the United States. In 2009, the transportation/utilities sector in the Air Trade Area employed approximately 34,300 workers, representing 3.5 percent of the total nonagricultural workforce. This percentage is approximately equal to the United States where transportation/utilities jobs accounted for 3.7 percent of nonagricultural employment in 2009.

2.5.7.1 Transportation

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

- Portland International Airport: The Airport is operated by the Port of Portland and is located approximately 12 highway miles northeast of downtown Portland. In FY 2010, the Airport enplaned and deplaned approximately 12.9 million passengers and approximately 192,000 tons of cargo (freight and mail combined). *Conde Nast Traveler* magazine has named the Airport the best U.S. airport for three of the past four years in their poll of business travelers. In early 2008, *Airport Revenue News* selected the Airport as the "U.S. Airport with the Best Customer Service."
- Air Trade Area Seaports: These facilities, including the Port of Portland and Port of Vancouver USA, are located approximately 100 miles inland from the Pacific Ocean. Despite this inland location, the Portland harbor has the fourth highest international tonnage level on the west coast of the United States and is the fourth largest auto import gateway in the U.S..[13] Additionally, the Port of Portland is the largest wheat export port in the United States. Port of Portland marine facilities include three bulk and breakbulk terminals (Terminals 2, 4 and 5) and a container terminal (Terminal 6). These four terminals are located in close proximity to major rail and highway connections.
- Ground Transportation Networks: TriMet, the three-county mass transit network for metropolitan Portland, carries over 100 million riders annually[14], and its web of bus, MAX light-rail and streetcar service continues to grow. As shown in Table II-6, TriMet has approximately 2,650 employees. The MAX light-rail provides convenient service linking the Airport with downtown and suburban locations. C-TRAN connects Clark County residents to Tri-Met bus and rail lines as well as downtown Portland.
- Rail Service: The Union Pacific and Burlington Northern Santa Fe railroads connect the Air Trade area with the nation's transcontinental freight rail network. Amtrak provides

[13] Source: Port of Portland, http://www.portofportland.com/FastFacts_Marine.aspx.
[14] Source: TriMet, "Facts About TriMet," http://trimet.org/pdfs/publications/factsheet.pdf, September 2009.

passenger rail service to and from the Air Trade Area and Vancouver, Canada to the north and Los Angeles to the south, and Chicago to the east.

- Interstate Highways: Two major interstate highways, Interstate 5 and Interstate 84, intersect in the Air Trade Area. Interstate 5 is the main north-south route from Canada to Mexico along the west coast of the United States. Interstate 84 is the principal route east from the Air Trade area to Salt Lake City, Utah, and connects there with Interstate 80 which extends to the east coast of the United States.

2.5.7.2 Utilities

The major electricity producers in the Air Trade Area are the Bonneville Power Administration and Portland General Electric, which are among the major employers in the Air Trade Area with over 1,000 employees as shown in Table II-6, and PacifiCorp. Hydroelectric power generated by these producers is partly responsible for the State of Oregon having the ninth-lowest average retail price for electricity in the nation, according to the U.S. Energy Information Administration, making it advantageous for energy intensive businesses such as semiconductor manufacturing to locate in the Air Trade Area.

The Air Trade Area, which includes parts of the states of Oregon and Washington, is a global leader in the wind industry. Oregon is one of six states (including Washington) with more than five percent of electricity generated by wind, and has a requirement that 25 percent of electricity come from renewable sources, including wind, by 2025. The wind industry is creating new employment opportunities in the Air Trade Area in the utilities sector as new wind turbines come on line that need to be maintained by well-paid specialized technicians (Portland General Electric expects to add 76 new wind turbines in 2010).

2.5.8 Information

The information sector combines communications, publishing, motion picture and sound recording, and online services. Employment in the information sector in the Air Trade Area decreased at a compounded annual rate of 0.4 percent between 1999 and 2009, compared with a 1.1 percent decrease for the State of Oregon and a 2.0 percent decrease for the United States. In 2009, the information sector in the Air Trade Area employed approximately 22,900 workers, representing 2.4 percent of the total nonagricultural workforce. This percentage is higher than in the United States where information jobs accounted for 2.1 percent of nonagricultural employment in 2009.

Information, particularly software and telecommunications development, is a prominent sector for innovation the Air Trade Area. According to Greenlight Greater Portland, the Air Trade Area has a computer software "talent cluster," or pool of specialized skilled labor, that is 20% larger than the national average. Mentor Graphics, the largest pure technology company headquartered in Oregon, is located in the Air Trade Area.[15] The firm makes computer software the semiconductor industry and other electronics manufacturers use to design their products. Also headquartered in the Air Trade Area is Consumer Cellular, one of Oregon's fastest growing companies, developed to cater to the rapidly growing market of providing senior citizens with basic cellular telecommunications

[15] Source: The Oregonian, "Mentor Graphics Revenue Down, Losses Up," May 28, 2010.

services.[16] The firm's revenues grew 57 percent last year and crossed the $100 million threshold for the first time.

2.6 Economic Outlook

According to the most recent economic forecast from the State of Oregon's Office of Economic Analysis (OEA), "Just as with the U.S. economy, Oregon is also showing signs of a slowdown or "pause" in economic activity mid-way through this year (2010)."[17] Total employment in Oregon is predicted to decline by 1.2 percent in 2010, but growth is expected to resume in 2011 (1.1 percent) and be over 2 percent by 2012. The OEA forecast also notes that that in Oregon, "[s]igns are starting to emerge that the housing market has hit bottom, at least in terms of housing starts, but prices may have further to fall. Though Oregon has been hit hard through this downturn, Oregon's housing market is relatively better off compared to California, Nevada, Florida and Arizona."

Longer term, between 2010 and 2017, the OEA expects employment growth in Oregon to be slower than in the mid-1990s, but more robust than overall United States employment growth over this period. Oregon's Gross State Product, a measurement of the economic output of the State, is projected to have the second highest growth rate in the nation over the coming years. Despite the projected economic growth, due to higher projected population growth in Oregon relative to the nation as a whole, little progress on raising per capita income compared to the U.S. is projected through 2017.

2.7 Summary

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

- **Population:** The Air Trade Area had approximately 2.24 million residents in 2009. Actual and projected population growth in a region is a leading indicator for assessing demand for air travel. Air Trade Area population is projected to grow at a CAGR of 1.4 percent during the Projection Period (slightly higher than projected growth rate for the State of Oregon and significantly higher than the United States' projected growth rate for the same period).
- **Age Distribution and Education:** Market research has shown that people between the ages of 35 and 54 tend to travel the most and that individuals with a college degree are more likely to travel by air. In 2008, Air Trade Area residents between the ages of 35 and 54 made up 30.2 percent of the population, compared with 28.4 percent of the population of the State of Oregon and 28.7 percent of the population of the United States. Approximately 33.2 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree). This percentage is significantly higher than that of both the State of Oregon and the United States where, respectively, 28.1 percent and 27.7 percent of the population over the age of 25 hold a bachelor's degree or higher advanced degree.

---

[16] Source: The Oregonian, "Consumer Cellular Thrives in Wireless Niche," May, 22, 2010.

[17] Source: State of Oregon Office of Economic Analysis, "Oregon Economic and Revenue Forecast," August, 2010.

Table II-11

Summary of Key Economic Indicators

	Air Trade Area	Oregon	United States
Note: Highest/best values or rates in each row are shown in bold and underlined font.			
Population Growth[1/]			
1990-2009	**2.1%**	1.6%	1.1%
2009-2016	**1.4%**	1.3%	1.0%
Per Capita Personal Income			
2009	$39,799	$36,271	**$40,255**
2016	$53,733	$49,263	**$54,499**
% 2009 Households in $60,000-Above	**38.5%**	35.4%	37.4%
Growth in Civilian Labor Force[1/]			
1999-2009	0.9%	0.9%	**1.0%**
1999-2002	0.5%	0.9%	**1.3%**
2002-2006	0.6%	0.6%	**1.1%**
2006-2009	**1.6%**	1.3%	0.6%
Unemployment Rate			
1999	4.3%	5.5%	**4.2%**
2005	5.9%	6.2%	**5.1%**
2009	10.6%	11.1%	**9.3%**
July 2010	10.4%	10.6%	**9.7%**
Growth in Nonagricultural Employment Sectors, 1999-2009[1/]			
Services	1.3%	**1.4%**	**1.4%**
Trade	**-0.2%**	**-0.2%**	-0.3%
Government	**1.5%**	1.0%	1.1%
Manufacturing	**-2.6%**	-2.9%	-3.7%
Financial	-0.2%	0.0%	**0.1%**
Construction	-0.8%	-1.4%	**-0.6%**
Transportation/Utilities	-1.1%	-0.6%	**-0.2%**
Information	**-0.4%**	-1.1%	-2.0%
Growth in Total Retail Sales[1/]			
2002 - 2007	**2.9%**	2.7%	2.4%
2007 - 2009	**-5.0%**	-5.2%	-5.5%
2009 - 2016	**2.7%**	2.6%	2.3%
Growth In Bank Deposits[1/]			
1999-2009	**7.3%**	6.4%	7.2%
Residential Building Permit Units[1/]			
1999-2005	2.3%	**4.9%**	4.4%
2005-2009	-30.5%	-31.0%	**-27.9%**
Residential Valuation[1/]			
1999-2005	10.6%	**12.9%**	10.5%
2005-2009	-28.3%	-29.5%	**-26.6%**

Note:
[1/] Compounded annual growth rate.

Sources: Various sources indicated on Tables II-1 through II-10 of this chapter.
Prepared by: Ricondo & Associates, Inc., September 2010.

- **Income:** Historically, for most years, the Air Trade Area's per capita personal income has been significantly higher, on an absolute basis, than equivalent measures for the State of Oregon and the United States. Over the Projection Period, Air Trade Area personal income is expected to grow at a CAGR similar to the State of Oregon and the United States (between 4.4 and 4.5 percent). Also, 38.5 percent of households in the Air Trade Area had household incomes of $60,000 or more in 2009, which was higher than the 35.4 percent of households in this income category for the State of Oregon and the 37.4 percent of households in this income category nationwide. This suggests that, generally, the ability of the Air Trade Area's population to draw on discretionary income to spend money on air travel is greater than for the populations of the State of Oregon and the United States and that the area will remain attractive to business and leisure travelers (lower income areas often have weaker business ties to the rest of the nation and a less developed tourism infrastructure).
- **Unemployment:** Annual unemployment rates for the Air Trade Area during the 1999-2009 period were typically below those for the State of Oregon but typically higher than those experienced by the United States. The Air Trade Area's unemployment rate (non-seasonally adjusted) was 10.4 percent in July 2010. This rate was lower than the unemployment rate experienced by the State of Oregon (10.6 percent) and higher than the unemployment rate experienced by the United States during the same period (9.7 percent). Relatively low unemployment rates are indicative of more potential opportunities for business travel and higher disposable income levels that facilitate leisure travel.
- **Nonagricultural Employment:** Nonagricultural employment in the Air Trade Area increased at a CAGR of 0.2 percent between 1999 and 2009, compared to 0.2 percent and 0.1 percent for the State of Oregon and the United States, respectively, during this same period. Two major industry sectors in the Air Trade Area experienced positive employment growth between 1999 and 2009, with growth occurring in the government (CAGR of 1.5 percent) and services (1.3 percent) sectors.
- **Business Climate:** In recent years, Portland has been rated the sixth best place in the United States to live and launch a new business. Fortune 500 employers are also well represented in the Air Trade Area through companies such as Intel, Nike (headquartered in the Air Trade Area) and Wells Fargo. The Air Trade Area has established notable industry clusters in semiconductor manufacturing, creative services, the footwear and outdoor industries and wind energy.
- **Other Factors Supporting Air Travel Demand:** The Air Trade Area offers a variety of healthcare, educational, cultural and recreational resources that stimulate demand for inbound and outbound air travel.
- **Economic Outlook:** Despite the recent nationwide recession, the State of Oregon's Office of Economic Analysis is projecting significant job growth in the Air Trade Area and the State of Oregon over the Projection Period. The most rapid job growth in the Air Trade Area over the next seven years is expected be in the construction sector and the professional and business services subsector. Also, the Air Trade Area and State housing markets are expected to bottom shortly with Air Trade Area housing prices anticipated to return to their 2007 peak in 2017, just after the end of the Projection Period.

The economic base of the Air Trade Area is strong and diversified, and is capable of supporting the projected demand for air travel at the Airport shown in Table III-7 of this report. This projected demand is expected to be sustained by the Air Trade Area's projected population growth, the

significant percentage of households in higher income categories and the presence of prominent Fortune 500 companies in the Air Trade Area.

2.8 Economic Assumptions and Information Incorporated in Airline Traffic Analyses

As described in more detail in Section 3.5 of this report, the methodologies employed in analyzing and assessing the Port's projections of airline traffic activity at the Airport included (among other methodologies) statistical linear regression modeling that utilized local socioeconomic factors as the independent variable and enplanements as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income and employment. For each of the socioeconomic factors, the regression modeling produced a coefficient that was applied to the projection of the corresponding socioeconomic factor to provide an estimate of future enplanements. The projections of enplanements using regression modeling with local socioeconomic factors provided a comparison benchmark for the assessment of the Port's projection of enplanements (which provided the basis for the financial analyses included in Chapter 5 of this report).

As described in Section 3.5, each of the projections of enplanements using regression modeling (using population, income, etc.) resulted in annual enplanement growth rates for FY 2010 through FY 2016 that were equal to or higher than the enplanement growth rates reflected in the Port's projection.

III. Air Traffic

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

3.1 Airlines Serving the Airport

As of August 2010, the Airport had scheduled passenger service provided by 12 U.S. airlines and two foreign flag airlines. In addition, scheduled cargo service is provided by eight all-cargo airlines. Scheduled passenger service at the Airport is provided by 11 of the 15 major U.S. passenger airlines, which represent the largest group of U.S. passenger airlines in terms of their total annual revenues.[1] These airlines include Alaska, American, Continental, Delta, Frontier, Hawaiian, JetBlue, SkyWest, Southwest, United, and US Airways. **Table III-1** lists the passenger and all-cargo airlines serving the Airport as of August 2010.

Table III-2 presents the historical air carrier base at the Airport since FY 2000. As shown, the Airport has had the benefit of a relatively large and stable air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets.

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

- Twelve of the 14 passenger airlines currently providing service at the Airport have operated at the Airport for each of the years depicted in Table III-2.
- Alaska and its partner airline Horizon Air consider the Airport a focus city. A focus city is a location that is not considered a hub but from which an airline has nonstop flights to several destinations other than its hubs. These two airlines had a combined 34.6 percent share of enplaned passengers at the Airport in FY 2010, and currently provide nearly 100 daily nonstop flights to over 25 markets (out of a current total of 235 daily nonstop flights for all airlines at the Airport). Horizon Air currently provides 22 daily nonstop flights to Seattle, primarily for connections to other markets.
- Southwest, which had the second highest share of enplaned passengers at the Airport in FY 2010 with a 19.1 percent share, initiated service at the Airport in FY 1994 with nonstop service to Oakland and Spokane with a total of seven daily flights. Southwest has since steadily expanded its service at the Airport with 40 daily nonstop flights to 13 markets by FY 2007, which has been maintained through August 2010. Daily nonstop flights increased from seven daily flights in FY 1994 to 17 daily flights in FY 1995, and to 29 daily flights in FY 1996. Thereafter, activity for Southwest steadily increased to its current level of 40 daily flights (a CAGR of 3.0 percent between FY 1996 and FY 2007).

3.2 Historical Passenger Activity

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

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

Table III-1

Airlines Serving the Airport [1/]

Scheduled U.S. Airlines (12)	Foreign Flag Airlines (2)	All-Cargo Airlines (8)
Alaska	Air Canada	ABX
American	Air Canada Jazz	Air Transport International
Continental [2/]		Airpac
Delta		Ameriflight
Frontier		Empire
Hawaiian		FedEx
Horizon Air		MartinAire Aviation
JetBlue		UPS
SkyWest		
Southwest		
United [2/]		
US Airways		

Notes:
[1/] As of August 2010.
[2/] In May 2010, United and Continential announced a planned merger, subject to shareholder and regulatory approval, which is expected to be granted by late calendar year 2010.

Source: Port of Portland, August 2010.
Prepared by: Ricondo & Associates, Inc., August 2010.

Table III-2

Scheduled Air Carrier Base

Airline	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 [1/]
Number of Airlines	12	12	12	14	14	16	16	18	17	16	15	14
Air Canada Jazz [2/]	●	●	●	●	●	●	●	●	●	●	●	●
Alaska	●	●	●	●	●	●	●	●	●	●	●	●
American	●	●	●	●	●	●	●	●	●	●	●	●
Continental	●	●	●	●	●	●	●	●	●	●	●	●
Delta [3/]	●	●	●	●	●	●	●	●	●	●	●	●
Frontier	●	●	●	●	●	●	●	●	●	●	●	●
Hawaiian	●	●	●	●	●	●	●	●	●	●	●	●
Horizon Air	●	●	●	●	●	●	●	●	●	●	●	●
SkyWest	●	●	●	●	●	●	●	●	●	●	●	●
Southwest	●	●	●	●	●	●	●	●	●	●	●	●
United	●	●	●	●	●	●	●	●	●	●	●	●
US Airways [4/]	●	●	●	●	●	●	●	●	●	●	●	●
JetBlue						●	●	●	●	●	●	●
Air Canada [5/]											●	●
Airlines No Longer Serving the Airport												
Lufthansa [6/]				●	●	●	●	●	●	●	●	
ExpressJet								●	●	●		
Mexicana				●	●	●	●	●	●	●		
Mesa						●	●	●	●			
Westjet								●				

Notes:
[1/] As of August 2010.
[2/] Includes historical service by Air BC.
[3/] Includes historical service by Northwest.
[4/] Includes historical service by America West.
[5/] Initiated service at the Airport in June 2010.
[6/] Discontinued service at the Airport in September 2009.

Source: Official Airline Guide, Inc., August 2010.
Prepared by: Ricondo & Associates, Inc., August 2010.

3.2.1 Enplaned Passengers

The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplaned passengers;[2] and ranked 30th nationwide in total passengers in CY 2009 with 12.9 million enplaned and deplaned passengers (the busiest U.S. medium hub facility).[3] **Table III-3** presents historical data for enplaned passengers at the Airport between FY 1998 and FY 2010, and for the Airport and the U.S. for the 12-month periods ending September 30, 1998 through 2009, enplaned passengers at the Airport increased from 6.4 million in FY 1998 to 7.4 million in FY 2008.

As shown on Table III-3, this increase represents a CAGR of 1.6 percent during this period. Due to record high fuel costs and a nationwide economic recession, enplaned passengers at the Airport decreased from 7.4 million in FY 2008 to 6.7 million in FY 2009, a 10.7 percent decrease year-over-year. A recovery in passenger traffic appeared in the latter part of FY 2010, with the fourth quarter of FY 2010 increasing 0.9 percent from a similar period in FY 2009. Enplaned passengers at the Airport decreased from 6.7 million in FY 2009 to 6.5 million in FY 2010, a 2.7 percent decrease during this period.

Specific details concerning enplaned passengers at the Airport between FY 1998 and FY 2010 are discussed below:

- **FY 1998 - FY 2001.** Enplaned passengers at the Airport increased from 6.4 million in FY 1998 to 6.8 million in FY 2001. This increase represents a CAGR of 2.2 percent during this period. The Airport experienced significant growth in enplaned passengers in FY 1999 from FY 1998 levels, increasing from 6.4 million enplaned passengers in FY 1998 to 6.7 million enplaned passengers in FY 1999, a 5.6 percent growth rate during this period. This relatively strong growth in passenger activity was primarily due to Southwest establishing and expanding service at the Airport, which forced Alaska and Horizon Air together to adopt a lower fare structure in order to remain competitive. Frontier, another low-cost carrier, initiated service at the Airport in FY 1999, adding competitive fares to Denver, a primary origin-destination (O&D) market for the Airport. The lower fares, new service, and a strong local and national economy helped stimulate the overall passenger markets at the Airport during this period.
- **FY 2002.** After decreasing slightly in FY 2001 from FY 2000 levels, passenger activity at the Airport decreased significantly in FY 2002, from 6.7 million enplaned passengers in FY 2001 to 6.0 million in FY 2002. This 10.8 percent decrease in activity at the Airport was primarily due to the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and a nationwide economic slowdown.
- **FY 2003 - FY 2007.** Activity at the Airport recovered quickly from the events of September 11 and the economic slowdown, as enplaned passengers increased each year between FY 2003 and FY 2007. The initiation of new service at the Airport during this period, as well as the presence of low-cost carriers, were contributing factors to this strong growth in passenger activity at the Airport. Three foreign flag airlines and the low-cost carrier JetBlue initiated

---

[2] As defined by the FAA, a medium hub airport enplanes more than 0.25 percent and less than 1.0 percent of nationwide enplaned passengers during a calendar year. This definition equates to an airport enplaning between 1,838,242 and 7,352,969 passengers in CY 2008, the latest year for determining airport hub size. Based on Airport records, the Airport had 7,150,857 enplaned passengers in CY 2008.

[3] *Traffic Data 2009*, Airports Council International.

Table III-3

Historical Enplaned Passengers

Fiscal Year Ending June 30

Fiscal Year	Airport Enplaned Passengers	Airport Growth
1998	6,355,313	-
1999	6,711,676	5.6%
2000	6,897,073	2.8%
2001	6,778,219	(1.7%)
2002	6,047,128	(10.8%)
2003	6,107,968	1.0%
2004	6,336,392	3.7%
2005	6,757,694	6.6%
2006	7,012,004	3.8%
2007	7,144,443	1.9%
2008	7,449,917	4.3%
2009	6,654,126	(10.7%)
2010	6,477,286	(2.7%)

Compounded Annual Growth Rate	
1998 - 2000	4.2%
2002 - 2008	3.5%
1998 - 2008	1.6%
1998 - 2009	0.4%

12-Month Period Ending September 30

12-Month Period Ending Sept. 30	Airport Enplaned Passengers	Airport Growth	U.S. Domestic Enplaned Passengers	U.S. Growth	Airport Share of U.S.
1998	6,392,777	-	590,400,000	-	1.083%
1999	6,803,762	6.4%	610,900,000	3.5%	1.114%
2000	6,862,110	0.9%	641,200,000	5.0%	1.070%
2001	6,600,508	(3.8%)	625,800,000	(2.4%)	1.055%
2002	6,045,269	(8.4%)	575,100,000	(8.1%)	1.051%
2003	6,146,652	1.7%	587,800,000	2.2%	1.046%
2004	6,438,605	4.7%	628,500,000	6.9%	1.024%
2005	6,849,911	6.4%	669,500,000	6.5%	1.023%
2006	7,013,526	2.4%	668,400,000	(0.2%)	1.049%
2007	7,233,700	3.1%	690,100,000	3.2%	1.048%
2008	7,404,840	2.4%	681,300,000	(1.3%)	1.087%
2009	6,499,899	(12.2%)	631,300,000 [1/]	(7.3%)	1.030%
2010	NA	NA	NA	NA	NA

Compounded Annual Growth Rate		
1998 - 2000	3.6%	4.2%
2002 - 2008	3.4%	2.9%
1998 - 2008	1.5%	1.4%
1998 - 2009	0.2%	0.6%

Note:
[1/] Estimated by the FAA.

NA = Not Available

Sources: Port of Portland (Airport activity); FAA (U.S. activity), August 2010.
Prepared by: Ricondo & Associates, Inc., August 2010.

service at the Airport during this period. In FY 2003, Lufthansa initiated nonstop service to Frankfurt, and Mexicana initiated nonstop service to Guadalajara. Mexicana expanded its service to Mexico City in late FY 2007; Delta (then Northwest) initiated nonstop service to Tokyo in late FY 2004 and to Honolulu in FY 2005. During this period, Southwest initiated service to Chicago Midway and increased daily service to Las Vegas and Phoenix.

- **FY 2008.** Airport enplaned passengers further increased 4.3 percent in FY 2008 from FY 2007 levels, from 7.1 million in FY 2007 to 7.4 million in FY 2008 (the highest enplaned passenger level at the Airport in any fiscal year to date). The combined increases in enplaned passengers for Horizon, Southwest, and Alaska during this period accounted for nearly 90 percent of this increase in passengers. During this fiscal year, Southwest initiated nonstop service to Denver and an additional daily flight to Chicago's Midway Airport. Alaska initiated nonstop daily service to Boston and an additional flight to San Diego. In addition, daily nonstop service to Amsterdam was initiated by Delta (then Northwest) in FY 2008.
- **FY 2009 and FY 2010.** Airport enplaned passengers decreased from 7.4 million in FY 2008 to 6.7 million in FY 2009, a decrease of 10.7 percent year-over-year. Oil prices escalated to a high of $147 per barrel in July 2008, which prompted the airlines to raise prices and reduce capacity systemwide. These price increases and decreased capacity (the airlines at the Airport decreased scheduled seats by approximately 900,000 seats in FY 2009 from FY 2008 levels, a 9.1 percent decrease), coupled with the national economic recession that began in December 2007 were primary factors leading to enplaned passengers decreasing 10.7 percent at the Airport in FY 2009 from FY 2008 levels. Enplaned passengers at the Airport were 2.7 percent below enplaned passenger levels for FY 2009, decreasing from 6.7 million in FY 2009 to 6.5 million in FY 2010.

In order to provide a direct comparison between enplaned passengers at the Airport to enplaned passenger data for the U.S., which is reported by the FAA for federal fiscal years (FFYs) ending September 30, Table III-3 presents enplaned passengers for both the Airport and the U.S. for FFY 1998 through FFY 2009. As shown, the Airport's share of U.S. enplaned passengers remained relatively stable between FFY 1998 and FFY 2009, reflective of similar growth patterns with the nation during this period. Other observations concerning enplaned passengers at the Airport and for the U.S. include:

- Enplaned passengers at the Airport increased at a CAGR of 3.6 percent between FFY 1998 and FFY 2000, compared to 4.2 percent for the nation.
- The Airport and the nation experienced similar decreases in passenger activity in FFY 2001 and FFY 2002, which were caused primarily by the events of September 11 and an economic slowdown nationwide.
- Both the Airport and the nation recovered to pre-September 11 levels in FFY 2005.
- Enplaned passengers at the Airport increased at a CAGR of 3.4 percent between FFY 2002 and FFY 2008, compared to 2.9 percent for the nation.
- The only difference in passenger trends of note between the Airport and the nation occurred in FFY 2009, where the Airport experienced a 12.2 percent decrease in enplaned passengers year-over-year compared to the 7.3 percent decrease estimated by the FAA for the nation. Primary factors accounting for the Airport's higher percentage decrease in FFY 2009 when compared to the nation were the Air Trade Area's higher unemployment rates and lower per capita personal income in 2008 and 2009. These conditions were present in certain of the

Airport's top O&D markets (e.g., California markets), which further reduced passenger activity levels at the Airport.

3.2.2 Enplaned Passengers by Airline

As shown earlier in Table III-2, the Airport has a relatively large and diverse air carrier base. To further illustrate this point, **Table III-4** presents the historical share of enplaned passengers by airline at the Airport between FY 2006 and FY 2010. As shown, enplaned passengers are spread over a number of airlines, with no single airline having more than 20 percent of enplaned passengers at the Airport during the years depicted. Alaska and Horizon Air combined accounted for 34.6 percent of enplaned passengers at the Airport in FY 2010. Three other airlines combined accounted for an additional 39.9 percent of enplaned passengers during this same period (Southwest with a 19.1 percent share, Delta with a 11.9 percent share, and United with an 8.9 percent share).

3.3 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it services primarily O&D passengers.[4] Based on FY 2010 data, the Port estimates that O&D passengers account for approximately 89 percent of total passengers at the Airport, with the remaining 11 percent of Airport passengers connecting between flights. **Table III-5** presents historical data on the Airport's primary (i.e., top 20) O&D markets. As shown, the Airport primarily served small to medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 1,161 miles in FY 2000 and 1,293 miles in FY 2009. By comparison, average stage lengths nationwide for FY 2000 and FY 2007 were 800 miles and 871 miles, respectively.

Although the individual rankings changed over time, the Airport's top 20 O&D markets remained relatively the same, as 19 of the Airport's top 20 O&D markets in FY 2000 were also included in the top 20 O&D markets in FY 2009. The most significant increases in O&D passenger levels at the Airport occurred in the Orange County; California, New York/Newark; and Denver markets, with O&D passengers for these markets increasing by more than 50,000 passengers between FY 2000 and FY 2009. The increase in O&D passengers to and from Orange County was primarily due to the increase in the passenger cap in place at John Wayne Airport from 8.4 million annual passengers to 10.3 million annual passengers on January 1, 2003. The increases in O&D passenger demand to the New York/Newark and Denver markets were primarily due to decreases in average one-way fares in FY 2009 compared to FY 2000. With JetBlue initiating low-cost service at the Airport to and from New York City via John F. Kennedy International Airport (JFK) in FY 2005, average one-way fares for New York/Newark decreased from $263 to $217 during this period. The average one-way fare to Denver from the Airport decreased from $175 in FY 2000 to $113 in FY 2007.

The most significant decreases in O&D passenger levels at the Airport occurred in markets along the West Coast corridor (e.g., Los Angeles, San Francisco, San Jose, and Seattle), primarily due to a significant cutback in capacity to and from these markets. From the mid-90s to 2001, Shuttle by United operated primarily up and down the West Coast as a low-cost alternative to Southwest and other low cost carriers. Shuttle by United initiated service at the Airport with 22 daily nonstop flights to and from San Francisco and 12 daily nonstops flights to and from Los Angeles. After the events of September 11th and an economic slowdown, air travel declined and the separate operation,

[4] Based on passenger survey data, the O&D percentage at the Airport ranged from 84 percent to 89 percent between FY 2004 and FY 2010.

Table III-4

Historical Enplaned Passengers by Airline

		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
Rank in FY 2009	Airline	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share
1	Horizon Air	1,263,850	18.0%	1,337,985	18.7%	1,477,575	19.8%	1,319,437	19.8%	1,282,825	19.8%
2	Southwest	1,217,397	17.4%	1,270,322	17.8%	1,322,143	17.7%	1,239,592	18.6%	1,237,598	19.1%
3	Alaska	1,202,914	17.2%	1,152,727	16.1%	1,230,683	16.5%	983,721	14.8%	956,724	14.8%
4	Delta	880,025	12.6%	806,336	11.3%	882,912	11.9%	809,713	12.2%	771,899	11.9%
5	United	933,453	13.3%	975,090	13.6%	842,884	11.3%	673,458	10.1%	575,320	8.9%
6	SkyWest	192,664	2.7%	213,232	3.0%	233,916	3.1%	315,849	4.7%	370,593	5.7%
7	US Airways	273,478	3.9%	324,646	4.5%	345,014	4.6%	310,298	4.7%	257,588	4.0%
8	Continental	255,060	3.6%	272,616	3.8%	284,130	3.8%	287,837	4.3%	297,029	4.6%
9	American	312,610	4.5%	288,382	4.0%	256,346	3.4%	229,140	3.4%	211,265	3.3%
10	Hawaiian	123,974	1.8%	155,794	2.2%	170,178	2.3%	160,883	2.4%	165,498	2.6%
11	Frontier	142,443	2.0%	140,254	2.0%	158,351	2.1%	143,904	2.2%	173,985	2.7%
12	JetBlue	45,499	0.6%	44,634	0.6%	44,851	0.6%	64,836	1.0%	103,658	1.6%
13	Air Canada Jazz	44,680	0.6%	39,381	0.6%	45,478	0.6%	44,162	0.7%	54,421	0.8%
	Other [1/]	123,957	1.8%	123,044	1.7%	155,456	2.1%	71,296	1.1%	18,883	0.3%
	Airport Total	7,012,004	100.0%	7,144,443	100.0%	7,449,917	100.0%	6,654,126	100.0%	6,477,286	100.0%

Note:
[1/] Consists of airlines no longer serving the Airport and charter activity.

Source: Port of Portland, August 2010.
Prepared by: Ricondo & Associates, Inc., August 2010.

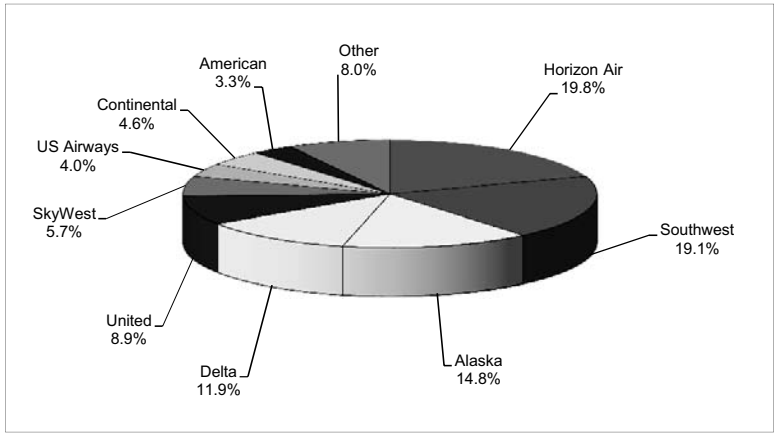


Table III-5

Primary O&D Passenger Markets

FY 2000

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

FY 2009

Rank	Market	Nonstop Service [2/]	Trip Length [1/]	Total O&D Passengers	Average One-Way Fare
1	Las Vegas	•	MH	464,940	$113
2	Phoenix	•	MH	459,040	$123
3	Los Angeles	•	MH	413,380	$137
4	Denver	•	MH	412,800	$113
5	Sacramento	•	SH	390,930	$91
6	Oakland	•	SH	389,050	$105
7	San Jose	•	SH	327,590	$112
8	New York/Newark	•	LH	317,330	$217
9	San Diego	•	MH	297,790	$144
10	San Francisco	•	SH	297,360	$123
11	Chicago	•	LH	291,080	$190
12	Orange County	•	MH	264,720	$136
13	Salt Lake City	•	MH	259,230	$117
14	Boise	•	SH	228,080	$77
15	Seattle	•	SH	214,480	$99
16	Spokane	•	SH	208,550	$79
17	Honolulu	•	LH	196,720	$202
18	Dallas	•	MH	189,100	$194
19	Ontario, CA	•	MH	165,670	$139
20	Burbank	•	MH	158,850	$140
Average					
Airport [3/]			1,293		$152
United States			871		N/A

Notes:

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

[2/] Nonstop markets as of May 17, 2010.

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

N/A = Not Available

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT, May 2010.

Prepared by: Ricondo & Associates, Inc., May 2010.

Shuttle by United, was no longer cost effective. As a result, Shuttle by United was merged back into United's mainline operation.

As of August 2010, daily nonstop service was provided to 46 cities with a total of 235 daily flights, with seven daily nonstop flights to Las Vegas, the Airport's top O&D market, and 34 daily nonstop flights to Seattle. All of the Airport's primary O&D markets are provided nonstop service. On June 18, 2010, Air Canada initiated service at the Airport with one daily nonstop flight to Toronto utilizing the 93-seat Embraer 190 aircraft. **Table III-6** presents the Airport's nonstop markets as of August 2010, including the markets served, daily flights, and airlines providing nonstop flights.

3.4 Factors Affecting Aviation Demand

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

3.4.1 National Economy

Air travel demand is directly correlated to consumer income and business profits. As consumer income and business profits increase, so does demand for air travel. In 2008, the combination of declines in construction activity, losses in housing-related securities, rising oil prices and a falling stock market eventually tipped the economy into recession. The nation's non-seasonally adjusted unemployment rate rose from 5.4 percent in January 2008 to 10.6 percent in January 2010, the highest rate since March 1983. The nation's non-seasonally adjusted unemployment rate was 9.3 percent in May 2010. U.S. GDP remained positive or slightly negative for the first three quarters of 2008, before experiencing a sharp decline of 5.4 percent in the fourth quarter of 2008. U.S. GDP continued to decline through the second quarter of 2009, followed by an increase of 2.2 percent, 5.6 percent, and 3.0 percent from the third quarter of 2009 to the first quarter of 2010.

The rise in real GDP in recent quarters is reflective of stronger consumer spending compared to previous quarters.

According to the latest forecast from the Congressional Budget Office (CBO), U.S. GDP is projected to grow by 1.7 percent in 2010, by 3.5 percent in 2011, and by an average of 4.7 percent in 2012 and 2013.[5] If the economic downturn continues or worsens (e.g., double-dip recession), aviation demand nationwide will be negatively impacted.

3.4.2 State of the Airline Industry

Following the restructuring years after the events of September 11, the airline industry finally gained ground in 2007 with virtually every U.S. airline posting profits. In 2007, the major airlines had managed to restrain capacity in a growing economy. In 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11th terrorist attacks. In 2008, many of the domestic network competitors announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. In the aftermath of the events of September 11, the U.S. airline industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses, totaling more than $28 billion dollars (excluding extraordinary charges and gains). Whereas the capacity reductions following the events of September 11 were the direct results of terror threats targeting the traveling public, the industry reductions starting in late 2008 and continuing through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years,

---

[5] Source: Congressional Budget Office, *The Budget and Economic Outlook: An Update*, available online at http://www.cbo.gov/ftpdocs/105xx/doc10521/08-25-BudgetUpdate.pdf, last accessed in April 2010.

Table III-6

Nonstop Markets

Market	Daily Nonstop Flights	Number of Airlines	Airline(s)
Albuquerque	1	1	Southwest
Amsterdam, Netherlands	1	1	Delta
Anchorage	4	2	Alaska (3), Continental (1)
Atlanta	3	1	Delta
Boise	6	2	Horizon (4), Southwest (2)
Boston	1	1	Alaska
Burbank	3	1	Horizon
Calgary, Canada	1	1	Air Canada Jazz
Charlotte	1	1	US Airways
Chicago	8	3	Alaska (1-ORD), Southwest (2-MDW), United (5-ORD)
Dallas	5	1	American
Denver	14	5	Alaska (1), Frontier (5), Southwest (3), SkyWest (3), United (2)
Detroit	1	1	Delta
Eugene	7	2	Horizon (3), SkyWest (4)
Fresno	1	1	Horizon
Honolulu	1	1	Hawaiian
Houston	4	1	Continental
Kahului	2	2	Alaska (1), Hawaiian (1)
Kansas City	1	1	Southwest
Klamath Falls	2	1	SkyWest
Las Vegas	7	2	Alaska (3), Southwest (4)
Long Beach	3	1	JetBlue
Los Angeles	9	2	Alaska (5), SkyWest (4)
Medford	6	2	Horizon (3), SkyWest (3)
Minneapolis	4	1	Delta
New York/Newark	4	3	Continental (2-EWR), Delta (1-JFK), JetBlue (1-JFK)
North Bend	2	1	SkyWest
Oakland	10	2	Horizon (4), Southwest (6)
Ontario	3	1	Horizon
Orange County	4	1	Alaska
Philadelphia	1	1	US Airways
Phoenix	11	3	Alaska (3), Southwest (3), US Airways (5)
Redmond	6	2	Horizon (3), SkyWest (3)
Reno	3	1	Southwest
Sacramento	11	2	Horizon (5), Southwest (6)
Salt Lake City	9	3	Delta (4), SkyWest (3), Southwest (2)
San Diego	3	1	Alaska
San Francisco	11	3	Horizon (5), SkyWest (2), United (4)
San Jose	9	3	Alaska (2), Horizon (3), Southwest (4)
Santa Rosa	1	1	Horizon
Seattle	34	2	Horizon (22), SkyWest (12)
Spokane	8	2	Horizon (5), Southwest (3)
Tokyo, Japan	1	1	Delta
Toronto, Canada	1	1	Air Canada
Vancouver, Canada	6	2	Air Canada Jazz (4), Horizon (2)
Washington DC	1	1	United (1-IAD)
Total	235		

Source: Official Airline Guide, Inc. (August 25, 2010).
Prepared by: Ricondo & Associates, Inc., August 2010.

a weak dollar exacerbating the impact of increased fuel costs for U.S. airlines, and the contraction of the U.S. economy. After nearly $10 billion losses in 2009, the International Air Transport Association (IATA) is predicting a $2.5 billion profit for the global industry in 2010. Globally, passenger traffic is forecast to rise 7.1 percent in 2010. Even though recovery is uneven across different regions, North American airlines profits are projected by the Air Transport Association (ATA) to be $1.9 billion in 2010.

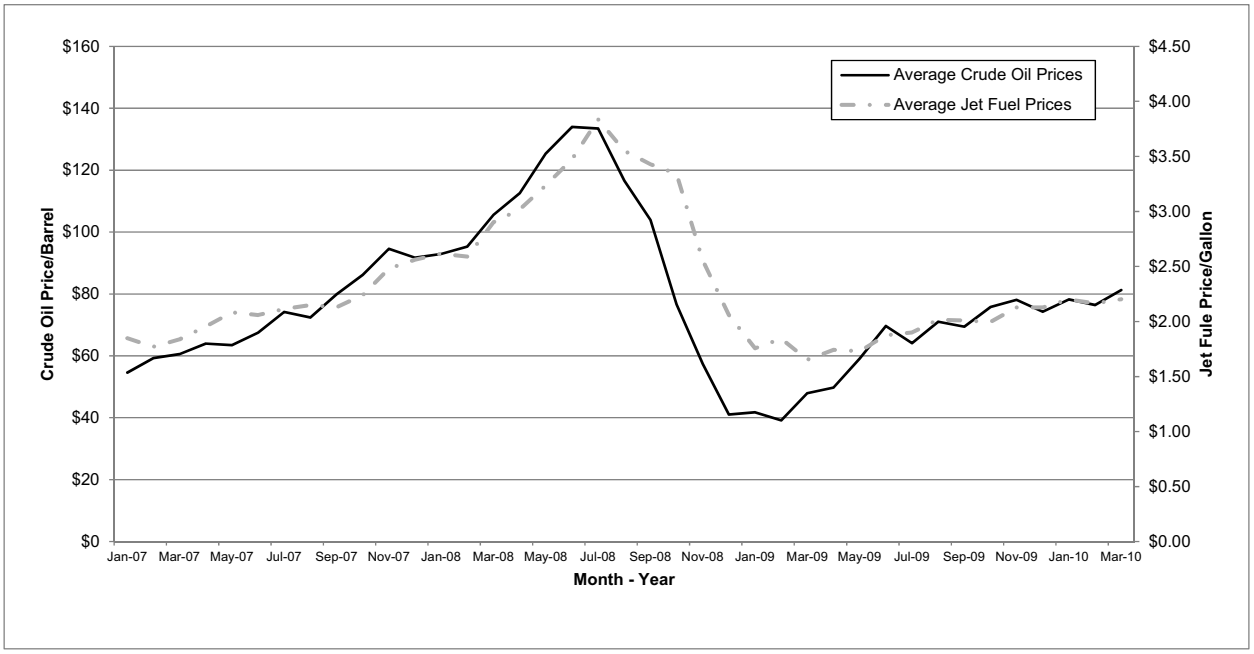
3.4.3 Cost of Aviation Fuel

The price of fuel is the most significant force affecting the airline industry today. The average price of jet fuel was $0.82 per gallon in 2000 compared to $3.07 per gallon in 2008, an increase of 275 percent. The average price of jet fuel decreased to $1.90 per gallon in 2009; however, this cost still represents an increase of 132 percent from 2000 prices. The average price of jet fuel was $2.20 per gallon in March 2010. According to the ATA, every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately $190 million to $200 million.

According to the ATA, U.S. airline fuel expense increased from $16.4 billion in 2000 to $32.3 billion in 2009, a CAGR of 7.8 percent during this period. The most significant annual increase in U.S. fuel expense during this period occurred in 2008, when fuel expenses increased from $41.9 billion in 2007 to $57.8 billion in 2008, a 37.9 percent increase. On July 11, 2008, oil prices rose to a new record of $147 per barrel following concerns over Iranian missile testing. During the remaining months of 2008 oil prices declined from their July peak and closed out the year at an average of approximately $40 per barrel (December 2008). **Exhibit III-1** shows the monthly averages of jet fuel and crude oil prices from January 2007 through March 2010.

Exhibit III-1

Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: Air Transport Association (ATA), May 2010.
Prepared by: Ricondo & Associates, Inc., May 2010.

In 1999, jet fuel accounted for nearly 10 percent of an airline's operating expenses and historically, fuel expense was the second highest operating expense for an airline behind labor. More recently, jet

fuel surpassed labor as an airline's largest operating expense, according to the ATA. In 2008, fuel comprised approximately 30.6 percent of an airline's total operating costs while labor represented approximately 20.3 percent of the total. As oil prices fell in the first quarter of 2009, fuel expenses retreated and labor once again became the airlines' largest operating expense representing 25.8 percent of total operating expenses while fuel was at 21.3 percent. In the third quarter of 2009, fuel comprised approximately 24.9 percent of an airline's total operating costs while labor represented approximately 23.8 percent of the total. Despite the decreases in jet fuel prices between August 2008 and December 2008, the airlines still followed through on plans to curtail capacity in the weak economy. If jet fuel prices approach or surpass their mid-2008 peak, aviation demand nationwide will be negatively impacted due to higher ticket prices the airlines would be required to charge to remain profitable.

3.4.4 Threat of Terrorism

As has been the case since the events of September 11, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

3.5 Projections of Aviation Demand

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

3.5.1 The Port's Projections and Underlying Assumptions

For purposes of ongoing planning, the Port maintains and periodically reviews and updates long-range projections of aviation activity. For these analyses, and as shown in **Table III-7**, the Port estimated that enplaned passengers at the Airport would stay relatively constant in FY 2011, and then increase 2.3 percent annually between FY 2012 and FY 2016, as described below. As a result, the Port projected that enplaned passengers at the Airport would increase from 6.5 million in FY 2010 to 7.3 million in FY 2016, a CAGR of 2.0 percent during this period.

3.5.1.1 Near-Term Projection – FY 2011

The Port projected that enplaned passengers would remain at 6.5 million through FY 2011. Key assumptions included in this near-term projection by the Port include:

- Horizon and Southwest plan to keep their capacity at the Airport stable.
- Alaska plans to increase its systemwide capacity by 1.0 to 2.0 percent. This airline will initiate seasonal service to Kona from the Airport between November 2010 and April 2011.
- Air Canada initiated service at the Airport in June 2010 with one daily nonstop flight to Toronto utilizing the 93-seat Embraer 190 aircraft.
- Since their respective routes from the Airport complement rather than compete, a proposed merger of United and Continental will not result in lower capacity at the Airport.
- All other airlines will be holding capacity steady.

After four straight quarters of decline, the U.S. economy resumed growth in the fourth quarter of 2009, driven in part by government stimulus packages. Reflecting a return to economic growth, the Port expects modest recovery in enplaned passenger activity at the Airport to occur in FY 2011 (a 0.7 percent growth in FY 2011 from FY 2010 levels).

Table III-7

Enplaned Passenger Projection

Fiscal Year	Actual Enplanements	Annual Growth
1998	6,355,313	
1999	6,711,676	5.6%
2000	6,897,073	2.8%
2001	6,778,219	(1.7%)
2002	6,047,128	(10.8%)
2003	6,107,968	1.0%
2004	6,336,392	3.7%
2005	6,757,694	6.6%
2006	7,012,004	3.8%
2007	7,144,443	1.9%
2008	7,449,917	4.3%
2009	6,654,126	(10.7%)
2010	6,477,286	(2.7%)
	Port Projection	
2011	6,519,689	0.7%
2012	6,669,642	2.3%
2013	6,823,043	2.3%
2014	6,979,973	2.3%
2015	7,140,513	2.3%
2016	7,304,745	2.3%

Compounded Annual Growth Rate	
1998 - 2010	0.2%
2002 - 2008	3.5%
2002 - 2010	0.9%
2010 - 2016	2.0%

Sources: Port of Portland (Airport activity and projections), May 2010.
Prepared by: Ricondo & Associates, Inc., August 2010.

3.5.1.2 Longer-Term Projection – FY 2012 through FY 2016

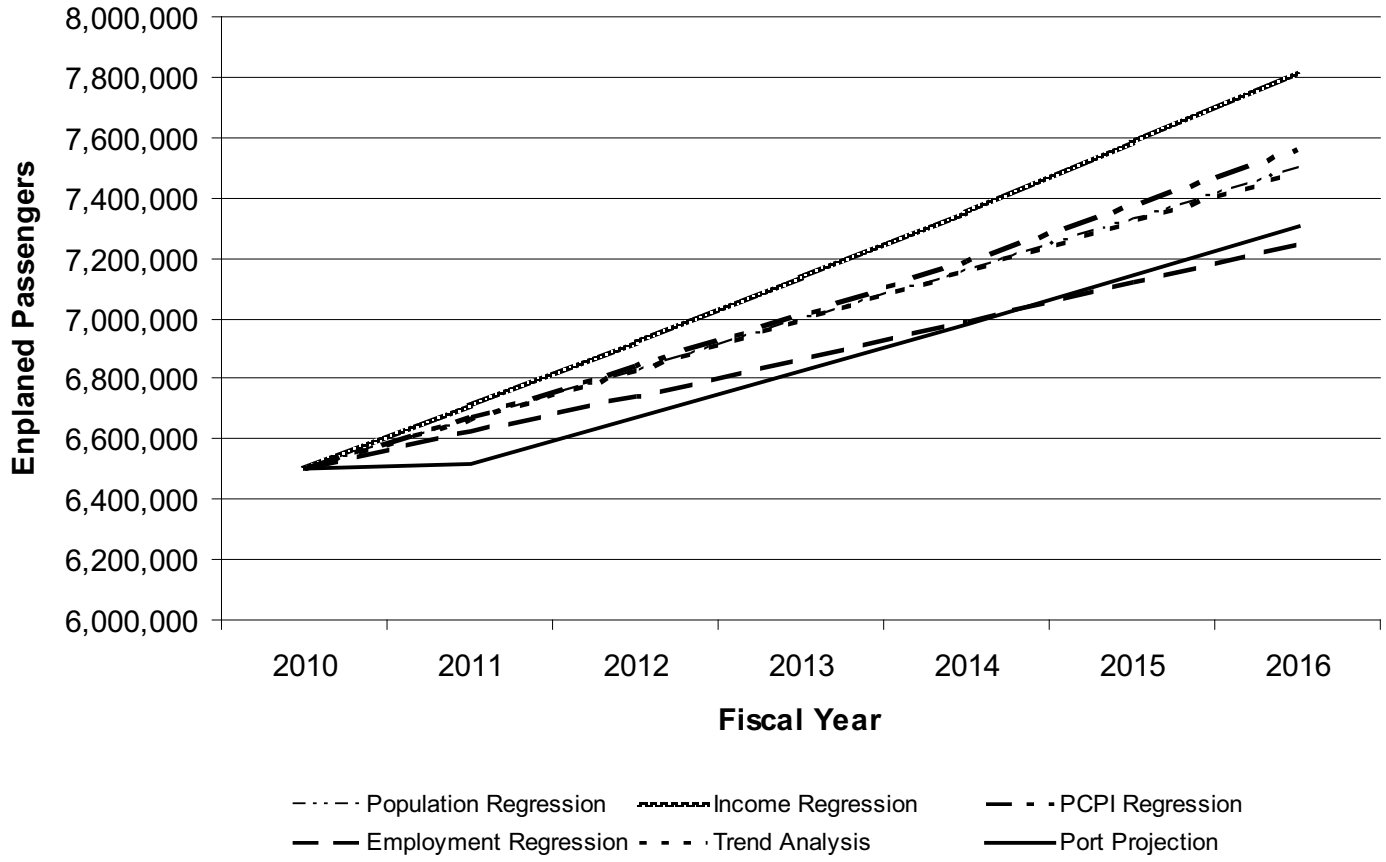
The Port projects enplaned passengers to increase 2.3 percent annually for FY 2012 to FY 2016, increasing to 7.3 million in 2016. This assumed annual increase is equivalent to the CAGR calculated for the 2008 Airport Master Plan Update's median projection scenario between 2006 (the Master Plan Update base year) and 2035. By comparison, the FAA's Terminal Area Forecast for the Airport prepared in December 2009 assumes a CAGR of 4.7 percent between FY 2011 and 2016. The 2.3 percent enplaned passenger growth rate assumed by the Port for FY 2012 to FY 2016 is significantly lower than the CAGR of 3.5 percent for enplaned passengers at the Airport between FY 2002 and FY 2008. The period FY 2002 to FY 2008 (following the significant decrease in enplaned passengers as a result of September 11 and the nationwide economic slowdown, and prior to the significant decrease in FY 2009) could generally be characterized as a period of normal growth for the Airport, or as a period that was not affected by significant nationwide events.

3.5.2 Review of the Port's Projections and Assumptions

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

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

Regression analysis was conducted on Airport enplaned passengers and each socioeconomic variable. The coefficient of determination (R^2) for the socioeconomic factors, which measures how well each variable explained the annual variations in enplaned passengers at the Airport, ranged from a high of approximately 96 percent to a low of approximately 91 percent. The regression models produced CAGRs in the range of 2.1 percent to 3.1 percent for the multiple socioeconomic factors and trend analysis. Based on applying these growth rates to the enplaned passenger level for FY 2010, the Airport's Air Trade Area could support enplaned passengers at the Airport in a range of 7.3 million to 7.8 million by 2016, equal to and above the 7.3 million passengers projected by the Port. **Exhibit III-2** presents the projected enplaned passengers based on growth rates derived from the regression models and a comparison to the Port's projections.



Sources: Port of Portland (Airport activity and projection); Ricondo & Associates, Inc. (regression analyses).
Prepared by: Ricondo & Associates, Inc., May 2010.

Exhibit III-2

Enplaned Passenger Projections

IV. Airport Facilities and Capital Program

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

4.1 Existing Airport Facilities

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

4.1.1 Airfield Facilities

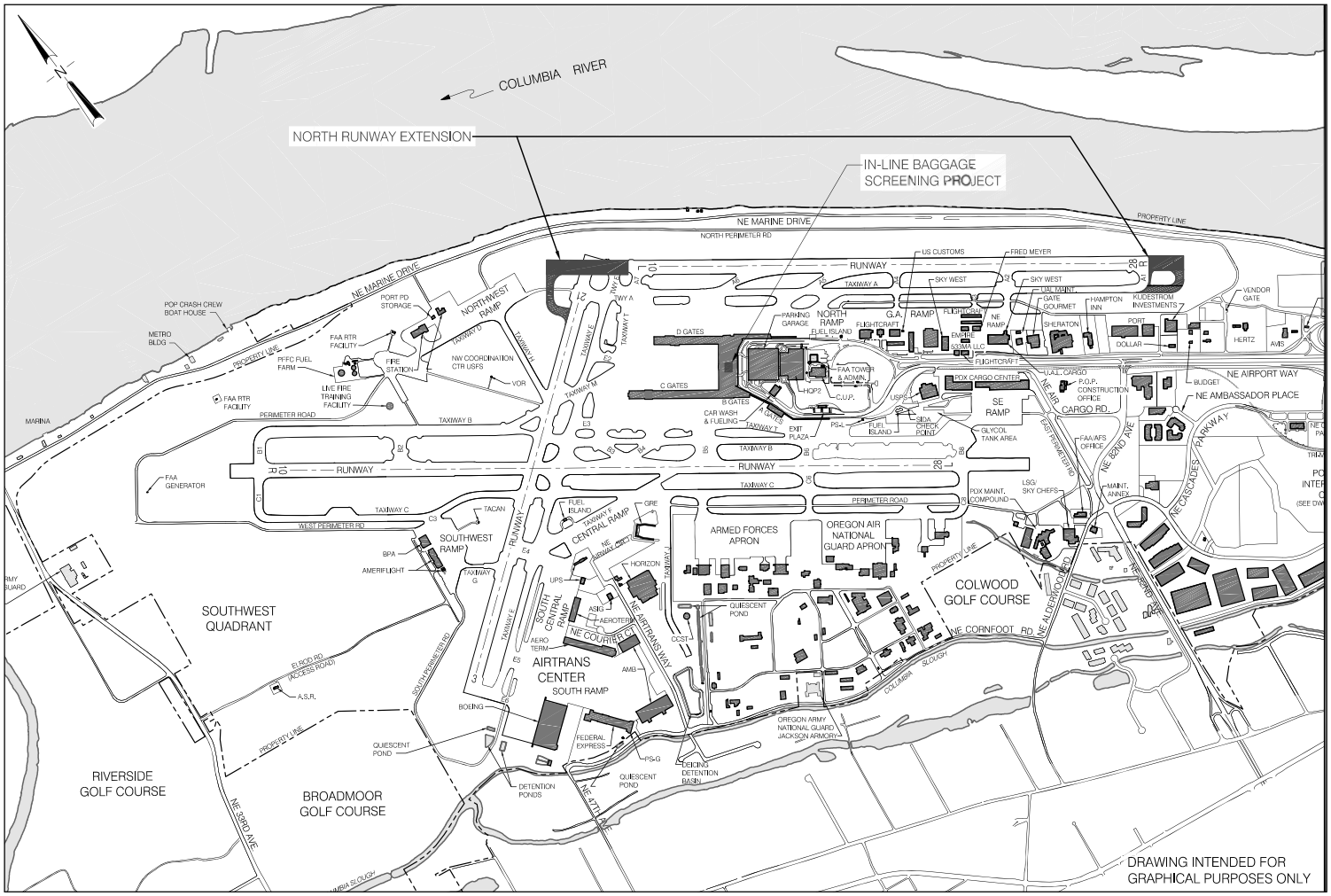
The existing airfield consists of two parallel air carrier runways, Runway 10R-28L and Runway 10L-28R, and a crosswind air carrier runway, Runway 03-21. Runway 10R-28L is 11,000 feet in length and Runway 10L-28R is currently 8,000 feet in length. As noted in Section 4.3.2 below, the Port plans to complete the extension of Runway 10L-28R (the north runway) to 9,800 feet in length as part of the Series Twenty Projects. The Port also plans to rehabilitate Runway 10R-28L (the south runway) and the estimated project costs are included in the costs of Other Capital Projects, as described in Section 4.2. Both runways are 150 feet wide and are equipped with high intensity runway lighting systems, centerline lighting, and touchdown zone lights. For approaches during Instrument Flight Rules (IFR) conditions, precision instrument landing systems are installed on both ends of each runway. The crosswind runway, Runway 3-21, is 6,000 feet in length with a width of 150 feet and is lighted and marked as a nonprecision runway.

Management at the Port has concluded that existing runways have adequate capacity to meet forecast operations beyond 2035. As described below in Section 4.3.2., the Port is in the process of extending the north runway to a total length of approximately 9,800 feet and the associated environmental assessment (in accordance with the National Environmental Policy Act – NEPA) for this extension has been completed. Extending the north runway will provide runway facilities required for larger (Group IV) aircraft when the south runway is shut down for rehabilitation and repairs, thus reducing the cost of future rehabilitations and increasing the quality and longevity of the south runway.

4.1.2 Terminal Facilities

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

The primary public areas in the main terminal building are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides



Source: Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Exhibit IV-1

Not to Scale

Existing Facilities and Series Twenty Projects

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

As part of the Series Twenty Projects, a state of the art in-line baggage screening system is currently under construction and when completed in June 2011, all checked bags will be screened in an area beyond public spaces. As described in more detail below in Section 4.2.1, this new system will allow the Transportation Security Administration to more efficiently screen bags for banned substances but will also allow removal of screening machines in the ticket lobby thus increasing circulation.

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

4.1.3 Public Parking Facilities

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

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

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

4.1.4 Rental Car Facilities

Eight rental car companies operate at the Airport – five provide on-Airport service counters and vehicles (Avis, Budget, Dollar, Enterprise, and Hertz), and the other three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo, National, and Thrifty). On-Airport rental car spaces are located the first two floors of the short-term parking garage. The new long-term parking garage provides future capacity for additional rental car space needs.

4.1.5 Cargo and Airline Maintenance Facilities

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

4.1.6 Port Headquarters

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

The Port's new headquarters incorporate many state-of-the-art green technologies. The lobby looks like a large indoor garden but is actually a functioning indoor wetland. Called a Living Machine® system, this ecological wastewater treatment alternative treats wastewater for reuse in the building's toilets and cooling tower. It is the largest commercial office building with the Living Machine® system in the western United States. Underneath the building, more than 200 pipes provide ground source heating and cooling in a closed loop system. This is the first coupling of these heating and cooling systems in the United States. Features like daylighting, window glazing, fixed exterior shading, water-efficient fixtures, and a 10,000-square foot eco-roof help save energy, water and money. The new headquarters are expected to use 75 percent less water and 36 percent less energy compared to a standard building of the same size.

The Port expects the new headquarters building will be approved as a Leadership in Energy and Environmental Design (LEED) Gold project upon final review by the Green Building Council later this year.

4.1.7 Ancillary Facilities

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

- **Military**. The Oregon Air National Guard lease an approximately 240-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center.

- **General Aviation.** Corporate and general aviation facilities are located on approximately 25 acres along the north side of the Airport. This area includes paved aircraft parking areas, aircraft hangars, and fixed base operator facilities. The Port owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. The Port also receives ground lease rent from the owners of a corporate aircraft maintenance hangar.
- **Federal Aviation Administration (FAA).** The FAA occupies the Airport Traffic Control Tower (ATCT) and handles all flight arrivals and departures as well as ground movement. The ATCT is located adjacent to the long-term parking garage.
- **The Port.** The Port provides the following support facilities at the Airport: Aircraft Rescue and Firefighting and maintenance.
- **Flight Kitchen**. Sky Chefs operates a flight kitchen at the Airport.
- **Commercial Facilities.** On the eastern side of the Airport, next to Interstate 205 and NE Airport Way, is the 463-acre Portland International Center, which is being developed as a commercial and industrial development complex. The facilities located at the Portland International Center were constructed and are operated by private parties on Airport land that is leased from the Port (all roads are owned by the City of Portland). Parcel B is closest to the Airport Terminal and 82nd Street and consists of approximately 318 acres. Developed areas in Parcel B include 105 acres for an Embassy Suites Hotel, warehouse/distribution buildings, office/warehouse buildings, manufacturing facilities, a bank and a U.S. Customs headquarters building. Another 24 acres were developed into Airport employee parking. Future developable areas include approximately 52 acres for Aviation Reserve and 64 acres for future industrial development. This parcel includes another 73 acres of land designated as permanently open. Parcel A includes 145 acres of the Portland International Center and is being developed by Cascade Station Development Company, LLC ("Cascade") for retail, office, and hotel development. Of the 145 acres, approximately 120 are currently in development and 25 additional acres are un-developable (will comprise street right of ways and park blocks). The Cascade development was negotiated as part of a development and financing package to extend the regional light rail system through the Portland International Center to the Airport Terminal. Two hotels, the Sheraton and the Hampton Inn, are also located on the north side of the Airport on land leased from the Port.

4.2 Summary of Capital Projects

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

- **The Series Twenty Projects**. Includes capital projects to be funded, in part, with Series Twenty Bond proceeds. The capital and operating costs associated with the Series Twenty Projects **have been included** in the financial analysis incorporated in this report and the financial tables accompanying this report (see Chapter 5). The Port currently does **not** expect that future Airport Revenue Bonds will need to be issued to help fund the estimated costs of the Series Twenty Projects.
- **Other Capital Projects**. Includes other Airport capital projects that are currently anticipated by the Port to be undertaken during the Projection Period (through FY 2016). These projects are referred to in this report as the Other Capital Projects. The estimated capital and operating costs (if any) and estimated revenue impacts (if any), associated with the Other Capital Projects **have also been included** in the financial analysis incorporated in this report

and the financial tables accompanying this report (see Chapter 5 for more detailed information).

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

4.3 The Series Twenty Projects

The Series Twenty Projects include (1) the Baggage Screening In-Line System Project, (2) completion of the North Runway Extension Project, and (3) various terminal and airfield improvements, as described in detail in the following sections. Exhibit IV-1 highlights the location of key elements of the Series Twenty Projects. **Table IV-1** presents estimated project costs for the Series Twenty Projects and the Other Capital Projects.

The Series Twenty Projects are estimated to cost approximately $219.1 million (including design, engineering, construction, escalation for inflation, and contingency amounts). Sources of funding for the Series Twenty Projects are described in Section 5.4 of this report.

4.3.1 Baggage Screening In-Line System Project

The Baggage Screening In-Line System Project will (1) relocate the baggage screening systems from the ticket lobby to areas in the lower level of the existing terminal building (alleviating passenger congestion, improving safety, and improving passenger processing in the ticket lobby), (2) add a new in-line explosives detection bag screening system in the passenger terminal building, and (3) automate the baggage screening process. With the new system, passengers will no longer have to take their checked bags to the baggage screening machines.

The new baggage handling system includes an outbound conveyor from 12 existing ticket counters and two existing curbside lines. The lines merge onto a pre-screening loop that feeds two new screening areas—North and South. There will be four in-line EDS machines in the North area and four in the South. The project includes a phased demolition of existing equipment and the use of temporary tie-in conveyors, allowing the airport to maintain operations during implementation of the project. The Baggage Screening In-Line System Project is expected to be completed in June 2011.

As shown on Table IV-1, this new bag screening system is estimated to cost approximately $142.1 million. Through FY 2010, the Port had spent approximately $101.8 million on the costs of the Baggage Screening In-Line System Project —including architectural and engineering design, construction management, and construction costs. As discussed in Section 5.4 of this report, approximately $16.2 million of the cost of this project is expected to be paid from proceeds of the Series Twenty Bonds.

4.3.2 Completion of North Runway Extension Project

The purpose of the North Runway Extension Project is to extend the Airport's north runway (Runway 10L-28R) from its current length of 8,000 feet to approximately 9,800 feet. This extension will provide the Port with a second long runway for departures by all aircraft using the Airport when the south runway (Runway 10R-28L) is closed for rehabilitation or other potential reasons including,

Table IV-1

Series Twenty Projects and Other Capital Projects - Estimated Costs
(Amounts in Thousands)

Project Elements	Cost Center(s)	Estimated Total Cost [1/]	Historical Expenditures [2/]	Remaining Project Costs
Series Twenty Projects				
Baggage Screening In-Line System Project	Airline	$142,100	$101,813	$40,287
Completion of North Runway Extension Project	Airline	71,106	48,097	23,009
Other Terminal and Airfield Improvements	Airline	5,927	229	5,698
Total Series Twenty Projects		**$219,133**	**$150,139**	**$68,994**
Other Capital Projects [3/]				
Port Cost Center	Port	$183,408		
Airline Cost Center	Airline	394,364		
Total Other Capital Projects		**$577,772**		
Total Series Twenty and Other Capital Projects		**$796,905**		

Notes:

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

2/ Actual project expenditures through June 30, 2010.

3/ The financial impacts associated with the Other Capital Projects are incorporated the financial tables included in Chapter 5 of this report.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

but not limited to, routine pavement maintenance, minor and major pavement repairs, and airfield emergencies. This is to coincide with a planned overlay of the existing north runway that is necessary for maintenance purposes. This overlay is included in the project. The North Runway Extension Project is expected to be completed in December 2010.

As shown on Table IV-1, the North Runway Extension Project is estimated to cost approximately $71.1 million (including costs to date). Through FY 2010, the Port had spent approximately $48.1 million on the costs of the North Runway Extension Project—including architectural and engineering design, feasibility study, and environmental assessment costs. As discussed in Section 5.4 of this report, approximately $8.3 million of the cost of this project is expected to be paid from proceeds of the Series Twenty Bonds.

4.3.3 Other Terminal and Airfield Improvements

The total capital costs of various other terminal and airfield improvements, currently estimated at approximately $5.9 million, are expected to be paid from the proceeds of the Series Twenty Bonds. Through FY 2010, the Port had spent approximately $229,400 on the costs of these projects.

4.4 Other Capital Projects

As discussed in Section 4.2, Other Capital Projects currently anticipated by the Port to be undertaken during the Projection Period (through FY 2016) are shown on Table IV-1. Preliminary cost estimates for the Other Capital Projects total approximately $577.8 million. It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Port during the Projection Period (depending on circumstances such as aviation demand levels, availability of project funding, etc.) during the Projection Period. However, for purposes of this analysis, such projects have been incorporated in this report and the accompanying financial tables to be conservative.

Sources of funding for the Other Capital Projects are described in Section 5.4 of this report. The estimated financial impacts of the Other Capital Projects **are incorporated in this report** and the accompanying financial tables in Chapter 5.

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

V. Financial Analysis

This chapter examines the financial framework for the Airport and the Series Twenty Bonds financing; the sources of funding for the Series Twenty Projects and the Other Capital Projects; the Series Twenty Bonds financing plan; the projections of debt service, O&M Expenses, and Revenues for the Airport; and the projections of airline rates and charges, debt service coverage, and other key financial measures for the Airport.

The Port prepared the financial projections for the Airport as reflected in Sections 5.4 through 5.9 below. R&A reviewed the Port's financial projections, including the methodologies and underlying assumptions incorporated therein, and determined that they are reasonable for the purposes of this analysis.

5.1 Financial Structure and Accounting

The Port's airport system includes the Airport and the Port's two general aviation airports; Hillsboro Airport and Troutdale Airport (collectively, the General Aviation Airports). From an accounting perspective, the Airport is operated as an independent enterprise by the Port and is separate from other Port enterprises. Moneys deposited into the Airport Revenue Fund (described in more detail in Section 5.2 below) are not commingled with any other monies of the Port and are used and applied only in the manner as specified in the bond ordinances discussed in Section 5.2 below. The Port accounts for all of its funds on the accrual basis of accounting.

The Port funds operations at the Airport with revenues generated from Airport rentals, fees, and charges. Capital improvements at the Airport are funded by the Port with: (1) revenues generated from Airport rentals, fees, and charges; (2) airport revenue bond proceeds; (3) federal, state, and other grants-in-aid; (4) PFC revenues, and (5) PFC bond proceeds.

From an operational perspective, the General Aviation Airports serve as reliever airports for the Airport. Under Port Ordinance No. 323, one of the Port's revenue bond ordinances described in more detail in Section 5.2, revenue from the Airport can be used to fund projects at the General Aviation Airports. Any shortfalls associated with the operation of the General Aviation Airports can be funded with remaining amounts in the Airport's General Account, after paying O&M Expenses and funding required amounts in the SLB Fund, the Junior Lien Obligation Fund, and the Third Lien Obligation Fund (See Section 5.2.3).

The Port's general overhead attributable to the Airport is charged to the Airport. A cost center structure was developed for the Airport and implemented by the Port in FY 1992. Of the 13 cost centers that were developed, six are direct revenue-producing cost centers and seven are indirect cost centers. The Airfield and Terminal cost centers, each of which are direct cost centers, plus their allocated portions of the seven indirect cost centers comprise the Airline Cost Center. The Airline Cost Center includes the O&M Expenses, debt service, debt service coverage, Terminal concession revenues, and Revenues from both passenger and all-cargo airlines. The remaining four direct cost centers, Ground Transportation, Air Cargo, Other Aviation, and Non-Aviation, plus their allocated portions of the seven indirect cost centers are considered the Port Cost Center. Series Twenty Bonds are payable from the Airport Net Revenues, inclusive of both the Airline Cost Center and the Port Cost Center.

The 13 Airport cost centers are described in greater detail below:

5.1.1 Direct Cost Centers

- **Terminal**. The passenger terminal building and concourse areas; arrival, departure, and commercial access roadways immediately adjacent to the terminal; and the aircraft parking and maneuvering areas adjacent to the terminal.
- **Airfield.** The areas and facilities provided for the landing, take off, and taxiing of aircraft, aircraft parking areas, areas required for approach and runway protection zones, noise abatement, airfield access and related roadways, and navigation easements.
- **Ground Transportation.** The areas and facilities accommodating ground transportation, including Airport public access roadways (other than those that are part of the Terminal), automobile parking facilities, and rental car operations.
- **Air Cargo.** The areas and facilities leased or provided for air cargo activities.
- **Other Aviation.** The areas and facilities provided for aviation activities that are not allocated to the Airfield, Terminal, or Air Cargo cost centers (e.g., general aviation).
- **Non-Aviation.** The areas and facilities provided for commercial and industrial property ground leases at the Airport. These include the Portland International Center, hotels, warehousing, and commercial office buildings.

5.1.2 Indirect Cost Centers

- **Operations.** The salaries, benefits, materials, and supplies of the Airport's operations staff.
- **Maintenance.** Costs not attributable to any direct cost centers, consisting of the salaries, benefits, and supplies for the maintenance staff, as well as the costs of contracted maintenance services. Also included are the costs of the Airport's maintenance facility located on the south side of the Airport.
- **Environmental.** Salaries, benefits, and supplies of the Environmental department. Also included are costs associated with environmental activities and facilities.
- **Systems and Services.** Utility expenses associated with the Central Utility Plant, which provides electrical power, heating, air conditioning, and steam for the Terminal and Airfield. Also included are sewer and water costs for the Airport that are not attributable to any direct cost centers.
- **Airport Rescue and Fire Fighting (ARFF).** Salaries, benefits, and supplies of the ARFF department. Also included is the cost of maintaining the ARFF facility and equipment, as required under FAA regulations.
- **Aviation Security and Public Safety.** Salaries, benefits, and supplies of the Airport police department, as required under FAA regulations. The maintenance expenses of this department are also included in the cost center. Passenger security screening costs are paid directly by the airlines.
- **Administration.** The total costs of the Airport planning, properties, marketing, communications, and administrative staff. Also included are costs for a portion of the Airport insurance and corporate services received from the Port.

5.2 Bond Ordinances

Port Ordinance No. 155 and Port Ordinance No. 323 (referred to collectively in this report as the Existing Bond Ordinances) authorize the issuance of Portland International Airport Revenue Bonds (Airport Revenue Bonds) to, among other things, pay the costs of acquiring and constructing Airport

improvements. The Existing Bond Ordinances were enacted on November 10, 1971 and October 9, 1985, respectively, and have both been subsequently amended and restated.

The Series Twenty Bonds are being issued pursuant to various provisions in the Existing Bond Ordinances and Port Ordinance No. 435-B (the Series Twenty Bonds Ordinance) enacted by the Port on September 8, 2010. The Existing Bond Ordinances and the Series Twenty Bonds Ordinance are referred to collectively in this report as the Bond Ordinances.

The Series Twenty Bonds are being issued as Subordinate Lien Bonds (SLBs) under the Bond Ordinances, and as such are secured by a prior pledge of the Net Revenues of the Airport, on a parity with the pledge of the Net Revenues securing payment of the Port's outstanding SLBs. As of July 1, 2010, the Port had outstanding $481.1 million in aggregate principal amount of SLBs. The Port has no obligations outstanding secured by a pledge of Net Revenues that is prior to the pledge securing the SLBs, and the Port has covenanted in the Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs.

Ordinance No. 323 uses the term "Subordinate Lien Bonds" because the obligations secured by a pledge of the Revenues that is on a parity with the pledge securing the Series Twenty Bonds had a subordinate claim on the Revenues when Ordinance No. 323 was originally enacted by the Port. All senior lien obligations have been retired, and the "Subordinate Lien Bonds" are now secured by a prior pledge of the Net Revenues, so this report uses the term "SLB" in place of "Subordinate Lien Bond" to avoid confusion.

Pursuant to the Bond Ordinances, the Port has pledged to the payment of outstanding SLBs, including the Series Twenty Bonds, all Revenues of the Airport after payment, or provision for the payment, of the Costs of Operation and Maintenance (O&M Expenses) of the Airport.

In the Bond Ordinances, the Port has reserved the right to make certain changes to the Bond Ordinances without the consent of the Owners of the Series Twenty Bonds. No such changes to the Bond Ordinances are assumed in this analysis.

5.2.1 Additional Bonds

The Port is authorized under the Bond Ordinances, subject to meeting certain conditions, to issue additional SLBs. As stated previously, the Port has covenanted not to issue any Airport Revenue Bonds or incur any obligations other than O&M Expenses with a lien on Revenues superior to the lien associated with SLBs.

To issue additional SLBs (such as the Port's proposed Series Twenty Bonds), the Port must provide certain documents to the Trustee pursuant to the Bond Ordinances including either:

(a) An Airport Consultant's written report setting forth projections which indicate:

(i) the estimated Net Revenues for each of three consecutive Fiscal Years beginning in the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues); and,

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

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

This Report of the Airport Consultant, along with the other necessary documentation, is being prepared to meet the requirements identified in the Bond Ordinances with respect to Additional Bonds.

5.2.2 Rate Covenant

Pursuant to Section 16 of Port Ordinance 155 (Covenant as to Rates, Rentals, Fees, and Charges) referred to as the Rate Covenant, the Port shall:

> …impose and prescribe a schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport, revise the same from time to time whenever necessary, and collect the income, receipts, and other money derived therefrom so that:
>
> - Revenues will be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, and
> - Net Revenues in each Fiscal Year will be at least equal to 130 percent of the SLB Debt Service Requirement for such Fiscal Year for all SLBs outstanding.

The Port has also covenanted to enact such ordinances and to prescribe and enforce such rules and regulations, or to impose such contractual obligations, for the payment of rates, rentals, fees, and charges so as to satisfy the Rate Covenant.

5.2.3 Application of Airport Revenues to Funds and Accounts

Section 13 of Port Ordinance No. 155 and Section 7 of Port Ordinance No. 323 established certain funds and accounts and the priority for the flow of Revenues and certain other moneys to such funds and accounts, as and described below. All Revenues of the Airport are deposited into the Airport Fund, referred to in this report as the Airport Revenue Fund, and are then applied as necessary on a monthly basis for various purposes to funds and accounts in the priority listed below.

- **Airport Revenue Fund.** All Revenues of the Airport are required to be deposited into the Airport Revenue Fund, which is administered by the Port. Revenues credited to the Airport Revenue Fund must first be used and applied by the Port to the payment of O&M Expenses.
- **General Account.** On the first business day of each month, the Port, after paying O&M Expenses, is required to credit the balance of Revenues in the Airport Revenue Fund to a separate account in the Airport Revenue Fund held by the Port (the General Account). The Port is required to credit Net Revenues in the General Account to the following Funds, as defined in the Official Statement and Bond Ordinances, 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.

In addition to the SLBs, the Port is authorized under the Bond Ordinances to issue subordinate obligations, including Junior Lien Obligations and Third Lien Obligations. The Port currently has no bonds that are Junior Lien Obligations or Third Lien Obligations outstanding, but certain obligations are payable from the JLO Fund and TLO Fund, respectively.

The Bond Ordinances permit any Revenues remaining in the General Account after the transfers described above to be used by the Port for any lawful aviation-related use or purpose pertaining to the Airport or to aviation or air transport interests of the Port, including general aviation facilities. The Port has reserved the right to amend the Bond Ordinances to permit the Port to apply Revenues remaining in the General Account to any Port purpose.

5.3 Airline Agreements

As of July 1, 2010, the Port has entered into the following types of airline agreements with respect to the Airline Cost Center:

- Signatory Passenger Airline Lease and Operating Agreements (the Signatory Airline Agreements)
- Cargo Carrier Operating Agreements (the Signatory Cargo Carrier Agreements)

The two types of agreements listed above are referred to collectively in this report as the Airline Agreements. The Airline Agreements became effective on July 1, 2010, and are scheduled to expire on June 30, 2015--see Section 5.3.7 below for assumptions incorporated in this report regarding expiration of these agreements.

The Airline Agreements (1) permit airlines to land at the Airport and (2) govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters, and gate areas. In addition, the Airline Agreements establish procedures for setting and annually adjusting Signatory Airline rentals, rates, fees, and charges collected for the use of Airport facilities.

The Port's previous airline agreements expired on June 30, 2010. Prior to the expiration of those agreements, the Port worked collaboratively with the airlines to develop and negotiate the new Airline Agreements. As of September 1, 2010, the Port has received executed Airline Agreements from the following passenger airlines; Air Canada, Alaska, American, Delta, Frontier, Hawaiian, Horizon, JetBlue, Southwest, United, and US Air. These airlines accounted for over 95 percent of enplaned passengers at the Airport in FY 2010. Continental, which accounted for 4.6 percent of FY 2010 enplaned passengers, has not executed the Airline Agreement. Continental has informed the Port that it intends to operate under Ordinance No. 433 pending the airline's potential merger with United.

As of September 3, 2010, the Port had received executed Airline Agreements from the following cargo carriers; ABX, Air Transport International, Ameriflight, Empire, FedEx, UPS, and Western Air Express.

Airlines operating at the Airport without a signed Airline Agreement (non-signatory airlines) will be subject to the rates and charges established in Ordinance No. 433, an ordinance relating to rents, fees, and other charges for use of facilities and services at the Airport. Rates and charges as established in Ordinance No. 433 reflect a premium over signatory rates and charges.

Other key provisions of the Airline Agreements are summarized in the following sections.

5.3.1 Airline Cost Center

A residual rate-setting methodology is applied to the Airline Cost Center (previously described in Section 5.1.1). As such, airline rentals, fees, and charges are reviewed at least annually and adjusted as necessary to produce an amount such that Net Revenues equal the sum of:

(1) the Operation and Maintenance Requirement for the Fiscal Year;

(2) an amount equal to 130 percent of the annual deposit to the Interest, Principal, and Sinking Fund accounts of the SLB Fund for the Fiscal Year; and

(3) any required deposits to the Reserve Account.

As described in Section 5.3.5, the Airline Agreements also require the Port to allocate 100 percent of the Debt Service Coverage generated by the Airlines to fund capital improvements in the Airline Cost Center or to fund the airlines' allocated portions of capital improvements in the indirect cost centers.

The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each Fiscal Year, using budgeted O&M Expenses and Revenues for the coming Fiscal Year. In addition, The Port may adjust rental rates to maintain compliance with the Bond Ordinances, as amended from time to time, with respect to the Airfield and Terminal cost centers.

5.3.2 Port Cost Center

The Port Cost Center includes Ground Transportation, Air Cargo, Other Aviation, and Non-Aviation. Whereas Revenues generated in the Airline Cost Center are applied to the residual rate-setting methodologies used to determine landing fee and terminal rental rates, Revenues generated in the Port Cost Center can be used by the Port to meet O&M Expense requirement, fund other obligations, or use for other authorized aviation-related purposes including funding capital projects. Projects funded in a manner that does not directly impact the airline rate base, including projects in the Port Cost Center, are not subject to disapproval by the Signatory Airlines and are the financial responsibility of the Port.

5.3.3 Facilities Control

The Airline Agreements allow airlines to lease exclusive, preferential, and shared space. The airlines are obligated to lease this space through the term of the Airline Agreements. Terminal space leased to airlines as exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space, and baggage service area space. Holdrooms and gate areas are leased on a preferential basis. The Airline Agreements allow more than one airline to lease and share space that would otherwise be exclusive or preferential space. In addition to long-term leased space, the Port makes available areas that may be rented in hourly increments (e.g. ticket counter and gates), or on a monthly basis.

5.3.4 Revenue Sharing

The current Signatory Airline Agreements include a formula for sharing non-airline revenues, subject to certain conditions, with the passenger Signatory Airlines during the term of the Signatory Airline Agreements (through FY 2015). Revenue sharing amounts for a given Fiscal Year, if any, are applied as current year credits towards Signatory Airline Net Requirements in the Airfield and Terminal in proportion to the Net Requirements in those cost centers (before revenue sharing). (See Section 5.7.1 for a description of Airfield Net Requirement and Section 5.7.2 for a description of Terminal Net Requirement). With respect to the terminal, revenue sharing is allocated 50 percent to offset terminal rental rates and 50 percent to offset baggage claim area rates.

Over the five-year term of the Signatory Airline Agreements, the Port agrees to share non-airline revenues totaling $30.0 million (up to $6.0 million per Fiscal Year), subject to certain conditions described below, with the Signatory Airlines. The Signatory Airline Agreements also allow for additional revenue sharing if the Airport coverage ratio (all cost centers) exceeds 1.75 times, after applicable transfers. To the extent that the Airport coverage ratio exceeds 1.75 times, a specified percentage of the incremental Net Revenues is paid as additional revenue sharing based coverage ranges identified in the Airline Agreements and summarized below:

Net Revenues above this Airport Coverage Ratio	Net Revenues up to and including this Airport Coverage Ratio	Percentage of this increment paid as additional Revenue Sharing
1.700	1.800	50%
1.800	1.900	25%
1.900	2.000	15%
2.000		0%

For illustrative purposes only, **Table V-1** presents an example calculation of additional revenue sharing given a hypothetical scenario in which the following is assumed:

- Airport Net Revenues before revenue sharing total $106.0 million
- Debt service is $49.5 million
- A revenue sharing shortfall of $1,000 was experienced in the prior year

As shown in Table V-1, in this hypothetical scenario approximately $15.8 million would be available for additional revenue sharing. Based on the percentage increments identified in the Airline Agreements, this hypothetical scenario results in additional revenue sharing totaling approximately $4.5 million and would reduce debt service coverage on the SLBs from 2.02x to 1.93x.

Revenue sharing is reduced or eliminated in the following cases:

- To the extent that the Port Cost Center debt service coverage ratio falls below 2.35 times, the revenue sharing amount is reduced to a level that would maintain the debt service coverage ratio in the Port Cost Center at the 2.35 requirement, and the amount not paid by the Port would be eligible to be paid in the next year.
- If the Port is able to achieve actual O&M Expenses that are less than the prior Fiscal Year O&M Expenses, revenue sharing is reduced according to a sliding scale summarized below:

Table V-1 (Page 1 of 2)

Examples of Additional Revenue Sharing and Reduced Revenue Sharing
(Amounts in Thousands)

Additional Revenue Sharing		Assumed Annual Amount
Airport Net Revenues before Revenue Sharing	**[A]**	$106,000
Fixed Revenue Sharing	**[B]**	(6,000)
Shortfall in Fixed Revenue Sharing from Prior Years	**[C]**	(1)
Airport Net Revenues after Revenue Sharing	**[D] = [A] + [B] + [C]**	$99,999
Debt Service	**[E]**	$49,500
Airport Coverage Ratio before Variable Revenue Sharing	**[F] = [D] / [E]**	2.02
Baseline Airport Coverage Ratio	**[G]**	1.70
Net Revenues at 1.700 Airport Coverage Ratio	**[H] = [E] x [G]**	$84,150
Net Revenues Available for Additional Revenue Sharing	**[J] = [D] - [H]**	$15,849

Net Revenues Above this Airport Coverage Ratio	Net Revenues up to and Including this Airport Coverage Ratio		Net Revenues Available for Additional Revenue Sharing	Percentage of Increment Paid as Additional Revenue Sharing	Additional Revenue Sharing
1.700	1.800	**= 0.1 * [E]**	$4,950	50%	$2,475
1.800	1.900	**= 0.1 * [E]**	4,950	25%	1,238
1.900	2.000	**= 0.1 * [E]**	4,950	15%	743
2.000		**= [F] - 2.000 X [J]**	999	0%	0
Total Additional Revenue Sharing			**$15,849**		**$4,455**

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Table V-1 (Page 2 of 2)

Examples of Additional Revenue Sharing and Reduced Revenue Sharing
(Amounts in Thousands)

Reduced Revenue Sharing		Annual Amount
Targeted Airline O&M Expenses	**[K]**	$60,123
Actual Airline O&M Expenses	**[L]**	55,123
Amount under O&M Expense Target	**[M]**	$5,000

O&M Expenses Below this Percentage of Target	O&M Expenses Down to and Including this Percentage of Target		Amount Under Target	Reduction %	Reduction in Revenue Sharing
100%	98%	**= .02 X [K]**	$1,202	10%	$120
98%	96%	**= .02 X [M]**	1,202	15%	180
96%	94%	**= .02 X [M]**	1,202	20%	240
94%	92%	**= .02 X [M]**	1,202	25%	301
92%		**= .92 - ([L] / [K])**	190	30%	57
Total Reduced Revenue Sharing			**$5,000**		**$899**

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

O&M Expenses Below this Percentage of Target	O&M Expenses Down to and including this Percentage of Target	Revenue Sharing Reduced by this Percentage of the Increment
100%	98%	10%
98%	96%	15%
96%	94%	20%
94%	92%	25%
92%		30%

Table V-1 also presents an example calculation of reduced revenue sharing, for illustrative purposes only, given a hypothetical scenario in which the following is assumed:

- Airline O&M Expense target is $60.1 million
- Actual Airline O&M Expenses total $55.1 million

As shown in Table V-1, the hypothetical scenario results in a reduction to revenue sharing totaling $898,765.

The Port's current financial projections do not result in additional or reduced revenue sharing amounts in any year of the Projection Period. In each year, the Port currently projects that the Airport coverage rate (all cost centers) will not exceed 1.75 times, that Port Cost Center debt service coverage will be above 2.35 times, and that each Fiscal Year's O&M Expenses will not be less than the prior Fiscal Year's. Therefore, revenue sharing amounts of $6.0 million per year are applied as an offset to Signatory Airline requirements in each year of the Projection Period.

5.3.5 Airline Disapproval of Capital Improvement Projects

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

Apart from specific exceptions identified in the Airline Agreements (and summarized below), any capital improvement with a total cost in excess of $1.0 million and funded in a manner that will directly impact the airline rate base is subject to the MII disapproval process. Prior to the implementation of capital improvements subject to the MII disapproval process, the Port is required to provide the Airlines with a Project Fact Sheet summarizing key information related to project schedule, cost, and cash flow. Signatory Airlines can vote to disapprove a capital improvement with a MII disapproval of 75.0 percent of eligible Signatory Airlines[1]. In the event of a MII disapproval, the Port has the option to convene a meeting with the Airport and Airline Affairs Committee (AAAC) and address questions, ask that the disapproval be withdrawn, or request that another approval vote be taken. If a MII of impacted Signatory Airlines agree in writing to withdrawal of the disapproval, the Port may proceed with the capital improvement. Any capital improvement disapproved by a second vote cannot be submitted for an additional vote within 90 calendar days from the date of the second vote or any other subsequent vote.

[1] The Airline Agreements more specifically outline the manner in which the 75.0 percent MII disapproval of Signatory Airlines is determined for capital improvements impacting the Terminal Cost Center, the Airfield Cost Center, or both.

The Port may not commence construction on any capital improvement project that received Airline approval under the MII process if, at a later date, the estimated project cost exceeds 110 percent of the initial estimate. Instead, the Port is required to subject the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate.

The MII disapproval process is not applicable to capital improvements or programs having total estimated project budgets of less than $1.0 million. In addition, the Port may implement, at any time, the following types of projects which are not subject to the MII process:

- Projects required by a federal or State agency for public safety;
- Projects not covered by insurance that repair casualty damage to Airport property which must be replaced to satisfy Port obligations or to maintain required Revenues;
- Projects necessary to insure compliance with lawful orders or requirements of other authorities with jurisdiction over Airport operations or that are required under the terms of federal or state grants;
- Projects required to settle claims or lawsuits;
- Projects which, if not completed, would substantially impair the current operation of the Airport or the airlines;
- Projects required for the restoration or clean-up of Airport property due to any hazardous substance release;
- Projects required to make additional terminal space or related facilities available for the expansion of an airline's operation; and
- Projects requested by an Airline that are subject to a reimbursement agreement between the Airline and the Port.

The Series Twenty Projects are not subject to the Airline MII disapproval process identified in the Airline Agreements. The North Runway Extension Project and the Baggage Screening In-Line System Project are part of the pre-approved $299 million Capital Improvement Program established under the previous airline agreement. Each of the other Series Twenty Projects has a total estimated cost of less than $1.0 million and is not subject to the MII disapproval process in the Airline Agreements.

The Airline Agreements also require the Port to allocate 100 percent of the Debt Service Coverage generated by the Airlines to fund capital improvements in the Airline Cost Center or to fund the Airlines' allocated portions of Capital Improvements in the indirect cost centers. The Port and the Airlines agree that the Port will use Debt Service Coverage to fund Capital Improvements at the Port's sole discretion. The Airlines have no disapproval rights for Capital Improvements funded in a manner that does not directly impact the Airline rate base, such as with Debt Service Coverage.

5.3.6 Debt Service Coverage in Airline Rates

Under the terms of the current Airline Agreements, the Airfield and Terminal Net Requirements used in the calculation of landing fees and terminal rents include 130 percent of annual debt service on allocable Airport Revenue Bond-funded capital projects. The debt service and coverage amounts included in Airfield and Terminal Net Requirements is in addition to allocated O&M Expenses, allocated overhead, and other items.

For the Airport as a whole, Net Revenues in excess of required debt service and coverage amounts become discretionary cash flow to the Airport each year, and under the Airline Agreements may be spent by the Port for any lawful Airport purpose.

The Airline Agreements are separate and distinct from the Bond Ordinances and Port ordinances regarding bonds paid with PFC revenues. Provisions in the Airline Agreements do not constitute covenants to bondholders, but do provide mechanisms for generating Revenues, which are used to pay debt service.

5.3.7 Assumptions Regarding Expiration of the Airline Agreements

For purposes of the financial projections in this report, and consistent with standard practices used in preparing such reports, it was assumed that airlines serving the Airport would continue to operate at the Airport under the agreements that became effective on July 1, 2010 or under Ordinance No. 433 throughout the Projection Period (FY 2011 through FY 2016). In addition, for purposes of the financial projections in this report, it was assumed that the business terms of the current Airline Agreements would extend beyond their expiration at the end of FY 2015 through the end of the Projection Period, including annual revenue sharing amounts of $6.0 million per year.

5.4 Financing Plan

Table V-2 presents the estimated funding sources (amounts presented in thousands) for the Series Twenty Projects and the Other Capital Projects discussed previously in Chapter 4. These are current Port estimates based on available information regarding the estimated cost and timing of the Series Twenty Projects and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As shown on Table V-2, the Series Twenty Projects are estimated to cost approximately $219.1 million and the Other Capital Projects are estimated to cost approximately $577.8 million. The financial impacts of both the Series Twenty Projects and the Other Capital Projects are reflected in the accompanying tables in this chapter.

A description of estimated funding sources for the Series Twenty Projects and the Other Capital Projects is presented in greater detail in the following paragraphs.

5.4.1 Federal, State, and Other Grants

The FAA Airport Improvement Program (AIP) provides federal discretionary and entitlement grants for eligible airport projects. AIP grants are distributed to airport operators on a reimbursement basis.

The Port currently expects to receive AIP entitlement grants of approximately $3.7 million per year, based on (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport, and (3) a 75% reduction in entitlement grants associated with the Port's $4.50 PFC level. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects.

As shown on Table V-2, the Port expects to use $115.8 million in grants for the Series Twenty Projects. Included in the grant funding amounts shown in Table V-2 for the Series Twenty Projects is approximately $67.5 million of TSA grant funds in the Airline Cost Center in connection with the in-line baggage screening system project. This project includes replacement of the existing airline baggage handling spaces, construction of new baggage screening rooms, replacement of the outbound baggage conveyor systems, and installation/integration of TSA-provided baggage screening machines. The Port has received approximately $35.4 million of TSA funding for the in-

Table V-2

Series Twenty Projects and Other Capital Projects - Estimated Costs and Funding Sources
(Amounts in Thousands)

Project Elements	Cost Center(s)	Estimated Total Cost [1/]	Federal/State Grants	PFC Funds [2/]	Airport Funds	Prior Bond Proceeds	Series Twenty Airport Revenue Bond Proceeds	Future Airport Revenue Bond Proceeds [3/]
Series Twenty Projects								
Baggage Screening In-Line System Project	Airline	$142,100	$67,479	$52,272	$6,155	$0	$16,195	$0
Completion of North Runway Extension Project	Airline	71,106	48,330	1,182	0	13,279	8,315	0
Other Terminal and Airfield Improvements	Airline	5,927	0	0	0	0	5,927	0
Total Series Twenty Projects		**$219,133**	**$115,809**	**$53,453**	**$6,155**	**$13,279**	**$30,437**	**$0**
Other Capital Projects [4/]								
Port Cost Center	Port	$183,408	$38,520	$5,867	$139,022	$0	$0	$0
Airline Cost Center	Airline	394,364	57,308	146,027	67,307	17,721	0	106,000
Total Other Capital Projects		**$577,772**	**$95,828**	**$151,894**	**$206,329**	**$17,721**	**$0**	**$106,000**
Total Series Twenty and Other Capital Projects		**$796,905**	**$211,638**	**$205,347**	**$212,483**	**$31,000**	**$30,437**	**$106,000**

Notes:

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

2/ Includes costs funded on a pay-as-you-go basis or with the proceeds of PFC-supported bonds, some projects subject to FAA approval of future PFC applications.

3/ Assumed to be issued by the Port in FY 2013 and FY 2015.

4/ The financial impacts associated with the Other Capital Projects are incorporated the financial tables included in Chapter 5 of this report.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

line baggage screening system project to date and anticipates that it will receive approximately $32.1 million of additional TSA funding for the project.

In addition, the Port also expects to receive approximately $95.8 million in federal, state, and other grant funding for the Other Capital Projects.

5.4.2 Passenger Facility Charge Revenues

Passenger Facility Charge (PFC) revenues are used by the Port to help pay for certain FAA-approved, PFC-eligible projects, using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund approved projects costs. PFC revenues are not included in the definition of Revenues.

The Port received its first approval from the FAA to impose a PFC in April 1992, and began collecting a $3.00 PFC per eligible enplaned passenger on July 1, 1992. The Port subsequently received FAA approval to increase its PFC level to $4.50 per eligible enplaned passenger and began collecting at the $4.50 level on October 1, 2001. Pursuant to FAA regulations, the current $4.50 PFC level collected by the Port results in a 75% reduction in AIP passenger entitlement grants.

The Port is currently authorized by the FAA, pursuant to ten PFC application approvals, to impose and use approximately $737.6 million of PFC revenues (at the $4.50 PFC level) for various projects. Through March 31, 2010, the Port had collected approximately $380.8 million of its total approved collection authority and had spent approximately $375.7 million on approved projects.

As shown on Table V-2, the Port expects to use $53.5 million of PFC funds for the Series Twenty Projects. The Port also expects to use approximately $151.9 million of PFC revenues (on a pay-as-you-go basis or with the proceeds of PFC-supported bonds) for the Other Capital Projects, a portion of which is subject to FAA approval of the Port's planned 2010 PFC application, as described in Section 5.4.5.

Airport industry groups have requested that federal PFC regulations be changed to increase the PFC program's maximum PFC level from its current level of $4.50. The AIP reauthorization, a portion of the spending bill that funds the FAA, is currently being reviewed in Congress. The proposed AIP reauthorizations include regulations for the PFC program. The version of the bill in the House of Representatives (H.R. 915) was passed on May 21, 2009 and includes an increase of the PFC collection limitation from $4.50 to $7.00. The Senate version of the bill (S. 1451) that was reported out of the Senate Committee on Commerce, Science and Transportation on September 29, 2009 does not increase the PFC collection limitation from the existing $4.50 level. The Senate approved S. 1451 on March 22, 2010. The House and Senate bills must be reconciled and the consolidated version of the bill must be passed by the Senate and the House to become effective.

The financial projections and the financing plan reflected in this report and in the accompanying tables assume the Port's current $4.50 PFC level is in place for the entire Projection Period. If federal PFC regulations are changed and the maximum PFC level is increased, the Port plans to apply to the FAA for authorization to collect the higher PFC level at the Airport.

5.4.3 Airport Funds

As reflected on Table V-2, the Port expects to use approximately $6.2 million of internally-generated Airport funds for the in-line baggage screening system project, a Series Twenty Projects.

The Port also expects to use approximately $206.3 million of Airport funds for the Other Capital Projects.

5.4.4 Prior Bond Proceeds

Prior bond proceeds (from Series Nineteen) are currently anticipated to fund approximately $13.3 million of Series Twenty Project costs and approximately $17.7 million of Other Capital Project costs.

5.4.5 Series Twenty and Future Bond Proceeds

Bond proceeds represent the remaining source of funding for the Series Twenty Projects. As reflected on Table V-2, approximately $30.4 million of Series Twenty Bond proceeds are expected to be used to fund costs of the Series Twenty Projects.

Table V-3 presents a listing of estimated sources and uses of funds for the proposed Series Twenty Bonds. The estimated sources and uses of funds and debt service for the proposed Series Twenty Bonds were prepared by Goldman, Sachs & Co.

Debt service estimates for the proposed Series Twenty Bonds are based on the following assumptions:

- **Series Twenty A**: Approximately $4.5 million of tax-exempt non-AMT Series Twenty A Bonds will be issued to fund a portion of the costs of the North Runway Extension Project, certain other terminal and airfield improvements, and required fund deposits and costs of issuance.
  - For the purposes of estimating debt service requirements, a true interest cost (TIC) of approximately 3.63 percent is assumed
  - The first principal payment is assumed to occur in 2013 and the final principal payment is assumed to occur in 2025
  - A portion of bond proceeds will fund interest capitalized during construction
  - A portion of bond proceeds will fund a deposit to satisfy debt service reserve fund requirements
- **Series Twenty B**: Approximately $21.3 million of private activity non-AMT Series Twenty B Bonds will be issued to fund a portion of the costs of the Baggage Screening In-Line System Project and certain other terminal and airfield improvements, and required fund deposits and costs of issuance.
  - For the purposes of estimating debt service requirements, a TIC of approximately 4.67 percent is assumed
  - The first principal payment is assumed to occur in 2013 and the final principal payment is assumed to occur in 2040
  - A portion of bond proceeds will fund interest capitalized during construction
  - A portion of bond proceeds will fund a deposit to satisfy debt service reserve fund requirements
- **Series Twenty D**: Approximately $9.0 million of Build America Bonds (BABs) Series Twenty D Bonds will be issued to fund a portion of the costs of the completion of the North Runway Extension Project, certain other terminal and airfield improvements, and required fund deposits and costs of issuance.
  - For the purposes of estimating debt service requirements, a TIC of approximately 4.30 percent is assumed

Table V-3

Estimated Sources and Uses of Funds - Series Twenty Bonds
(Amounts in Thousands)

	Series Twenty Bonds			
	Series Twenty A Tax-Exempt Non-AMT	**Series Twenty B Private Activity Non-AMT**	**Series Twenty D BABs**	**Series Twenty Total**
Sources				
Par Amount of Bonds	$4,540	$21,260	$9,040	$34,840
Interest Earnings				
Capitalized Interest Fund	0	0	0	0
Total Interest Earnings	$0	$0	$0	$0
Total Sources	$4,540	$21,260	$9,040	$34,840
Uses				
Project costs funded with Series Twenty Bond proceeds	$4,009	$18,372	$8,056	$30,437
Capitalized Interest - Series Twenty Bonds	47	611	0	659
Deposit to SLB Reserve Account	454	2,126	904	3,484
Costs of Issuance	30	151	80	261
Total Uses	$4,540	$21,260	$9,040	$34,840

Sources: Goldman, Sachs & Co., October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

- The first principal payment is assumed to occur in 2026 and the final principal payment is assumed to occur in 2040
- A portion of bond proceeds will fund a deposit to satisfy debt service reserve fund requirement
- A federal subsidy equal to 35 percent of the annual interest expense is assumed to be received from the federal government, treated as a non-airline revenue per the Bond Ordinances, and applied as a credit in the calculation of the Terminal Net Requirement and the Airfield Net Requirement

As shown on Table V-2, no costs of the Series Twenty Projects are expected to be funded with future bond proceeds. Approximately $106.0 million of future SLB proceeds is currently expected to be used to pay for the Other Capital Projects. The Port currently anticipates that future SLBs will be issued in 2013 and 2015.

Debt service estimates for additional future bonds were based on the following assumptions:

- Future bonds to be issued to pay for a portion of the costs of Other Capital Projects are assumed to be SLBs, with a 30-year term, level debt service, and an average interest rate of 5.50 percent
- A deposit to the SLB Reserve Fund is funded with bond proceeds to maintain the SLB Reserve Fund Requirement
- Bond interest is capitalized through construction periods, approximately two years
- Costs of issuance are assumed to equal approximately 1.5 percent of future bond par

Table V-4 presents actual and estimated SLB Debt Service Requirements associated with outstanding SLBs, the proposed Series Twenty Bonds, and future bonds (assumed to be issued as SLBs in FY 2013 and FY 2015) for FY 2009 through FY 2016. Debt service amounts presented in Table V-4 are net of capitalized interest.

As shown in Table V-4, SLB Debt Service Requirements are estimated to increase from approximately $44.1 million in FY 2009 to approximately $53.7 million in FY 2016. The Port's projections of debt service shown in Table V-4 and the financial results depicted in the subsequent projections of airline revenues (Section 5.7), passenger airline cost per enplanement (Section 5.8), and the application of revenues and debt service coverage (Section 5.9) ***exclude*** the anticipated debt service savings resulting from the potential refunding of all or a portion of outstanding Series Twelve Bonds.

The Port intends to pursue FAA approval to use PFC revenues to fund PFC-eligible project costs or debt service requirements associated with the South Runway Rehabilitation Project and the Deicing System Improvements, both of which have been included as Other Capital Projects in this report. Until such time as the Port receives PFC approval from the FAA to spend PFC revenues on the South Runway Rehabilitation Project and the Deicing System Improvements, the Port intends to use interim financing, in the form of a bank line of credit secured by a claim of the Net Revenues of the Airport which is junior to that which secures the Series Twenty Bonds (and parity bonds), to fund approximately $100.0 million in estimated costs associated with those projects. Upon receipt of FAA approval to use PFC Revenues on the South Runway Rehabilitation Project and Deicing System Improvements, currently anticipated in the first half of calendar year 2011, the line of credit would be paid off with the proceeds of future bonds, the debt service upon which would be payable from PFC revenues. For the purposes of this financial analysis, interest on the line of credit is assumed to be capitalized until the Port issues such long-term debt, and since the long-term funding

Table V-4

Estimated SLB Debt Service Requirements - Amounts in Thousands [1/]
Fiscal Years Ending June 30

				Projected				
	Actual FY 2009	**Preliminary FY 2010**	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Airport Revenue Bond SLB Debt Service Requirements								
Series 12 A & C	$12,660	$12,655	$12,652	$12,650	$12,644	$10,986	$10,988	$10,994
Series 12 B	2,019	2,020	2,023	2,017	2,012	1,592	368	157
Series 14/15	7,344	7,336	7,338	7,345	7,341	6,477	3,952	3,577
Series 15D	6,465	6,453	6,483	6,448	6,455	6,454	6,486	6,455
Series 17	0	0	0	0	0	0	0	0
Series 18 [2/]	12,499	12,101	12,055	11,806	11,800	13,400	14,758	14,744
Series 19	3,067	6,323	8,687	9,105	9,102	9,099	9,106	9,106
Series 20 [3/]	0	0	443	1,659	2,409	2,407	2,407	2,409
Future Bonds [3/]	0	0	0	0	0	0	6,305	6,305
Total Airport Revenue Bond SLB Debt Service Requirements	$44,055	$46,886	$49,682	$51,030	$51,764	$50,415	$54,371	$53,747
Airport Revenue Bond SLB Debt Service by Direct Cost Center - After Allocation								
Airfield	$6,571	$6,520	$9,257	$9,912	$10,168	$9,513	$13,051	$12,932
Terminal	26,411	26,196	26,281	27,078	27,569	26,609	27,041	26,669
Ground Trans	7,496	7,342	7,332	7,225	7,213	7,497	7,467	7,345
Air Cargo / Airside	381	382	379	380	380	382	401	392
Other Aviation	99	99	99	98	99	77	58	56
Non-Aviation	3,098	6,349	6,334	6,337	6,335	6,336	6,353	6,354
Total Airport Revenue Bond SLB Debt Service Requirements	$44,055	$46,886	$49,682	$51,030	$51,764	$50,415	$54,371	$53,747

Notes:

1/ Payments due on July 1 are shown as being made in the prior Fiscal Year. All amounts are net of capitalized interest.

2/ Interest for the Series 18 Bonds assumes a weighted average interest rate of approximately 5.0 percent.

3/ Estimated.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

for these projects will be paid with PFC revenues, no debt service impacts are included in this forecast.

5.5 Operation and Maintenance Expenses

O&M Expenses for the Airport totaled approximately $90.2 million in FY 2008 and approximately $95.0 million in FY 2009. FY 2010 O&M Expenses decreased to approximately $88.1 million, based on preliminary results. The decrease in FY 2010 reflects aggressive cost reduction measures implemented by the Port in its FY 2010 budget in response to the global economic recession and the decline in the Port's business lines, including capacity reductions (available seats) experienced at the Airport. In FY 2011, Airport O&M Expenses are budgeted to increase to approximately $95.2 million. The budgeted increase (1) reflects the Port's continued efforts to actively manage O&M Expenses while acknowledging that further cost reductions may not be sustainable over the long-term, and (2) is reasonable given the historical fluctuations experienced in total Airport O&M Expenses since FY 2008.

Table V-5 presents O&M Expenses for the Airport for FY 2009 (actual), preliminary FY 2010, budgeted FY 2011, and projected FY 2012 through FY 2016. As shown, O&M Expenses for the Airport were approximately $95.0 million in FY 2009 and are projected to increase from approximately $88.1 million in FY 2010 (preliminary) to approximately $110.5 million in FY 2016. In FY 2009, personal services accounted for approximately 37.8 percent of total Airport O&M Expenses, followed by contract, professional, and consulting services (approximately 30.8 percent of total O&M Expenses) and corporate support expenses (approximately 15.5 of total O&M Expenses).

The budgeted increase in total O&M Expenses between FY 2010 and FY 2011 represents an annual increase of approximately 8.1 percent. The increase is primarily attributable to increased Airfield personal services costs resulting from the operation of new deicing facilities, conservative budgeting with respect personal services costs, and increased corporate support/overhead expense costs. In addition, FY 2011 is the first full-year in which the operating costs of the new Port headquarters building, which were conservatively estimated during the budget process, are incurred by the Port and a portion is allocated to the Airport. The projected increase in O&M Expenses between actual FY 2009 and FY 2016 represents a compound annual growth rate (CAGR) of 2.2 percent.

In general, projections of future O&M Expenses were based on a review of historical trends, the anticipated impacts of inflation (assumed at 3.0 percent per year), and impacts due to the Series Twenty Projects and Other Capital Projects, as described in Section 5.5.4.

5.5.1 Allocation of O&M Expenses to Cost Centers

As previously described in Section 5.4, for financial planning purposes and to implement the Airline Agreements' rate-setting methodologies, the Airport is divided into 13 cost centers. Six of the cost centers are revenue-generating direct cost centers and the remaining seven cost centers are indirect cost centers. The Port's approach to allocating O&M Expenses to cost centers allows the Airport to be financially organized using residual rate-setting methodologies for the Airline Cost Center, for which the airlines assume the economic risk, and non-residual rate setting in the Port Cost Center, for which the Port assumes the economic risk. Total Airport O&M Expenses after allocation to the Airfield and Terminal cost centers (Airline Cost Center) and Port Cost Center is presented in Table V-5.

5.5.2 Intra-Port Charges and Expense Allocations

A portion of Port administration expenses and all of the Airport's administration expenses are allocated to direct cost centers. In FY 2009, approximately $14.8 million of the Port's corporate

Table V-5

Total Airport O&M Expenses - Amounts in Thousands
Fiscal Years Ending June 30

				Projected				
	Actual FY 2009	**Preliminary FY 2010**	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Total Airport O&M Expenses								
Personal Services	$35,919	$33,037	$36,810	$37,914	$39,052	$40,223	$41,430	$42,673
Contract, Prof & Consulting Services	29,276	25,193	25,035	25,786	26,560	27,356	28,177	29,022
Materials & Supplies	3,972	3,014	3,477	3,582	3,689	3,800	3,914	4,031
Utilities	6,248	5,981	6,921	7,128	7,342	7,562	7,789	8,023
Equipment, Fuel, & Lube	957	968	1,495	1,540	1,586	1,634	1,683	1,734
Insurance	1,407	1,347	1,616	1,665	1,715	1,766	1,819	1,874
Rent	0	(677)	(3,674)	(3,784)	(3,898)	(4,015)	(4,135)	(4,259)
Pers, Travel & Other Mgmt Exp	821	728	1,119	1,152	1,187	1,222	1,259	1,297
Other Exp [1/]	1,648	2,197	3,275	3,573	3,680	3,791	3,904	4,021
Corporate Support (Overhead Expense)	14,761	16,267	19,077	19,650	20,239	20,846	21,472	22,116
Total Airport O&M Expenses	$95,008	$88,054	$95,152	$98,206	$101,153	$104,187	$107,313	$110,532
Annual % change	5.4%	-7.3%	8.1%	3.2%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								2.2%

				Projected				
	Actual FY 2009	**Preliminary FY 2010**	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Total Airport O&M Expenses - by Cost Center								
Airfield	$23,660	$18,686	$21,644	$22,670	$23,351	$24,051	$24,773	$25,516
Terminal	38,667	38,404	43,046	44,239	45,566	46,933	48,341	49,791
Total Airline Cost Center	$62,327	$57,090	$64,690	$66,910	$68,917	$70,984	$73,114	$75,307
Annual % change	5.0%	-8.4%	13.3%	3.4%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								2.7%
Port Cost Centers	$32,681	$30,964	$30,462	$31,297	$32,236	$33,203	$34,199	$35,225
Total Airport O&M Expenses	**$95,008**	**$88,054**	**$95,152**	**$98,206**	**$101,153**	**$104,187**	**$107,313**	**$110,532**
Annual % change	5.4%	-7.3%	8.1%	3.2%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								2.2%

Note:
[1/] Other Expense includes intra-company charges, PERS bonds amortizaiton and debt service costs, and other miscellaneous expenses

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

expenses were allocated to the Airport. This amount, plus additional Airport administration O&M Expenses, totaling approximately $16.4 million in FY 2009, were allocated to direct cost centers based on each cost center's percentage of direct O&M Expenses.

Other essential overhead functions allocated to direct cost centers include:

- Operations
- Maintenance
- Environmental
- Systems and Services
- Aviation Security and Public Safety
- Airport Rescue and Fire Fighting

These expenses are allocated to direct cost centers as defined in the Airline Agreements. Indirect expenses allocated to direct cost centers are components of the Airfield Net Requirement and Terminal Net Requirement used in calculating landing fees and terminal rentals, respectively.

5.5.3 Reductions in Revenue Sharing

As described in Section 5.3.4, the Airline Agreements allow the Port to reduce revenue sharing if the Airline Cost Center O&M Expenses in any Fiscal Year are less than the prior Fiscal Year's. Any reduction in Port Cost Center revenue sharing would benefit the Port. Current Port projections of Airline Cost Center expenses reflect an estimated CAGR of 2.7 percent over the period FY 2009 through FY 2016. As such, no reductions to the annual revenue sharing amount of $6.0 million are incorporated in the Port's current projections.

5.5.4 O&M Expense Projections

The Port's projections of O&M Expenses are based on assumed increases in costs as a result of inflation, projected activity levels, planned expansion or construction of facilities, and other assumptions about Airport operations. O&M expense projections are presented on a cost center basis in **Table V-6** and described in the following sections.

5.5.4.1 Airfield Cost Center

Airfield O&M Expenses are projected to increase from approximately $23.7 million in FY 2009 to approximately $25.5 million in FY 2016. Primary categories of expense in the Airfield Cost Center in FY 2009 and their respective shares of total Airfield expenses include:

- Personal Services – 45.5 percent
- Contract, Professional, and Consulting Services – 21.8 percent
- Corporate Support – 11.5 percent
- Utilities – 8.4 percent

After an annual decrease of approximately 21.0 percent in FY 2010 (preliminary), primarily attributable to decreased Personal Services expenses and Contract, Professional, and Consulting Services expense, Airfield O&M Expenses are budgeted to increase by approximately 15.8 percent in FY 2011. Budgeted growth in Airfield O&M Expenses in FY 2011 includes incremental costs associated with operating and maintaining deicing system improvements. Airfield O&M expenses are projected to experience an annual increase of approximately 4.7 percent in FY 2012 and then experience annual growth of approximately 3.0 percent per year through FY 2016. Overall, the projected increase of Airfield O&M Expenses between FY 2009 and FY 2016 represents a CAGR of 1.1 percent.

Table V-6 (1 of 2)

Total Airport O&M Expenses by Cost Center After Allocation - Amounts in Thousands
Fiscal Years Ending June 30

				Projected				
	Actual FY 2009	**Preliminary FY 2010**	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Airfield								
Personal Services	$10,758	$9,556	$10,903	$11,276	$11,614	$11,962	$12,321	$12,691
Contract, Prof & Consulting Services	5,155	2,766	2,431	2,517	2,593	2,670	2,751	2,833
Materials & Supplies	1,095	670	780	804	828	853	879	905
Utilities	1,988	1,821	2,126	2,190	2,256	2,324	2,394	2,465
Equipment, Fuel, & Lube	289	300	281	289	298	307	316	326
Insurance	524	363	439	455	469	483	497	512
Rent	0	26	148	157	162	167	172	177
Pers, Travel & Other Mgmt Exp	225	173	317	330	339	350	360	371
Other Exp [1/]	898	922	1,210	1,450	1,494	1,539	1,585	1,633
Corporate Support (Overhead Expense)	2,728	2,090	3,009	3,202	3,298	3,397	3,499	3,604
Total Airfield Expenses	$23,660	$18,686	$21,644	$22,670	$23,351	$24,051	$24,773	$25,516
Annual % change	13.9%	-21.0%	15.8%	4.7%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								1.1%
Terminal								
Personal Services	$14,367	$13,530	$15,463	$15,902	$16,379	$16,870	$17,376	$17,898
Contract, Prof & Consulting Services	12,135	11,520	10,992	11,315	11,654	12,004	12,364	12,735
Materials & Supplies	1,811	1,496	1,402	1,443	1,487	1,531	1,577	1,625
Utilities	3,219	2,982	3,311	3,409	3,512	3,617	3,726	3,837
Equipment, Fuel, & Lube	326	218	336	346	357	367	378	390
Insurance	576	679	901	927	955	983	1,013	1,043
Rent	0	89	438	448	461	475	490	504
Pers, Travel & Other Mgmt Exp	355	344	530	545	561	578	595	613
Other Exp [1/]	(138)	246	748	768	791	815	839	864
Corporate Support (Overhead Expense)	6,017	7,298	8,926	9,136	9,410	9,692	9,983	10,283
Total Terminal Expenses	$38,667	$38,404	$43,046	$44,239	$45,566	$46,933	$48,341	$49,791
Annual % change	0.3%	-0.7%	12.1%	2.8%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								3.7%

Note:
[1/] Other Expense includes intra-company charges, PERS bonds amortizaiton and debt service costs, and other miscellaneous expenses

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Table V-6 (2 of 2)

Total Airport O&M Expenses by Cost Center After Allocation - Amounts in Thousands
Fiscal Years Ending June 30

				Projected				
	Actual FY 2009	Preliminary FY 2010	Budget FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Port Cost Centers								
Personal Services	$10,793	$9,950	$10,444	$10,737	$11,059	$11,391	$11,733	$12,085
Contract, Prof & Consulting Services	11,986	10,907	11,612	11,954	12,313	12,682	13,063	13,454
Materials & Supplies	1,066	848	1,296	1,334	1,374	1,416	1,458	1,502
Utilities	1,041	1,178	1,484	1,529	1,574	1,622	1,670	1,720
Equipment, Fuel, & Lube	342	449	878	905	932	960	989	1,018
Insurance	307	305	276	283	291	300	309	318
Rent	0	(791)	(4,259)	(4,389)	(4,521)	(4,657)	(4,796)	(4,940)
Pers, Travel & Other Mgmt Exp	241	211	271	278	286	295	304	313
Other Exp [1/]	888	1,029	1,317	1,355	1,395	1,437	1,480	1,525
Corporate Support (Overhead Expense)	6,017	6,879	7,143	7,312	7,531	7,757	7,990	8,230
Total Port Cost Center Expenses	$32,681	$30,964	$30,462	$31,297	$32,236	$33,203	$34,199	$35,225
Annual % change	6.0%	-5.3%	-1.6%	2.7%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								1.1%
Total Airport O&M Expenses								
Personal Services	$35,919	$33,037	$36,810	$37,914	$39,052	$40,223	$41,430	$42,673
Contract, Prof & Consulting Services	29,276	25,193	25,035	25,786	26,560	27,356	28,177	29,022
Materials & Supplies	3,972	3,014	3,477	3,582	3,689	3,800	3,914	4,031
Utilities	6,248	5,981	6,921	7,128	7,342	7,562	7,789	8,023
Equipment, Fuel, & Lube	957	968	1,495	1,540	1,586	1,634	1,683	1,734
Insurance	1,407	1,347	1,616	1,665	1,715	1,766	1,819	1,874
Rent	0	(677)	(3,674)	(3,784)	(3,898)	(4,015)	(4,135)	(4,259)
Pers, Travel & Other Mgmt Exp	821	728	1,119	1,152	1,187	1,222	1,259	1,297
Other Exp [1/]	1,648	2,197	3,275	3,573	3,680	3,791	3,904	4,021
Corporate Support (Overhead Expense)	14,761	16,267	19,077	19,650	20,239	20,846	21,472	22,116
Total Airport O&M Expenses	$95,008	$88,054	$95,152	$98,206	$101,153	$104,187	$107,313	$110,532
Annual % change	5.4%	-7.3%	8.1%	3.2%	3.0%	3.0%	3.0%	3.0%
CAGR FY 2009 to FY 2016								2.2%

Note:
[1/] Other Expense includes intra-company charges, PERS bonds amortizaiton and debt service costs, and other miscellaneous expenses.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

5.5.4.2 Terminal Cost Center

Terminal O&M Expenses are projected to increase from approximately $38.7 million in FY 2009 to approximately $49.8 million in FY 2016. Primary categories of expense in the Terminal Cost Center in FY 2009 and their respective shares of total Terminal expenses include:

- Personal Services – 37.2 percent
- Contract, Professional, and Consulting Services – 31.4 percent
- Corporate Support – 15.6 percent
- Utilities – 8.3 percent
- Materials & Supplies – 4.7 percent

After an annual increase of approximately 0.3 percent in FY 2009 and a decrease of 0.7 percent and FY 2010 (preliminary), Terminal O&M Expenses are budgeted to experience an annual increase of 12.1 percent in FY 2011. Moderate O&M growth forecast in FY 2010 reflects the impact of the projected decrease in passenger activity and anticipated savings in some categories of expense, primarily personal services (5.8 percent) and contract, professional, and consulting services (5.0 percent reduction). Budgeted Terminal O&M Expenses in FY 2011 include incremental costs attributable to the operation of the new in-line baggage screening system. Following its partial year of operation in FY 2011, incremental labor and maintenance costs totaling approximately $2.5 million attributable to routine and on-going maintenance of the in-line baggage screening system are assumed for the first full-year of operations in FY 2012. Overall, the projected increase of Terminal O&M Expenses between FY 2009 and FY 2016 represents a CAGR of 3.7 percent.

5.5.4.3 Port Cost Center

O&M Expenses in the Port Cost Center are projected to increase from approximately $32.7 million in FY 2009 to approximately $35.2 million in FY 2016. Primary categories of expense in the Port Cost Center in FY 2009 and their respective shares of total cost center expenses include:

- Contract, Professional, and Consulting Services – 36.7 percent
- Personal Services – 33.0 percent
- Corporate Support – 18.4 percent

After anticipated annual decreases of approximately 5.3 percent and 1.6 percent in FY 2010 (preliminary) and FY 2011, respectively, Port Cost Center O&M expenses are projected to increase 2.7 percent in FY 2012 and then at 3.0 percent per year through FY 2016. The opening of the new parking garage and headquarters building resulted in moderate incremental O&M Expense impacts. Reduced bussing costs resulting from the closure of the surface lot are anticipated to offset a portion of the increases. FAA-mandated market value rent charges for non-aviation portions of the headquarters building are also anticipated to reduce O&M Expense growth. Overall, the projected increase of Port Cost Center O&M Expenses between FY 2009 and FY 2016 represents a CAGR of 1.1 percent.

5.5.4.4 Total Airport O&M – All Cost Centers

As shown in Table V-6, total Airport O&M Expenses are projected to increase from approximately $95.0 million in FY 2009 to approximately $110.5 million in FY 2016, representing a CAGR of approximately 2.2 percent over the period.

5.6 Non-Airline Revenues

Table V-7 presents non-airline revenues at the Airport for actual FY 2009, preliminary FY 2010, budgeted FY 2011, and projected FY 2012 through FY 2016. As shown, non-airline revenues were

Table V-7 (1 of 2)

Non-Airline Revenues - Amounts in Thousands
Fiscal Years Ending June 30

	Actual FY 2009	Preliminary FY 2010	Budget FY 2011	Projected FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Ground Transportation								
Parking Revenues	$41,656	$41,344	$41,539	$42,495	$43,472	$44,472	$45,495	$46,541
Rental Car Concession	13,237	12,864	12,745	13,038	13,338	13,645	13,959	14,280
Rental Car Ground Rent	2,494	2,547	2,521	2,573	2,625	2,679	2,733	2,789
Ground Transportation Concession	1,454	1,413	1,400	1,432	1,465	1,499	1,533	1,569
Other Revenue	609	467	596	627	661	697	736	778
Total Ground Transportation Revenues	$59,451	$58,636	$58,801	$60,165	$61,561	$62,991	$64,456	$65,956
Annual % change		-1.4%	0.3%	2.3%	2.3%	2.3%	2.3%	2.3%
CAGR FY 2009 to FY 2016								1.5%
Terminal								
Food and Beverage	$3,997	$4,003	$4,096	$4,219	$4,346	$4,476	$4,611	$4,749
Retail	4,100	4,106	4,202	4,328	4,458	4,592	4,730	4,872
Other Concession Revenue	875	877	897	924	952	981	1,010	1,040
Rent Revenue	1,021	1,035	1,148	1,205	1,266	1,329	1,395	1,465
Other Revenue	46	(168)	(106)	106	109	113	117	121
TSA Space Rent	0	0	0	286	301	316	332	348
Series 20 BAB Subsidy and Other Future Revenues	0	0	27	40	40	40	40	40
Total Terminal Revenues	$10,039	$9,853	$10,264	$11,110	$11,472	$11,846	$12,234	$12,635
Annual % change		-1.9%	4.2%	8.2%	3.3%	3.3%	3.3%	3.3%
CAGR FY 2009 to FY 2016								3.3%
Air Cargo								
Rent Revenues	$5,640	$5,566	$5,555	$5,722	$5,893	$6,070	$6,252	$6,440
Non-Airline Operating Revenue	238	206	215	215	215	215	215	215
Other Revenue	280	282	224	229	234	239	245	251
Total Air Cargo Revenues	$6,157	$6,055	$5,994	$6,165	$6,342	$6,524	$6,712	$6,905
Annual % change		-1.7%	-1.0%	2.9%	2.9%	2.9%	2.9%	2.9%
CAGR FY 2009 to FY 2016								1.7%
Other Aviation								
Rent Revenues	$1,872	$1,899	$1,953	$2,092	$2,241	$2,400	$2,570	$2,753
Non-Airline Operating Revenue	1,356	1,331	1,305	1,310	1,314	1,318	1,322	1,327
Other Revenue	(83)	(205)	94	95	97	100	102	104
Total Other Aviation Revenues	$3,145	$3,024	$3,352	$3,497	$3,652	$3,817	$3,994	$4,183
Annual % change		-3.9%	10.9%	4.3%	4.4%	4.5%	4.6%	4.7%
CAGR FY 2009 to FY 2016								4.2%

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Table V-7 (2 of 2)

Non-Airline Revenues - Amounts in Thousands
Fiscal Years Ending June 30

	Actual FY 2009	Preliminary FY 2010	Budget FY 2011	Projected FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Airfield								
Non-Airline Operating Revenue	$931	$899	$991	$1,006	$1,021	$1,036	$1,052	$1,068
Rent Revenue	36	33	32	33	34	35	36	37
Other Revenue	(31)	(155)	(109)	15	16	16	16	17
Series 20 BAB Subsidy	0	0	110	166	166	166	166	166
Total Aviation Revenues	$936	$778	$1,024	$1,220	$1,237	$1,253	$1,270	$1,287
Annual % change		-16.9%	31.6%	19.2%	1.3%	1.3%	1.3%	1.4%
CAGR FY 2009 to FY 2016								4.7%
Non-Aviation								
Non-Airline Operating Revenue	$849	$781	$818	$889	$966	$1,050	$1,141	$1,239
Rent Revenues	854	771	735	707	698	702	677	682
Other Revenue	99	358	80	82	83	85	87	89
Total Non-Aviation Revenues	$1,801	$1,909	$1,633	$1,677	$1,747	$1,837	$1,905	$2,010
Annual % change		6.0%	-14.5%	2.7%	4.2%	5.1%	3.7%	5.6%
CAGR FY 2009 to FY 2016								1.6%
Revenues from Indirect Cost Centers								
Operations	$0	$1	$0	$0	$0	$0	$0	$0
Maintenance	14	4	12	12	12	12	12	12
Systems & Service	108	117	50	50	50	50	50	50
ARFF	0	14	0	0	0	0	0	0
Police	149	140	216	216	216	216	216	216
Environmental	0	9	0	0	0	0	0	0
Administration	9	11	6	6	6	6	6	6
Total Indirect Cost Center Revenues	$280	$297	$283	$283	$283	$283	$283	$283
Annual % change	-10.6%	5.8%	-4.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non-Airline Revenues	**$81,810**	**$80,551**	**$81,351**	**$84,117**	**$86,294**	**$88,553**	**$90,854**	**$93,260**
Annual % change		-1.5%	1.0%	3.4%	2.6%	2.6%	2.6%	2.6%
CAGR FY 2009 to FY 2016								1.9%
Total Airport Non-Airline Revenue - by Cost Center								
Airfield	$936	$778	$1,024	$1,220	$1,237	$1,253	$1,270	$1,287
Terminal	10,039	9,853	10,264	11,110	11,472	11,846	12,234	12,635
Total Airline Cost Center	$10,975	$10,631	$11,288	$12,330	$12,709	$13,100	$13,504	$13,922
Annual % change	-8.4%	-3.1%	6.2%	9.2%	3.1%	3.1%	3.1%	3.1%
Port Cost Centers	$70,835	$69,920	$70,063	$71,788	$73,585	$75,453	$77,350	$79,338
Total Airport Non-Airline Revenues	**$81,810**	**$80,551**	**$81,351**	**$84,117**	**$86,294**	**$88,553**	**$90,854**	**$93,260**
Annual % change		-1.5%	1.0%	3.4%	2.6%	2.6%	2.6%	2.6%
CAGR FY 2009 to FY 2016								1.9%

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

approximately $81.8 million in FY 2009 and are projected to increase from approximately $80.6 million in FY 2010 (preliminary) to approximately $93.3 million in FY 2016. This projected increase in non-airline revenues between FY 2009 and FY 2016 represents a CAGR of 1.9 percent. In general, projections of future non-airline revenues were based on a review of historical trends, the anticipated impacts of inflation, and projected growth in activity over the Projection Period. The Port's projections of non-airline revenues assume that there will be no incremental revenues from the Series Twenty Projects or Other Capital Projects with the exception of the federal subsidy of 35 percent of annual interest on the BAB component of the Series Twenty Bonds (Series Twenty D). Non-airline revenue projections presented in Table V-7 and described in the following sections are organized from highest revenue producing cost center to lowest.

5.6.1 Ground Transportation

Ground transportation revenues represent the largest component of non-airline revenues at the Airport, accounting for approximately 72.7 percent of total non-airline revenues in FY 2009. Automobile parking revenues, rental car concession fees, and rental car space rentals in the parking garage are primary sources of ground transportation revenue. The decrease in ground transportation revenues for FY 2010 (preliminary) of approximately 1.4 percent is primarily attributable to the Airport's passenger enplanement levels. Ground transportation revenues are budgeted to increase by approximately 0.3 percent in FY 2011. Thereafter, ground transportation revenues are projected to increase at an annual rate of 2.3 percent in each year FY 2012 through FY 2016. Over the period FY 2009 through FY 2016, ground transportation revenues are projected to experience a CAGR of 1.5 percent.

Over the period FY 2005 through FY 2008, parking revenues experienced a CAGR of 7.1 percent. Parking revenues decreased from approximately $46.7 million in FY 2008 to approximately to $41.7 million in FY 2009, a decrease of 10.7 percent. The decrease in parking revenues, primarily attributable to the Port's decrease in enplanements in FY 2009, was partially offset by the impacts of a rate increase in the economy lot. The rate increase in the economy lot was implemented following an overview and assessment of parking rates at comparable airports and an overall market assessment. In each year FY 2012 through FY 2016 parking revenues are projected to increase at rate of 2.3 percent per year, a rate that is lower than experienced over the period FY 2005 through FY 2008 but consistent with the comparatively lower passenger growth rates that are projected for the period FY 2012 through FY 2016.

Revenues from rental car operators are projected based on the terms of their existing operating agreements. Current rental car operating agreements with Avis, Budget, Dollar, Enterprise, and Hertz went into effect on December 1, 2003, and had original lease terms extending to June 30, 2010. The rental car operating agreements were extended for an additional 12-month period, with a new expiration date of June 30, 2011, so that the Port and the rental car operators could evaluate their respective facility needs, in particular space preferences in new parking garage which opened in March 2010, before entering into new long-term agreements.

Under the terms of the current agreements, rental car operators pay space rental, janitorial, and parking fees for areas in the parking garage. Rental car concession fees are determined based on the greater of a minimum annual guarantee (MAG) or 10 percent of annual gross revenues. The MAG is defined as 80 percent of the actual concession fee paid to the Airport during the previous year or the initial year MAG, whichever is higher.

The Port currently anticipates that it will issue a request for proposals (RFP) in early calendar year 2011 for potential rental car operators. Rental car operators will be selected through a competitive process seeking to maximize future revenues to the Port over the terms of the next operating

agreements. For the purposes of projecting rental car revenues beyond the term of the existing agreements, the Port has assumed that there will not be a significant change to total rental car revenues, comprised of concession revenues and space rental revenues, in FY 2012 when new operating agreements are anticipated to be in place. The Port is currently projecting that total rental car revenues will increase consistent with projected growth in passenger enplanements.

Rental car concession revenues decreased from $14.9 million in FY 2008 to approximately $13.2 million in FY 2009, a decrease of approximately 11.1 percent. After a decrease in FY 2010 (preliminary) and a slight decrease budgeted for FY 2011, primarily attributable to passenger levels, rental car concession revenues are projected to increase at approximately 2.3 percent per year over the period FY 2012 through FY 2016. Over the period FY 2009 through FY 2016, rental car concession revenues are projected to experience a CAGR of 1.1 percent, a growth rate lower than historically experienced but consistent with comparatively slower growth in passenger activity projected over the period. Rental car space rental revenue decreased from approximately $2.6 million in FY 2008 to $2.5 million in FY 2009, a decrease of 4.3 percent, and remained at approximately $2.5 million in FY 2010 (preliminary). Over the period FY 2009 through FY 2016, rental car ground space rents are projected to reach approximately $2.8 million, experiencing a CAGR of 1.6 percent.

5.6.2 Terminal

Non-airline terminal revenues, primarily comprised of non-airline operating revenues and rents from concessionaires, totaled approximately $10.0 million in FY 2009 and approximately $9.9 million in FY 2010 (preliminary), a decrease of 1.9 percent as compared to FY 2009. Reflecting the opening or expansion of several new terminal concessions and retailers, including Beaches Restaurant, Elephants Delicatessen, and CC McKenzie's (a retailer of women's apparel and shoes), Terminal revenues are projected to increase by approximately 4.2 percent in FY 2011. Projected growth in Terminal revenues in FY 2012, an increase of approximately 8.2 percent, reflects the impacts of new space rentals from TSA and the BAB subsidy (35 percent of Series Twenty D terminal interest expense). Thereafter, Terminal revenues are projected to increase by 3.3 percent per year, reaching approximately $12.6 million in FY 2016. Over the Projection Period, non-airline terminal revenues are projected to experience a CAGR of 3.3 percent, reflective of historical growth experienced in these revenues and consistent with projected enplanement growth and anticipated inflationary impacts.

Current agreements with terminal concessionaires can generally be described as follows:

- Food and beverage concessionaires pay the Airport concession fees amounting to between 7.5 percent and 20 percent of gross receipts or a MAG equal to 80 percent of their prior year actual concession fee, whichever is greater. The terms of existing agreements with food and beverage concessionaires vary by tenant, current agreements have expiration dates ranging from June 30, 2012 through December 31, 2020.
- Retail concessionaires pay the Airport the greater of specific percentages of gross revenue, ranging from 9.0 percent to 18.0 percent depending on sales categories, or a MAG equal to 80 percent of the prior year actual concession fee paid. The terms of existing agreements with retail concessionaires vary by tenant, current agreements have expiration dates ranging from June 30, 2010 (Brookstone) through June 30, 2018.

As part of their respective agreements, the terminal concessionaires are required to offer merchandise and services at the Airport that are comparable to the quality and prices of those offered at their other locations in the Portland metropolitan area (referred to as Street Pricing). The intent of the Port's

Street Pricing policy is to maintain consistency in the quality and pricing for merchandise and services offered at the Airport as compared to those offered in the Portland metropolitan area.

Food and beverage revenues and retail revenues comprised approximately 39.8 percent and 40.8 percent of total Terminal revenues in FY 2009, respectively. Food and beverage revenues decreased from approximately $4.4 to $4.0 million between FY 2008 and FY 2009, a decrease of 9.7 percent. Retail revenues also decreased over the same period. Both food and beverage and retail revenues were generally flat in FY 2010 (preliminary) as compared to FY 2009. The Port budgeted an increase of approximately 2.3 percent in revenues from these sources in FY 2011, primarily attributable to anticipated sales growth from the opening of new food and beverage and retail concepts. Over the period FY 2013 through FY 2016, terminal concession revenues, inclusive of food and beverage, retail, and other concession revenue, are projected to increase at an annual rate of 3.3 percent per year, a rate lower than has been experienced historically but consistent with current projections of enplanement growth and anticipated inflationary impacts.

5.6.3 Air Cargo

Air cargo revenues, primarily attributable to the rental of air cargo facilities at the Airport, totaled approximately $6.2 million in FY 2009. Air cargo revenues decreased at approximately 1.7 percent in FY 2010 (preliminary) and are budgeted to decrease 1.0 percent FY 2011. Air cargo revenues are projected to increase from approximately $6.0 million budgeted in FY 2011 to approximately $6.9 million in FY 2016. Projected growth in air cargo revenues over period FY 2009 through FY 2016 represents a CAGR of approximately 1.7 percent.

5.6.4 Other Aviation

Revenues in the Other Aviation Cost Center are projected to increase from approximately $3.1 million in FY 2009 to approximately $4.2 million in FY 2016, representing a CAGR of approximately 4.2 percent.

5.6.5 Airfield

Airfield revenues, comprised of the Series Twenty D BAB subsidy, landing fees from corporate and general aviation aircraft, and rent revenues from the FAA air traffic control tower, totaled approximately $936,000 in FY 2009 and $778,000 in FY 2010 (preliminary). Airfield revenues are budgeted at approximately $1.0 million in FY 2011, the first year in which a BAB subsidy is anticipated to be received. Airfield revenues are projected to increase by approximately 19.2 percent in FY 2012 as a result of an increase in the BAB subsidy (35 percent of Series Twenty D airfield interest expense) and other revenue growth. In each year FY 2013 through FY 2016, Airfield revenues are projected to increase at an annual rate of 1.3 percent.

5.6.6 Non-Aviation

Non-airline revenues in the Non-Aviation Cost Center were approximately $1.8 million in FY 2009 and $1.9 million in FY 2010 (preliminary). After a budgeted decrease of approximately 14.5 percent in FY 2011, primarily attributable to one-time payments for easements in FY 2010 that are not currently budgeted for FY 2011 or projected for other future years, non-aviation revenues are projected to increase to approximately $2.0 million in FY 2016. Projected growth over the period FY 2009 through FY 2016 represents a CAGR of approximately 1.6 percent.

5.6.7 Indirect Cost Centers

The Airport also collects non-airline revenues from activities in its indirect cost centers. Revenues from these cost centers include security badge fees, natural gas tenant usage fees, film permit fees

and totaled approximately $280,000 in FY 2009 and $297,000 in FY 2010 (preliminary). For the purposes of these financial projections, revenue from indirect cost centers is projected to remain stable at the budgeted FY 2011 amount of approximately $283,000 per year over the Projection Period.

5.7 Airline Revenues

Airline revenues generated at the Airport include landing fees, terminal rentals, International Arrivals Facility (IAF) fees, common use equipment and space fees, and aircraft parking fees. The rate-setting formulas for landing fees and terminal rentals are summarized below, and the other airline revenue sources listed above are also discussed below.

For purposes of the financial projections in this report, it was assumed that airlines currently serving the Airport would continue to operate at the Airport under their current agreement status (i.e., signatory, cargo, non-signatory) throughout the Projection Period (FY 2009 through FY 2016). In addition, as discussed in Section 5.3.6 above, for purposes of the financial projections in this report, it was assumed that the business terms of the current Airline Agreements would extend beyond their expiration at the end of FY 2015 through the end of the Projection Period.

5.7.1 Landing Fees

Table V-8 presents the calculation of landing fees for FY 2009 (actual), FY 2010 (preliminary), budgeted FY 2011, and projected for FY 2012 through FY 2016.

The Airfield Cost Center is one of the two residual airline cost centers at the Airport. Under the residual rate-setting formula, the Airfield Revenue Requirement allows the Port to recover direct and allocated indirect costs for airline use of Airfield facilities.

As defined in the current Airline Agreements, the Airfield Net Requirement is equal to the total of the following items:

- 130 percent of annual SLB Debt Service Requirements allocated to the Airfield (including other Airport-related debt service allocated to the Airfield); plus
- Annual O&M Expenses allocated to the Airfield (including other O&M Expenses allocated to the Airfield); less
- Revenues other than airline landing fees received by the Port from Signatory Airlines for use of the Airfield, including direct and indirect charges (and the Series Twenty D BAB subsidy); less
- The Airfield share of interest income.

The Airfield Net Requirement is allocated to the Signatory Airlines and Non-Signatory Airlines based on share of total aircraft landed weight, including all passenger and cargo airlines. The Signatory Airline share of the Airfield Net Requirement is then reduced by estimated revenue sharing amounts in any given year[2], and then divided by Signatory Airline landed weight, yielding a landing fee for Signatory Airlines per 1,000 pound unit of Airline landed weight. The non-signatory landing fee is calculated per the terms of Ordinance No. 433.

As shown in Table V-8, the Signatory Airline landing fee rate per 1,000-pound unit of landed weight is budgeted at $3.37 for FY 2011. Over the Projection Period, the Signatory Airline landing fee is

[2] Revenue sharing amounts for a given Fiscal Year, if any, are applied as current year credits towards Signatory Airline Net Requirements in the Airfield and Terminal in proportion to the Net Requirements in those cost centers (before revenue sharing).

Table V-8

Airline Landing Fees - Amounts in Thousands Except Rates
Fiscal Years Ending June 30

		Actual FY 2009	Preliminary FY 2010	Budget FY 2011	Projected FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Airfield Requirement									
Direct O&M Expenses		$6,193	$3,723	$4,886	$5,232	$5,389	$5,551	$5,718	$5,889
Indirect O&M Expenses		17,467	14,962	16,758	17,438	17,961	18,500	19,055	19,627
Direct Debt Service		6,256	6,218	8,951	9,605	9,861	9,227	12,381	12,264
Indirect Debt Service		315	302	306	307	307	286	671	668
Debt Service Coverage (0.30 times)		1,971	1,956	2,777	2,974	3,050	2,854	3,915	3,880
Total Airfield Requirement	**[A]**	$32,202	$27,162	$33,677	$35,556	$36,569	$36,418	$41,739	$42,327
Less: Offsetting Payments									
Nonairline Direct Revenues		$ (936)	$ (778)	$ (1,024)	$ (1,220)	$ (1,237)	$ (1,253)	$ (1,270)	$ (1,287)
Nonairline Indirect Revenues		(42)	(41)	(53)	(55)	(56)	(53)	(68)	(68)
Interest Income		(523)	(435)	(63)	(70)	(73)	(72)	(94)	(97)
Total Offsetting Payments	**[B]**	($1,501)	($1,254)	($1,140)	($1,345)	($1,365)	($1,378)	($1,432)	($1,453)
Airfield Net Requirement	**[C]=[A]+[B]**	$30,701	$25,908	$32,538	$34,211	$35,204	$35,040	$40,307	$40,874
Allocation of Landed Weight									
Signatory Airlines	**[D]**	9,704	8,887	8,979	9,038	9,096	9,156	9,215	9,275
Non-Signatory	**[E]**	35	30	14	14	14	14	14	14
Total Landed Weight	**[F]=[D]+[E]**	9,739	8,918	8,993	9,051	9,110	9,170	9,229	9,289
Signatory Airline Share of Airfield Net Requirement	**[G]=[D]/[D+(1.25 x E)]**	99.5%	99.6%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
Signatory Airfield Net Requirement	**[H]=[G]x[C]**	$30,615	$25,798	$32,476	$34,146	$35,138	$34,973	$40,231	$40,797
Less: Revenue Sharing [1/]				($2,183)	($2,233)	($2,228)	($2,236)	($2,408)	($2,426)
Adjusted Signatory Airfield Net Requirement (Landing Fees)	**[I]**	$30,615	$25,798	$30,293	$31,913	$32,909	$32,737	$37,823	$38,371
Signatory Landed Weight	**=[D]**	9,704	8,887	8,979	9,038	9,096	9,156	9,215	9,275
Signatory Airline Landing Fee Rate After Revenue Sharing	**[J]=[I] / [D]**	$3.15	$2.90	$3.37	$3.53	$3.62	$3.58	$4.10	$4.14
Non-Signatory Airline Landing Fee Rate After Revenue Sharing (1.25x)	**[K]=[C] - [H] / [E]**	$3.94	$3.63	$4.52	$4.72	$4.83	$4.77	$5.46	$5.50
Non-Signatory Airline Landing Fees	**=[K] x [E]**	$139	$110	$62	$65	$67	$66	$76	$77

Note:
[1/] Under the prior Signatory Airline Agreements, revenue sharing amounts for a given Fiscal Year, if any, were paid in arrears and not applied as an offset to signatory airline requirements for the purposes of determining rates.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

projected to increase from $3.37 in FY 2011 to a high of $4.14 in FY 2016. Signatory Airline landing fee revenues are projected to increase from approximately $30.3 million in FY 2011 to approximately $38.4 million in FY 2016.

Also, as shown on Table V-8, the Non-Signatory Airline landing fee rate is budgeted at $4.52 for FY 2011 and is projected to increase to $5.50 in FY 2016. Non-Signatory Airline landing fee revenues are projected to increase from approximately $62,000 in FY 2011 to approximately $77,000 in FY 2016.

5.7.2 Terminal Rentals

Table V-9 presents the calculation of terminal rentals for FY 2009 (actual), FY 2010 (preliminary), budgeted FY 2011, and projected for FY 2012 through FY 2016.

Similar to the Airfield Cost Center, the Terminal is a residual cost center. Therefore, terminal rentals for Signatory Airline-leased space are calculated to recover specified costs, after crediting revenue from certain sources.

As defined in the Airline Agreements, the Terminal Net Requirement is equal to the total of the following items:

- 130 percent of annual revenue bond debt service allocated to the Terminal (including roadway and other Airport-related debt service allocated to the Terminal); plus
- Annual O&M Expenses allocated to the Terminal (including both direct and indirect O&M Expenses allocated to the Terminal); less
- Revenues received from the Airlines from separately established rents and fees including; common use equipment and space fees; fees for the use of Port-owned equipment at the Terminal including loading bridges and baggage makeup conveyors; fees recovering costs of space improvements; and fees for aircraft parking at the terminal (apron fees); less
- Nonairline revenues, both direct and indirect (and the Series Twenty D BAB subsidy), allocated to the Terminal Cost Center (including revenues generated from concessions in the Terminal), less
- Terminal share of interest income.

The Terminal Net Requirement is reduced by estimated revenue sharing amounts in any given year[3]. The Port recovers the Terminal Net Requirement through exclusive, preferential, and shared-use space rentals at rates per square foot set forth in the Airline Agreements that are specific to each type of space (e.g., maintenance space, holdroom space, ticket counter space, etc.).

As shown on Table V-9, the Signatory Airline terminal rentals after revenue sharing are projected to increase from $53.1 million in FY 2011 to $56.6 million in FY 2016. Over the Projection Period, the Signatory Airline average terminal rental rate after revenue sharing is projected to range from a low of $186.70 per square foot in FY 2011 to a high of $199.21 per square foot in FY 2016.

5.7.3 Other Airline Revenues

In addition to landing fees and terminal rentals, the Port receives payments from the airlines for the use of other facilities and equipment including common use equipment, common use space, and

[3] With respect to the Terminal, revenue sharing is allocated 50 percent to offset terminal rental rates and 50 percent to offset baggage claim area rates.

Table V-9

Terminal Rentals - Amounts in Thousands Except Rates
Fiscal Years Ending June 30

		Actual FY 2009	Preliminary FY 2010	Budget FY 2011	Projected FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Terminal Requirement									
Direct O&M Expenses		$13,661	$13,004	$14,495	$14,930	$15,378	$15,839	$16,314	$16,804
Indirect O&M Expenses		25,006	25,400	28,551	29,309	30,189	31,094	32,027	32,988
Direct Debt Service		25,960	25,744	25,827	26,626	27,117	26,193	26,137	25,772
Indirect Debt Service		451	452	454	452	452	416	903	897
Debt Service Coverage (0.30 times)		7,923	7,859	7,884	8,123	8,271	7,983	8,112	8,001
Total Terminal Requirement	**[A]**	$73,001	$72,459	$77,211	$79,440	$81,407	$81,525	$83,494	$84,462
Less: Offsetting Payments									
Other Airline Revenue [1/]		$ (8,750)	$ (8,229)	$ (9,721)	$ (10,278)	$ (9,995)	$ (10,360)	$ (10,778)	$ (11,284)
Nonairline Direct Revenues		(10,039)	(9,853)	(10,264)	(11,110)	(11,472)	(11,846)	(12,234)	(12,635)
Nonairline Indirect Revenues		(168)	(166)	(150)	(150)	(151)	(150)	(141)	(141)
Investment Interest Income		0	0	0	0	0	0	0	0
Interest Income (Other)		(219)	(48)	(185)	(190)	(197)	(201)	(195)	(200)
Total Offsetting Payments	**[B]**	$ (19,176)	$ (18,296)	$ (20,320)	$ (21,728)	$ (21,814)	$ (22,557)	$ (23,348)	$ (24,260)
Terminal Net Requirement	**[C]=[A]+[B]**	$53,825	$54,163	$56,891	$57,712	$59,592	$58,968	$60,146	$60,202
Signatory Airline Average Terminal Rental Rate									
Terminal Net Requirement	**[C]**	$53,825	$54,163	$56,891	$57,712	$59,592	$58,968	$60,146	$60,202
Less: Revenue Sharing [2/]	**[E]**	0	0	(3,817)	(3,767)	(3,772)	(3,764)	(3,592)	(3,574)
Adjusted Signatory Terminal Net Requirement	**[F]=[C]+[E]**	$53,825	$54,163	$53,074	$53,945	$55,820	$55,204	$56,554	$56,628
Total Signatory Airline Rented Space (Square Feet in Thousands)	**[G]**	342	338	284	284	284	284	284	284
Signatory Airline Average Terminal Rental Rate After Revenue Sharing	**= [F] / [G]**	$157.38	$160.47	$186.70	$189.77	$196.36	$194.20	$198.94	$199.21

Note:

[1/] Other Airline Revenue includes payments for loading bridges, conveyor systems, airline tenant improvements, apron fees, common use fees, and, prior to FY 2011, IAF passenger fees.

[2/] Under the prior Signatory Airline Agreements, revenue sharing amounts for a given Fiscal Year, if any, were paid in arrears and not applied as an offset to signatory airline requirements for the purposes of determining rates.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

aircraft parking fees. Other airline revenues are projected to increase from approximately $9.7 million budgeted for FY 2011 to $11.3 million projected for FY 2016.

5.8 Passenger Airline Cost per Enplanement

Table V-10 presents average passenger airline cost per enplanement (CPE) for actual FY 2009, FY 2010 (preliminary), budgeted FY 2011, and projected FY 2012 through FY 2016. As stated previously, CPE projections in this report incorporate the Series Twenty Bonds and future bonds expected to be issued by the Port to help fund costs associated with the Other Capital Projects. In addition, CPE projections are based on the assumption that the current Airline Agreements extend beyond their expiration date at the end of FY 2015 through the end of the Projection Period (2016)

Passenger airline CPE was $11.87 in FY 2009, $11.97 in FY 2010 based on preliminary financial results, and is budgeted at $12.80 for FY 2011. Based on the estimates and calculations described in the previous sections, passenger airline CPE is projected to increase from $12.80 in FY 2011 to a high of $13.23 in FY 2015 before decreasing to $13.02 in FY 2016. When presented in 2010 dollars (assuming a 3.0 percent annual inflation rate), average passenger airline CPE is projected to decrease to approximately $10.90 by the end of the Projection Period.

5.9 Application of Revenues and Debt Service Coverage

Table V-11 presents the application of Revenues and debt service coverage ratios for the Airport for FY 2010 (preliminary) through FY 2016. Included in the application of Revenues are airline revenues, various nonairline revenues, interest income, O&M Expenses, revenue sharing amounts, and debt service.

As required by the Rate Covenant, (1) Net Revenues are projected to be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, and (2) Net Revenues in each Fiscal Year are projected to be at least equal to 130 percent of the SLB Debt Service Requirement for such Fiscal Year for all outstanding SLBs.

Table V-10

Average Passenger Airline Cost Per Enplaned Passenger - Amounts in Thousands Expect Cost Per Enplanement
Fiscal Years Ending June 30

					Projected				
		Actual FY 2009	**Preliminary FY 2010**	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Terminal Net Requirement	**[A]**	$53,825	$54,163	$56,891	$57,712	$59,592	$58,968	$60,146	$60,202
Airfield Net Requirement	**[B]**	30,701	25,908	32,538	34,211	35,204	35,040	40,307	40,874
Total Passenger Airline Payments	**[C]=[A]+[B]**	$ 84,526	$ 80,071	$ 89,429	$ 91,923	$ 94,797	$ 94,008	$ 100,453	$ 101,076
Less: Revenue Sharing Amounts [1/]	**[D]**	($5,561)	($2,559)	($6,000)	($6,000)	($6,000)	($6,000)	($6,000)	($6,000)
Net Passenger Airline Payments	**[E]=[C]+[D]**	$78,965	$77,512	$83,429	$85,923	$88,797	$88,008	$94,453	$95,076
Total Airline Enplaned Passengers	**[F]**	6,654	6,477	6,520	6,670	6,823	6,980	7,141	7,305
Average Passenger Airline Cost Per Enplaned Passenger	**=[E] / [F]**	$11.87	$11.97	$12.80	$12.88	$13.01	$12.61	$13.23	$13.02
In 2010 Dollars				*$12.42*	*$12.14*	*$11.91*	*$11.20*	*$11.41*	*$10.90*

Note:

[1/] Under the prior Signatory Airline Agreements, revenue sharing amounts for a given Fiscal Year, if any, were paid in arrears and not applied as an offset to signatory airline requirements for the purposes of determining rates.

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Table V-11

Application of Revenues and Airport Revenue Bond Debt Service Coverage - Amounts in Thousands
Fiscal Years Ending June 30

				Projected				
		Preliminary FY 2010	**Budget FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Revenues								
Net Passenger Airline Payments		$77,512	$83,429	$85,923	$88,797	$88,008	$94,453	$95,076
Other Airline Revenues (non-Rent)		8,229	9,721	10,278	9,995	10,360	10,778	11,284
Total Nonairline Revenues		80,551	81,351	84,117	86,294	88,553	90,854	93,260
Interest Income		1,306	1,123	1,154	1,185	1,218	1,251	1,286
Total Revenues	**[A]**	$167,597	$175,624	$181,472	$186,271	$188,138	$197,337	$200,906
Application of Revenues								
Total O&M Expenses	**[B]**	$88,054	$95,152	$98,206	$101,153	$104,187	$107,313	$110,532
Net Revenues	**[C]=[A]-[B]**	$79,543	$80,472	$83,266	$85,118	$83,951	$90,024	$90,374
Total Airport Revenue Bond SLB Debt Service Requirements	**[D]**	$46,886	$49,682	$51,030	$51,764	$50,415	$54,371	$53,747
Funds Available	**[E]=[C]-[D]**	$32,657	$30,790	$32,236	$33,354	$33,536	$35,653	$36,627
Less: Airport Revenue Bond SLB Debt Service Coverage	**[F]**	(14,066)	(14,904)	(15,309)	(15,529)	(15,124)	(16,311)	(16,124)
Net Income	**= [E]+[F]**	$18,591	$15,886	$16,927	$17,825	$18,412	$19,342	$20,503
Airport Revenue Bond SLB Debt Service Coverage								
Airport Revenue Bond SLB Debt Service Coverage Ratio	**= [C] / [D]**	1.70	1.62	1.63	1.64	1.67	1.66	1.68
Required Airport Revenue Bond SLB Coverage Ratio		1.30	1.30	1.30	1.30	1.30	1.30	1.30

Sources: The Port of Portland, October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

[This page intentionally left blank.]

THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2010

with comparative totals for the year ended June 30, 2009

THE PORT OF PORTLAND

(a municipal corporation)

_____

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2010

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

Bill Wyatt, Executive Director

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

Telephone: 503-415-6000

THE PORT OF PORTLAND
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

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

Report of Independent Auditors

To the Board of Commissioners of the
Port of Portland

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

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

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

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

By:_____
Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Port of Portland
Management's Discussion and Analysis

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

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

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

Table 1
Net Assets
($ millions)

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

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

Total net assets of the Airport increased by $79.5 million, or 13.9 percent, as a result of net income and capital grants. Net assets invested in capital assets, net of related debt, increased $164.9 million, or 43.8 percent, as a result of increases in capital additions and construction spending. Restricted net assets

decreased by $87.9 million, or 49.7 percent, primarily due to construction spending. Unrestricted net assets increased by $2.5 million, or 12.1 percent, primarily as a result of net income.

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

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

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

Table 2
Changes in Net Assets
($ millions)

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

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

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

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

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

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

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

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

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

Table 3
Capital Assets
($ millions)

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

This year's major capital asset spending included:

Airport:

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

Marine & Other:

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

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

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

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

Table 4
Outstanding Long-Term Debt
($ millions)

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

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

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

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

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

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

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

Operating revenues for the Airport are budgeted to increase to $174 million in the fiscal 2011 budget, due to higher airline revenues and a slight increase in passenger volumes. Airport operating expenses

(excluding depreciation) are budgeted about 8.2 percent to $92.3 million as a result of elimination of salary cuts and furloughs, as well as increased airline services.

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

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The Port

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

Basis of Accounting

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

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Port has elected not to apply Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Effective July 1, 2010, the Port has adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The adoption of this statement did not have a material effect on the Port's financial statements.

Effective July 1, 2009, the Port adopted GASB Statement No. 53 (GASB 53), "Accounting and Financial Reporting for Derivative Instruments," as discussed in Note 7. This statement requires the Port to record its derivative instruments at fair value, and to report changes in fair value for effective hedging derivatives as deferrals on the balance sheet. As the impact on net assets was not material, the cumulative effect of applying this Statement was recorded in the current period and neither comparative totals for the year ended June 30, 2009 nor the fiscal 2010 beginning net asset balance have been restated. The effect on the Airport's financial statements for the year ended June 30, 2010 from the adoption of GASB 53 was to increase noncurrent liabilities by $29.495 million, increase noncurrent assets by $29.454 million, and decrease interest expense and net assets by $0.041 million.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, information technology users, purchase order lines, acreage, operating revenues, and operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, and passenger facility charges, are classified as nonoperating.

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. At June 30, 2010, all restricted assets are available to pay restricted liabilities due within one year except for approximately $64,300,000 and approximately $56,300,000 equity in pooled investments for the Port and Airport activity, respectively.

Land Held for Sale

Land held for sale includes costs of land acquisition and development on property held for eventual sale. Land held for sale is stated at the lower of average cost or net realizable value. Costs that are capitalized consist of acquisition and development costs incurred to bring the land to salable condition, including interest. At closing, sales and related cost of land are recorded as operating revenues and expenses.

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and properties subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. The useful lives generally range from 15 to 40 years for land improvements, 20 to 30 years for buildings and terminals, and 3 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Deferred bond issue costs are amortized using the interest method over the life of the related debt. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is included in interest expense.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Deferred Revenue

Deferred revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 55 to 99 years.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net assets when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net assets at estimated fair value at date of acquisition.

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

Property Taxes

Property taxes are used for capital purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. As a result, book cash overdrafts (essentially comprising outstanding checks) may occur. Such overdrafts are presented as current liabilities. Investments with a remaining life of one year or less at the time of purchase are stated at amortized cost. Investments with longer maturities are stated at fair value based upon quoted market prices. For investments stated at amortized cost, there is no material difference from fair value at June 30, 2010 and 2009. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing bonds of Oregon municipalities.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

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

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets as to compliance with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted one supplemental budget for each of the years ended June 30, 2010 and 2009, respectively.

The Port budgets all funds on the accrual basis of accounting. For budgetary reporting purposes, State law requires that charges for services provided and certain expense allocations, from one fund to another fund, be reported as transfers to other funds, rather than as operating or capital expenditures.

Transfers Between Activities

The Port's policy is to fund certain general aviation (Marine & Other activity) capital requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

Internal Receivables and Payables

Intra-Port receivables and payables between activities are eliminated in the total column of the balance sheet.

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's report on audit of financial statements for the year ended June 30, 2009, from which the summarized information was derived.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective immediately upon its issuance. The statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature. The adoption of this statement did not have a material effect on the Port's financial statements.

In March 2009, the GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," effective immediately upon its issuance. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus," effective for the Port's fiscal year beginning July 1, 2010. The statement modifies financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

The Airport is an identifiable activity in and of itself, providing commercial airline passenger service, air cargo services, and general aviation services. The activities comprising Marine & Other are the Port's marine terminals, which load, unload, and transfer commodities to and from trucks, railcars, barges, and ships; property and development services, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering, which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2010 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 45,110	$ 3,695		$ 13,312	$ 3,162	$ 251	$ 65,530
Operating expenses	47,773	3,117	$ 4,557	11,239	3,390	(4,362)	65,714
Depreciation expense	11,745	132	26	1,047	2,447	4,613	20,010
Operating (loss) income	(14,408)	446	(4,583)	1,026	(2,675)		(20,194)
Capital contributions	10,244	1,231			4,252		15,727
Land held for sale and properties:							
Additions	14,748	4,603		514	6,643	2,365	28,873
Deletions				(9)	(5,986)		(5,995)

3. Cash and Investments:

At June 30, 2010, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Agencies	$ 74,541,224	$ 25,487,723	$ 14,120,048	$ 1,694,346	$ 115,843,341
Corporate indebtedness	4,840,709	7,400,937	8,490,188	-	20,731,834
	$ 79,381,933	$ 32,888,660	$ 22,610,236	$ 1,694,346	136,575,175
Cash and deposits with financial institutions					14,077,337
					$ 150,652,512

3. Cash and Investments, continued:

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

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,158,154				$ 4,158,154
U.S. Agencies	31,151,566	$ 48,167,953	$ 26,684,760	$ 3,202,059	109,206,338
Corporate indebtedness	9,148,211	13,986,656	16,045,174	-	39,180,041
	$ 44,457,931	$ 62,154,609	$ 42,729,934	$ 3,202,059	152,544,533
State of Oregon local government investment pool					38,345,810
Cash and deposits with financial institutions					434,164
					$ 191,324,507

To address interest rate risk and limit its exposure to fair value losses arising from rising interest rates, the Port's investment policy places restrictions on the maturities of the Port's investment portfolio. Investment maturities are limited as follows:

Maturity	Maximum Investment
Two years and under	55% of par value
Three years and under	75% of par value
Five years and under	100% of par value

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2010, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

A portion of the Port's investments are invested in an external investment pool, the Oregon Short-Term Fund (Fund). Numerous local governments in Oregon, as well as State agencies, participate in the Fund. The fair value of the Port's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board. While the Fund itself is not rated, the Fund's policies provide that the weighted average credit quality ratings for the Fund's holdings are a minimum of AA and Aa2 for Standard and Poor's and Moody's, respectively.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $1,437,974. Of these deposits, $250,000 was covered by federal depository insurance and $1,187,974 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Balance sheet classification:	2010			2009
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Unrestricted equity in pooled investments	24,341,171	144,312,733	168,653,904	164,260,027
Restricted cash and equity in pooled investments	126,247,901	8,285,238	134,533,139	227,443,312
	$ 150,652,512	$ 191,324,507	$ 341,977,019	$ 418,523,612

3. Cash and Investments, continued:

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2010 and 2009, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2010 and 2009, approximately $75,793,000 and $87,085,000, respectively, of the Airport's investments represent a percentage allocation of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the marine shipping industry for Marine & Other. Principal customers in these industries are national airlines and international steamship lines/agents, respectively. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $9,100,000 at June 30, 2010 and $6,300,000 at June 30, 2009. Total trade receivables for the marine shipping industry were approximately $2,900,000 at June 30, 2010 and $3,700,000 at June 30, 2009. Total grants receivable for the aviation industry were approximately $5,200,000 at June 30, 2010 and $26,200,000 at June 30, 2009. Total grant receivables for marine and other were approximately $3,400,000 at June 30, 2010 and $500,000 at June 30, 2009. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2010 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital assets being depreciated:					
Land improvements	$ 528,778,956		$ (101,519)	$ 30,899,361	$ 559,576,798
Buildings and equipment	836,690,369		(1,332,937)	251,250,674	1,086,608,106
Total capital assets being depreciated	1,365,469,325		(1,434,456)	282,150,035	1,646,184,904
Less accumulated depreciation:					
Land improvements	295,144,890	$ 22,312,700	(101,519)		317,356,071
Buildings and equipment	428,865,307	33,021,395	(1,266,975)		460,619,727
Total accumulated depreciation	724,010,197	55,334,095	(1,368,494)		777,975,798
Total capital assets being depreciated, net	641,459,128	(55,334,095)	(65,962)	282,150,035	868,209,106
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	306,433,412	196,935,124	-	(282,150,035)	221,218,501
Total capital assets not being depreciated	374,475,579	196,935,124	-	(282,150,035)	289,260,668
Airport capital assets, net	$ 1,015,934,707	$ 141,601,029	$ (65,962)	$	$ 1,157,469,774
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 223,901,335		$ (4,420,926)	$ 13,710,897	$ 233,191,306
Buildings and equipment	237,280,982		(2,156,195)	4,153,767	239,278,554
Total capital assets being depreciated	461,182,317		(6,577,121)	17,864,664	472,469,860
Less accumulated depreciation:					
Land improvements	132,633,761	$ 8,227,195	(3,848,405)		137,012,551
Buildings and equipment	159,150,529	11,782,626	(1,979,853)		168,953,302
Total accumulated depreciation	291,784,290	20,009,821	(5,828,258)		305,965,853
Total capital assets being depreciated, net	169,398,027	(20,009,821)	(748,863)	17,864,664	166,504,007
Capital assets not being depreciated:					
Land	72,438,757		(5,228,881)	-	67,209,876
Construction in progress	55,658,250	28,872,665	3,212,072	(17,864,664)	69,878,323
Total capital assets not being depreciated	128,097,007	28,872,665	(2,016,809)	(17,864,664)	137,088,199
Marine & Other capital assets, net	$ 297,495,034	$ 8,862,844	$ (2,765,672)	$	$ 303,592,206

5. Properties, continued:

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 99 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2010 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 20,705,194	$ 20,705,194
Building & equipment	$ 560,319,688	39,124,830	599,444,518
	560,319,688	59,830,024	620,149,712
Accumulated depreciation	(292,857,466)	(23,615,581)	(316,473,047)
	$ 267,462,222	$ 36,214,443	$ 303,676,665

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

	Airport	Marine & Other	Total Port
2011	$ 29,104,000	$ 14,521,000	$ 43,625,000
2012	11,677,000	13,735,000	25,412,000
2013	9,805,000	12,939,000	22,744,000
2014	8,428,000	11,960,000	20,388,000
2015	7,707,000	11,398,000	19,105,000
Thereafter	68,082,000	97,349,000	165,431,000
Total	$ 134,803,000	$ 161,902,000	$ 296,705,000

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

	Airport	Marine & Other	Total Port
2010	$ 62,400,000	$ 2,700,000	$ 65,100,000
2009	$ 59,400,000	$ 3,500,000	$ 62,900,000

Marine & Other leases certain equipment under capital leases; there are no capital leases at the Airport. The following is a summary of Marine & Other assets leased under capital leases at June 30:

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

5. Properties, continued:

Future minimum capital lease payments, together with the present value of the net minimum lease payments are as follows:

2011	$ 532,998
2012	477,098
2013	465,848
2014	451,930
2015	451,930
2016-2020	1,883,040
Total minimum lease payments	4,262,844
Less: amount representing interest	(1,054,986)
Present value of net minimum lease payments	$ 3,207,858

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $328,842 and $2,879,016, respectively.

6. Other Noncurrent Assets:

Other noncurrent belongings consist of the following:

	Airport	Marine & Other	Total
2010:			
Other	$	$ 782,958	$ 782,958
2009:			
Other	$	$ 820,151	$ 820,151

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

7. Long-Term Debt:

	Bonds Payable at June 30, 2010		
	Pension	Revenue	Passenger Facility Charge Revenue
Limited Tax Pension bonds:			
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
6.77% to 7.41%, due serially through fiscal 2020	$ 8,291,465		
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000		
6.6%, due fiscal 2025	6,205,000		
2005 Series (issued in fiscal 2006, original issue $20,230,000):			
4.516% to 5.500%, due serially through fiscal 2014	1,605,000		
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Twelve (issued in fiscal 1999, original issue $214,275,000):			
4.75% to 5.25%, due serially through fiscal 2019		$ 62,070,000	
5.0%, due fiscal 2019		7,815,000	
5.0%, due fiscal 2029		64,595,000	
Series Fifteen (issued in fiscal 2001, original issue $173,410,000):			
4.25% to 5.5%, due serially through fiscal 2019		76,305,000	
5.0%, due fiscal 2024		27,995,000	
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.22%, due fiscal 2027		66,825,000	
currently 0.21%, due fiscal 2027		66,825,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		19,170,000	
5.0%, due fiscal 2020		6,340,000	
5.0%, due fiscal 2022		6,990,000	
5.25%, due fiscal 2027		20,870,000	
5.0%, due fiscal 2030		15,310,000	
5.5%, due fiscal 2039		63,285,000	
Passenger Facility Charge revenue bonds:			
Series 1999 (issued in fiscal 2000, original issue $132,110,000):			
5.375% to 5.75%, due serially through fiscal 2017			$ 39,775,000
5.5%, due fiscal 2019			11,755,000
Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):			
currently 0.30%, due fiscal 2025			29,000,000
currently 0.27%, due fiscal 2025			28,985,000
Totals, including $1,005,744, $23,320,000, and $4,870,000, respectively, due within one year	$ 71,421,465	$ 504,395,000	$ 109,515,000

7. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2010
City of Portland, local improvement district installment payment contract (issued in fiscal 2003, original amount $10,189,218), 5.32%, payable in monthly installments ranging from $34,973 due on July 1, 2010 to $55,887 due on April 1, 2023, including $431,967 due within one year	$ 7,653,524
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available $2,000,000), 0.0%, payable in annual installments of $200,000 due March 31, 2011 through March 31, 2013, including $200,000 due within one year	574,820
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 1.67%, payable in annual interest-only payments with principal due in full September 23, 2012	8,116,653
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2009, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through March 19, 2011, followed by semi-annual installments from December 15, 2011 through July 15, 2031	1,477,874
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2010, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through September 10, 2011 followed by semi-annual installments from December 15, 2012 through July 15, 2032	618,066
Total, including $631,967 due within one year	$ 18,440,937

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

	Airport					
	Revenue		Passenger Facility Charge Revenue		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 23,320,000	$ 18,941,518	$ 4,870,000	$ 2,906,998	$ 1,637,711	$ 5,022,614
2012	24,765,000	17,997,012	5,145,000	2,623,712	1,770,789	5,128,045
2013	26,135,000	16,975,351	5,440,000	2,324,167	10,044,642	5,681,537
2014	27,440,000	15,881,363	5,750,000	2,014,572	1,912,048	5,396,182
2015	27,490,000	14,816,481	6,070,000	1,694,599	2,040,596	5,543,843
2016-2020	131,190,000	60,315,662	35,790,000	3,372,420	12,598,673	29,927,146
2021-2025	112,460,000	40,107,307	46,450,000	279,090	34,718,117	14,870,897
2026-2030	68,310,000	23,656,725			24,851,080	3,043,060
2031-2035	31,375,000	13,272,737			288,746	18,853
2036-2040	31,910,000	3,626,974				
	$ 504,395,000	$ 225,591,130	$ 109,515,000	$ 15,215,558	$ 89,862,402	$ 74,632,177

7. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2010 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 639,240,000		$ (25,330,000)	$ 613,910,000
less: current portion	(25,330,000)	$ (28,190,000)	25,330,000	(28,190,000)
Long-term portion outstanding	$ 613,910,000	$ (28,190,000)	$	$ 585,720,000
Marine & Other:				
Long-term debt outstanding	$ 80,378,806	$ 10,787,414	$ (1,303,818)	$ 89,862,402
less: current portion	(1,303,818)	(1,637,711)	1,303,818	(1,637,711)
Long-term portion outstanding	$ 79,074,988	$ 9,149,703	$	$ 88,224,691

In addition, at June 30, 2010 and 2009, the Port has accrued $6,038,312 and $5,454,496, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans are payable from revenues of the Port, including existing property tax levies.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

Port Ordinance No. 155, enacted November 10, 1971, and Ordinance No. 323, enacted October 9, 1985, both subsequently amended (Ordinances), authorize the issuance of Portland International Airport Revenue Bonds (Airport revenue bonds) to pay the costs of acquiring and constructing Airport and other Port improvements. Port Ordinance No. 323 further restricts sales of Airport revenue bonds except for the purpose of paying the costs of construction of additions, expansion, and improvements at the Airport and the costs of acquisition and construction of general aviation airports. Both Ordinances also allow for the issuance of refunding bonds. The revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any revenues or property of the Port not specifically pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

7. Long-Term Debt, continued:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.

- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met.

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2010 and 2009.

On July 1, 2005, contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2010 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain reductions, contingent on the Port managing operating expenses to a defined target level. The fiscal 2010 and 2009 discount reductions were $310,517 and $439,159, respectively. New contracts providing financial guarantees sufficient to meet the net revenues requirement for airline supported activities become effective on July 1, 2010; the financial provisions of these new contracts are similar to those of the prior contracts.

In prior years, the Port defeased or advance refunded various bonds, including $102,735,000 of Series Seven bonds, by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt service on the bonds. As a result, the trust account assets and the liability for the defeased or advance refunded bonds are not included in the financial statements. At June 30, 2010, $24,580,000 of Series Seven defeased debt was still outstanding.

In fiscal 2008, the Port issued Series Eighteen variable rate bonds, the proceeds of which were used to refund $134,295,000 of Series Seventeen bonds, representing all of the outstanding portions maturing after July 1, 2008, and to cash fund $3,972,960 in debt service reserve. The interest rate on the Series Eighteen bonds is generally reset weekly by remarketing agents, and cannot exceed 12%. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of five years at a variable interest rate based on the greater of the bank's prime rate or the federal funds rate plus 1 percent.

In fiscal 2009, the Port issued Series Nineteen bonds to pay, or to reimburse the Port for the payment of, costs of the construction, acquisition, equipment and installation of Port headquarters facilities and other improvements at the Portland International Airport, to capitalize a portion of the interest on the Series Nineteen bonds, and to pay costs of issuing the Series Nineteen bonds. The bonds have coupon rates ranging from 4.25 percent to 5.50 percent with maturities ranging from July 1, 2010 to July 1, 2038. Series Nineteen bonds maturing on or after July 1, 2019 are redeemable at the option of the Port on or after July 1, 2018 at 100 percent of the principal amount plus accrued interest. Series Nineteen bonds maturing on or after July 1, 2019 are also subject to mandatory redemption at par, prior to maturity, in part, by lot, beginning July 1, 2018, and on each July 1 thereafter.

7. Long-Term Debt, continued:

Series Twelve bonds maturing on or after July 1, 2010 are redeemable at the option of the Port at par. Series Twelve bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2014, and on each July 1 thereafter. Series Twelve bonds maturing July 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

Series Fifteen bonds maturing on or after July 1, 2012 are redeemable at the option of the Port on or after July 1, 2011 at 101 percent of the principal amount at such date and at decreasing rates thereafter. Series Fifteen bonds maturing July 1, 2023 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

All Airport revenue bonds, both principal and interest, are payable solely from revenues derived from the operation and related services of the Airport.

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

Port Ordinance No. 395-B, enacted June 10, 1999, authorized the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC revenue bonds) to pay the costs of construction of certain Federal Aviation Administration approved PFC projects. The PFC revenue bonds are backed by a pledge and assignment of PFC revenues. The PFC revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all PFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of

PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

In connection with the PFC revenue bonds, the Port has also covenanted to comply with PFC laws and regulations, noise regulations, and to manage the PFC program so that remaining PFC authority (as defined in Ordinance No. 395-B) less contractual commitments, shall exceed 105 percent of defined unpaid debt service.

In fiscal 2009, the Port issued Series 2009A Passenger Facility Charge Variable Rate Refunding Bonds (PFC refunding bonds), the proceeds of which were deposited in an irrevocable trust with an escrow agent to refund $56,445,000 of PFC Series 1999A bonds, representing all of the outstanding portions maturing after July 1, 2009. As a result, those bonds were considered defeased and the trust account assets and the liability for those bonds are not included in the financial statements. The defeased bonds were redeemed on July 1, 2009 at 101 percent of the principal amount. The PFC refunding bonds are a direct result of pay-fixed, receive variable interest rate swaps which commenced on July 1, 2009. The interest rate on the PFC refunding bonds is generally reset weekly by remarketing agents and cannot exceed 12 percent. Payments of principal and interest on the PFC refunding bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. In the event that PFC refunding bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable interest rate based on the greater of the bank's prime rate plus 2 percent, the federal funds rate plus 3 percent, or 10 percent.

7. Long-Term Debt, continued:

PFC Series 1999 bonds maturing on or after July 1, 2010 are redeemable at the option of the Port on or after July 1, 2009 at 101 percent of the principal amount at such date and at decreasing rates thereafter. PFC Series 1999 bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, on July 1, 2017, and July 1, 2018.

PFC Series 2009A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day.

The Port has reserved the right to use at any time any legally available funds to purchase for retirement any of the outstanding PFC Series 1999 bonds offered to the Port at any price deemed reasonable.

PFC revenue bonds, both principal and interest, are payable solely from PFC revenues.

DERIVATIVE INSTRUMENTS

At June 30, 2010, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (861,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (861,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (9,167,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (9,167,000)
E	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$34,791,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,687,000)
F	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$23,194,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,711,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538, and for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. Accordingly, the fair value of the hedging derivatives was $(29,454,000) at June 30, 2010 and is recorded on the Airport Balance Sheet as a non-current liability. The cumulative change in fair value of the at-market interest rate swap was recorded as a deferred outflow of $(29,454,000), and the unamortized balance of the borrowing is recorded on the Balance Sheet as a noncurrent liability of $12,496,122 at June 30, 2010.

7. Long-Term Debt, continued:

The fair values of the interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has three separate counterparties for its interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A, C, and E	AA- / Aa1
Derivative B and D	AAA / Aa1
Derivative F	A / A2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2010, none of the Airports interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps are variable-rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 0.2362 percent, while 68 percent of 1 month LIBOR is approximately 0.2369 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2010; therefore, no collateral has been posted for these derivative instruments. Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2010, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for these derivative instruments. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument E has a negative fair value at June 30, 2010; therefore, the Airport has posted $6,200,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport’s balance sheet).

7. Long-Term Debt, continued:

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2010:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 5,570,000	$ 275,372	$ 5,740,934	$ 11,586,306
2012	5,800,000	262,902	5,488,120	11,551,022
2013	5,820,000	250,389	5,228,434	11,298,823
2014	6,085,000	237,306	4,916,642	11,238,948
2015	7,970,000	220,171	4,517,620	12,707,791
2016-2020	47,175,000	792,835	16,070,902	64,038,737
2021-2025	40,880,000	311,321	5,921,143	47,112,464
2026-2030	14,350,000	14,588	318,364	14,682,952
	$ 133,650,000	$ 2,364,884	$ 48,202,159	$ 184,217,043

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 85,000	$ 165,017	$ 2,737,187	$ 2,987,204
2012	85,000	164,774	2,733,047	2,982,821
2013	90,000	164,517	2,728,671	2,983,188
2014	95,000	164,247	2,724,058	2,983,305
2015	100,000	163,962	2,719,209	2,983,171
2016-2020	11,080,000	777,463	12,447,854	24,305,317
2021-2025	46,450,000	279,090	3,960,482	50,689,572
	$ 57,985,000	$ 1,879,070	$ 30,050,509	$ 89,914,579

8. Industrial Revenue Bonds:

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

Following is a summary of industrial revenue bonds outstanding at June 30:

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

9. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a defined benefit pension plan which has both agent multiple-employer and cost-sharing multiple-employer segments, administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes. PERS issues a publicly available financial report, which may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700.

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rate was 6.65 percent of annual covered payroll for fiscal year 2010, and 6.05 percent of annual covered payroll for fiscal years 2009 and 2008. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. These amounts were recorded as pension assets on the Port balance sheet. Of these amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as both assets and liabilities (due to Marine & Other). The assets are being amortized using methods and assumptions used in actuarial valuations. The actuarial amortization increased the balance of Port pension assets by $415,581, $597,431, and $737,440, for fiscal years 2010, 2009, and 2008, respectively, of which $201,487, $282,578, and $342,707, were applicable to the Airport. The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $894,182, $780,399, and $658,765, in fiscal 2010, 2009, and 2008, respectively, of which $444,022, $385,337, and $323,388, were applicable to the Airport.

For fiscal years 2010, 2009, and 2008 the Port's annual PERS contributions were $3,633,617, $5,431,144, and $5,255,495, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $1,713,699, $2,504,858, and $2,401,813, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation.

The Port's employer contribution rate to OPSRP, determined by an actuary using past PERS data, was 5.81 percent of annual covered payroll for general service members and 8.52 percent for police and fire members for fiscal year 2010, and 7.31 percent of annual covered payroll for general service members and 10.58 percent for police and fire members for fiscal years 2009 and 2008. The Port's fiscal 2010, 2009, and 2008 OPSRP contributions were $1,510,905, $1,537,527, and $1,381,623, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $560,845, $586,698, and $528,486, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

9. Pension Plans and Deferred Compensation Plan, continued:

The Port offers all its employees with six full months of service a deferred compensation plan created in accordance with IRC Section 457. The plan permits eligible employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Port's general creditors. The Port has little administrative involvement with the plan and does not perform the investing function. Therefore, the plan assets are not included on the balance sheet.

10. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out, and will not be offered to any employees not meeting eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, their spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health care costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an 'implicit subsidy' paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port.

The Port's other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Port's net OPEB obligation:

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

10. Postemployment Healthcare Benefits, continued:

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Airport:			
2010	$ 307,000	91.5%	$ 992,000
2009	$ 1,028,000	60.1%	$ 966,000
2008	$ 1,032,000	46.1%	$ 556,000
Marine & Other:			
2010	$ 303,000	134.7%	$ 219,000
2009	$ 840,000	82.0%	$ 324,000
2008	$ 860,000	79.9%	$ 173,000

A schedule of the funding progress of the plan appears below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2007	$0	$9,363,000	$9,363,000	0%	N/A	N/A
7/1/2009	$0	$3,182,000	$3,182,000	0%	N/A	N/A
Marine & Other						
7/1/2007	$0	$8,977,000	$8,977,000	0%	N/A	N/A
7/1/2009	$0	$3,394,000	$3,394,000	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2007 and 2009 actuarial valuations, the entry age normal actuarial cost method was used.

The July 1, 2009 actuarial assumptions included a 4.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eleven years. The July 1, 2007 actuarial assumptions included a 5.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after fourteen years. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

11. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions.

11. Risk Management, continued

The Airport is a full participant in the Port's risk management program. The Airport's expenses related to this program are recorded when incurred, with cash being paid to the Port's General Fund for ease of administration.

The Port self-insures for certain workers' compensation losses for amounts up to $1,000,000 per accident. For amounts in excess of self-insured limits, insurance in the amount of $10,000,000 per loss is maintained. Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimate for claims that have been incurred but not reported. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends through a case-by-case review of all claims. Effective May 8, 1993, certain workers' compensation losses incurred after such date are the responsibility of an independent marine terminal management company.

Changes in the reported liability for workers' compensation resulted from the following:

	Fiscal Year Ended June 30,	
	2010	2009
Beginning liability	$ 1,225,183	$ 1,157,554
Current year claims and changes in estimates	1,094,236	724,612
Claim payments	(748,717)	(656,983)
Ending liability	$ 1,570,702	$ 1,225,183

Approximately $644,900 and $518,900 of the liability was applicable to the Airport at June 30, 2010 and 2009, respectively.

12. Commitments and Contingencies:

At June 30, 2010, land acquisition and construction contract commitments aggregated approximately $87,000,000 for the Airport, $16,000,000 for Marine & Other, and $103,000,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Management of the Port does not believe that the ultimate resolution of these lawsuits and other contingencies which, for the most part, are normal to the Port's business, will have any material effect upon its financial statements.

The Port is subject to federal, state, and local environmental laws and regulations. Pursuant to these laws and regulations, the Port has identified a number of contaminated sites on Port properties that will require remedial investigation and action. Some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, or groundwater. In some cases, the Port has been designated by Federal or State government as a potentially responsible party (PRP) for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination.

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other (PRPs) as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $8,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2010. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port's ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $22,700,000 in estimated remaining costs for this cleanup at June 30, 2010. At another site, the

12. Commitments and Contingencies, continued:

Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2010. Both these sites are accounted for within the Marine & Other activity.

The Port is pursuing recovery of a substantial portion of these environmental costs from a variety of third parties, including insurance companies. As part of its recovery strategy, beginning in fiscal 2003, the Port entered into insurance buyout agreements with various insurance companies. Proceeds from these buyouts totaled $0 and $7,000,000 in fiscal 2010 and 2009, respectively. These amounts are shown as extraordinary items on the statement of revenues, expenses, and changes in net assets.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

Changes in estimated long-term environmental liabilities were as follows:

	2010			2009		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,175,000	$ 54,540,900	$ 55,715,900	$ 100,000	$ 47,478,900	$ 47,578,900
Accruals		(1,135,900)	(1,135,900)	1,075,000	7,062,000	8,137,000
Reclassifications (to) from current						
Ending liability	$ 1,175,000	$ 53,405,000	$ 54,580,000	$ 1,175,000	$ 54,540,900	$ 55,715,900

The Port leases from others, under operating leases, certain computer software, warehouse and office space, copiers, and submerged lands. These leases expire at varying times through fiscal 2016. Total rental expense (all minimum rentals) for operating leases approximated $2,727,000 and $2,816,000 for Marine & Other in 2010 and 2009, respectively, and $41,000 and $0 for the Airport in 2010 and 2009, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2011	$ 234,000	$ 358,000	$ 592,000
2012	233,000	131,000	364,000
2013	233,000	131,000	364,000
2014	233,000	131,000	364,000
2015	193,000	131,000	324,000
2016-2020		36,000	36,000
Total	$ 1,126,000	$ 918,000	$ 2,044,000

13. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $98,089,189 in the Airport PFC Fund as of June 30, 2010. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund. In the Airport PFC Fund, the Port overexpended one budget appropriation for Other expenditures as a result of the implementation of GASB 53. This overexpenditure of ($310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

14. Subsequent Event:

Subsequent to June 30, 2010, the Airport priced Series Twenty Airport revenue bonds, with the intent to close the transaction in early November, 2010. The Series Twenty bonds are anticipated to fund approximately $30 million in new construction at the Airport, to refund all of the outstanding Series Twelve Airport revenue bonds, and to fund issuance costs and a debt service reserve.

SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

The Port of Portland is a municipal corporation created in its present form by the 1971 merger of The Port of Portland and the Commission of Public Docks. A nine-member commission establishes and maintains Port policy for a staff under the guidance of an executive director.

The original Port of Portland was created in 1891 by the Oregon Legislative Assembly with the objective of dredging and maintaining a channel between Portland and the Pacific Ocean. As its operations and responsibilities increased, the Port acquired its aviation and land development interests.

The City of Portland in 1910 created the Commission of Public Docks to promote and develop maritime commerce through Portland Harbor and, in 1970, the voters approved a merger of these two organizations. In 1973, the Port district was expanded to include all of Multnomah, Clackamas, and Washington Counties.

For financial reporting and operating purposes, management considers the activities of the Port to be that of a unitary enterprise operation. For budgetary and bond ordinance requirement purposes only, the primary divisions of the accounts of the Port consist of the following funds (accounts):

General Fund

Used to finance the general operations of the Port and, subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are marine facilities operations, land sales and leases, and a property tax levy for Port improvements.

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, and interest on investments.

Airport Revenue Fund

This fund is to be held and administered by the Port as long as any Portland International Airport Revenue Bonds are outstanding. The monies deposited in this fund are not commingled with any other monies of the Port and are used and applied only in the manner as specified by Section 13, Ordinance No. 155 and Section 6, Ordinance No. 323. Airport operations are accounted for in this fund. Principal revenue sources are flight fees, rentals, parking, and concession income.

Airport Revenue Bond Fund

This fund is administered by a trustee appointed under Section 11, Ordinance No. 323. The monies in this fund are used solely for the payment of principal and interest due on Portland International Airport Revenue Bonds. Principal resources are revenue bond proceeds, interest, and transfers from the Airport Revenue Fund and the Airport Construction Fund.

Airport Construction Fund

The monies credited to this fund are used and applied solely to the payment of costs of additions, expansions, and improvements to the Airport in accordance with Section 12, Ordinance No. 155 and Section 8, Ordinance No. 323. Principal resources are interest, grants, and revenue bond proceeds.

PFC Fund

This fund is used to account for PFC revenue. Amounts credited to this fund are used to provide for debt service on Portland International Airport Passenger Facility Charge Revenue Bonds and to construct certain assets in accordance with Section 2, Ordinance No. 395-B. Principal resources are PFC revenue, bond proceeds, and interest.

PFC Bond Fund

This fund, created in accordance with Section 8, Ordinance No. 395-B, is administered by a trustee, for the payment of principal and interest on Portland International Airport Passenger Facility Charge Revenue Bonds. Principal resources are transfers from the PFC Fund, bond proceeds, and interest.

THE PORT OF PORTLAND

RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess Revenues (Expenditures)
	Revenues	Expenditures	
Port Funds:			
General Fund	$ 87,890,702	$ 105,966,889	$ (18,076,187)
Bond Construction Fund	16,254,010	28,344,479	(12,090,469)
Airport Revenue Fund	167,579,789	70,670,328	96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 355,327,819	$ 445,786,356	(90,458,537)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			207,386,373
Internal costs on capital projects			12,596,565
Interest expense capitalized			11,159,878
Depreciation and amortization expense			(75,343,916)
Expenses that will be expended in future years			1,214,900
Contributions from governmental agencies			(72,171,724)
State loan proceeds			(10,787,413)
Bond and contract payable principal expenditures			31,752,851
Difference between property sale proceeds and loss on sales			(7,398,045)
Change in deferred revenues and certain rents, notes, and contracts receivable			1,562,081
Amortization of bond issuance costs			(1,748,609)
Expensed capital outlay expenditures			(4,138,585)
Other			968,558
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 4,594,377

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess Revenues (Expenditures)
	Revenues	Expenditures	
Funds:			
Airport Revenue Fund	$ 167,579,789	$ 70,670,328	$ 96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 251,183,107	$ 311,474,988	(60,291,881)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			179,041,894
Internal costs on capital projects			1,518,149
Interest expense capitalized			10,982,905
Depreciation and amortization expense			(55,334,095)
Expenses that will be expended in future years			(26,000)
Contributions from governmental agencies			(56,444,463)
Bond principal expenditures			29,603,041
Difference between property sale proceeds and loss on sales			(80,886)
Change in deferred revenues and certain rents, notes, and contracts receivable			430,629
Amortization of bond issuance costs			(1,692,490)
Expensed capital outlay expenditures			(2,508,215)
Intra-Port services received, provided, and overhead			(16,968,529)
Other			(1,232,542)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 26,997,517

* The Airport budgets all funds on the accrual basis of accounting.

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenues:			
Administration	$ 287,000	$ 251,610	$ (35,390)
Marine and Industrial Development	51,289,727	48,095,137	(3,194,590)
Navigation	14,192,728	12,826,917	(1,365,811)
General Aviation	3,172,982	3,125,184	(47,798)
	68,942,437	64,298,848	(4,643,589)
Tax and tax items:			
Current property tax levy - net	8,881,844	9,036,318	154,474
Interest on taxes		35,068	35,068
	8,881,844	9,071,386	189,542
Interest	2,672,000	3,583,058	911,058
State loan proceeds		10,787,413	10,787,413
Fixed asset sales and other		149,997	149,997
Total revenues	80,496,281	87,890,702	7,394,421
TRANSFERS FROM OTHER FUNDS:			
Bond Construction Fund	5,798,628	3,194,575	(2,604,053)
Airport Construction Fund	7,419,889	7,883,841	463,952
Airport Revenue Fund	19,790,707	20,739,929	949,222
Total transfers	33,009,224	31,818,345	(1,190,879)
Total revenues and transfers	113,505,505	119,709,047	6,203,542
BEGINNING WORKING CAPITAL	138,520,795	136,677,167	(1,843,628)
Total resources	$ 252,026,300	$ 256,386,214	$ 4,359,914

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

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Administration	$ 36,883,580	$ 300,000	$ 37,183,580	$ 33,703,721	$ 3,479,859
Marine and Industrial Development	51,444,326		51,444,326	45,622,350	5,821,976
Navigation	11,359,654	500,000	11,859,654	10,288,503	1,571,151
General Aviation	1,860,662	600,000	2,460,662	2,454,416	6,246
Long-term debt payments	7,224,980		7,224,980	6,857,017	367,963
System development charges/other	5,000	3,500,000	3,505,000	3,500,000	5,000
Other environmental	1,511,054	4,100,000	5,611,054	3,540,882	2,070,172
Contingencies	130,168,436	(9,000,000)	121,168,436		121,168,436
Total expenditures	240,457,692		240,457,692	105,966,889	134,490,803
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	10,985,000		10,985,000		10,985,000
Airport Revenue Fund	583,608		583,608	468,863	114,745
Total transfers	11,568,608		11,568,608	468,863	11,099,745
Total expenditures and transfers	$ 252,026,300	$	$ 252,026,300	106,435,752	$ 145,590,548
ENDING WORKING CAPITAL				149,950,462	
Reclass of cash from restricted to current				(4,604)	
ENDING WORKING CAPITAL PER BALANCE SHEET				$ 149,945,858	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 201,000	$ 526,749	$ 325,749
Grants and other	32,025,745	15,727,261	(16,298,484)
Total revenues	32,226,745	16,254,010	(15,972,735)
TRANSFERS FROM OTHER FUNDS:			
General Fund	10,985,000		(10,985,000)
Airport Revenue Fund	5,324,200	3,740,027	(1,584,173)
Total transfers	16,309,200	3,740,027	(12,569,173)
BEGINNING WORKING CAPITAL	10,000,000	30,883,874	20,883,874
Total resources	$ 58,535,945	50,877,911	$ (7,658,034)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 42,640,117	28,344,479	$ 14,295,638
Contingencies	10,000,000		10,000,000
Total expenditures	52,640,117	28,344,479	24,295,638
TRANSFERS TO OTHER FUNDS:			
General Fund	5,798,628	3,194,575	2,604,053
Airport Revenue Fund	97,200	38,495	58,705
Total transfers	5,895,828	3,233,070	2,662,758
Total expenditures and transfers	$ 58,535,945	31,577,549	$ 26,958,396
ENDING WORKING CAPITAL		$ 19,300,362	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenue - Portland International Airport	$ 170,759,369	$ 165,860,870	$ (4,898,499)
Interest	1,183,000	1,227,024	44,024
Fixed asset sales and other	465,000	491,895	26,895
Total revenues	172,407,369	167,579,789	(4,827,580)
TRANSFERS FROM OTHER FUNDS:			
General Fund	583,608	468,863	(114,745)
Bond Construction Fund	97,200	38,495	(58,705)
Airport Construction Fund	1,350,550	1,479,653	129,103
Total transfers	2,031,358	1,987,011	(44,347)
Total revenues and transfers	174,438,727	169,566,800	(4,871,927)
BEGINNING WORKING CAPITAL	20,000,000	20,287,015	287,015
Total resources	$ 194,438,727	189,853,815	$ (4,584,912)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Operating expenditures	$ 72,280,572	70,670,328	$ 1,610,244
System development charges/other	5,000		5,000
Contingencies	20,000,000		20,000,000
Total expenditures	92,285,572	70,670,328	21,615,244
TRANSFERS TO OTHER FUNDS:			
General Fund	19,790,709	20,739,929	(949,220)
Bond Construction Fund	5,324,200	3,740,027	1,584,173
Airport Construction Fund	29,134,668	24,124,806	5,009,862
Airport Revenue Bond Fund	47,903,578	48,407,995	(504,417)
Total transfers	102,153,155	97,012,757	5,140,398
Total expenditures and transfers	$ 194,438,727	167,683,085	$ 26,755,642
ENDING WORKING CAPITAL		$ 22,170,730	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 190,000	$ 59,795	$ (130,205)
Bond sale proceeds			
Total revenues	190,000	59,795	(130,205)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	47,903,578	48,407,995	504,417
Airport Construction Fund	2,078,000		(2,078,000)
Total transfers	49,981,578	48,407,995	(1,573,583)
Total revenues and transfers	50,171,578	48,467,790	(1,703,788)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	16,867,490	17,665,428	797,938
Total resources	$ 67,039,068	66,133,218	$ (905,850)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 50,171,578	49,832,875	$ 338,703
Total expenditures	50,171,578	49,832,875	$ 338,703
UNAPPROPRIATED BALANCE	16,867,490		
	$ 67,039,068		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 16,300,343	

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

	Resources				Over (Under)
	Original	Transfers In (Out)	Budget	Actual	Budget
REVENUES:					
Grants	$ 58,172,145		$ 58,172,145	$ 56,444,463	$ (1,727,682)
Interest and other	3,851,000		3,851,000	936,914	(2,914,086)
Total revenues	62,023,145		62,023,145	57,381,377	(4,641,768)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	29,134,669		29,134,669	24,124,806	(5,009,863)
PFC Fund	44,735,643		44,735,643	42,552,792	(2,182,851)
Total transfers	73,870,312		73,870,312	66,677,598	(7,192,714)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	73,536,896		73,536,896	101,464,895	27,927,999
Total resources	$ 209,430,353		$ 209,430,353	225,523,870	$ 16,093,517

	Appropriations				(Over) Under
	Original	Transfers In (Out)	Budget	Actual	Budget
EXPENDITURES:					
Capital outlay	$ 181,465,706	$ 15,000,000	$ 196,465,706	179,041,894	$ 17,423,812
Contingencies	17,116,208	(15,000,000)	2,116,208		2,116,208
Total expenditures	198,581,914		198,581,914	179,041,894	19,540,020
TRANSFERS TO OTHER FUNDS:					
General Fund	7,419,889		7,419,889	7,883,841	(463,952)
Airport Revenue Fund	1,350,550		1,350,550	1,479,653	(129,103)
Airport Revenue Bond Fund	2,078,000		2,078,000		
PFC Fund				1,566,727	(1,566,727)
Total transfers	10,848,439		10,848,439	10,930,221	(2,159,782)
Total expenditures and transfers	$ 209,430,353	$	$ 209,430,353	189,972,115	$ 17,380,238
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 35,551,755	

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

	Resources				Over (Under)
	Original	Transfers In (Out)	Budget	Actual	Budget
REVENUES:					
Interest and other	$ 260,000		$ 260,000	$ 431,930	$ 171,930
Passenger facility charges	26,299,000		26,299,000	25,696,717	(602,283)
Total revenues	26,559,000		26,559,000	26,128,647	(430,353)
TRANSFERS FROM OTHER FUNDS:					
Airport Construction Fund				1,566,727	1,566,727
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	32,006,505		32,006,505	34,687,803	2,681,298
Total resources	$ 58,565,505		$ 58,565,505	62,383,177	$ 3,817,672

	Appropriations				(Over) Under
	Original	Transfers In (Out)	Budget	Actual	Budget
EXPENDITURES:					
Other		$ 950,000	$ 950,000	1,260,936	$ (310,936)
Contingencies	$ 3,476,287	(950,000)	2,526,287		2,526,287
Total expenditures	3,476,287		3,476,287	1,260,936	2,526,287
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	10,353,575		10,353,575	10,495,231	(141,656)
Airport Construction Fund	44,735,643		44,735,643	42,552,792	2,182,851
Total transfers	55,089,218		55,089,218	53,048,023	2,041,195
Total expenditures and transfers	$ 58,565,505	$	$ 58,565,505	54,308,959	$ 4,567,482
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 8,074,218	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 416,000	$ 33,499	$ (382,501)
Total revenues	416,000	33,499	(382,501)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	10,353,575	10,495,231	141,656
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	10,770,975	10,914,263	143,288
Total resources	$ 21,540,550	21,442,993	$ (97,557)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 10,769,575	10,668,955	$ 100,620
Total expenditures	10,769,575	10,668,955	$ 100,620
UNAPPROPRIATED BALANCE	10,770,975		
	$ 21,540,550		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 10,774,038	

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

		Marine & Other			Airport					
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund
Current assets:										
Cash and cash equivalents	$ 38,789,976	$ 38,726,536	$ 38,726,536		$ 63,440	$ 63,440				
Equity in pooled investments	168,653,904	144,312,733	125,921,461	$ 18,391,272	24,341,171	24,341,171				
Receivables, net of allowance for doubtful accounts	20,298,557	12,360,081	8,792,548	3,567,533	7,938,476	7,938,476				
Prepaid insurance and other assets	4,211,776	1,677,282	1,491,004	186,278	2,534,494	2,534,494				
Total current assets	231,954,213	197,076,632	174,931,549	22,145,083	34,877,581	34,877,581				
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	134,533,139	8,285,238	8,285,238		126,247,901	9,786,487	$ 50,565,318	$ 43,330,715	$ 5,246,179	$ 17,319,202
Receivables	12,406,508				12,406,508		17,561	9,010,346	3,372,624	5,977
Total restricted assets	146,939,647	8,285,238	8,285,238		138,654,409	9,786,487	50,582,879	52,341,061	8,618,803	17,325,179
Land held for sale	16,634,231	16,634,231	16,634,231							
Depreciable properties, net of accumulated depreciation	1,034,713,113	166,504,007	166,504,007		868,209,106	868,209,106				
Nondepreciable properties	426,348,867	137,088,199	67,209,876	69,878,323	289,260,668	68,107,135		221,153,533		
Unamortized bond issue costs	21,811,656	839,512	839,512		20,972,144	17,205,318			3,766,826	
Pension assets	75,337,342	37,296,623	37,296,623		38,040,719	38,040,719				
Due from other funds		34,951,998 *	34,951,998 *							
Deferred outflow and other noncurrent assets	30,236,958	782,958	782,958		29,454,000		20,056,000		9,398,000	
Total noncurrent assets	1,752,021,814	402,382,766	332,504,443	69,878,323	1,384,591,046	1,001,348,765	70,638,879	273,494,594	21,783,629	17,325,179
Total assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 1,637,711	$ 1,637,711	$ 1,637,711							
Accounts payable	16,870,697	9,706,385	6,861,664	$ 2,844,721	$ 7,164,312	$ 7,164,312				
Book cash overdraft										
Accrued wages, vacation and sick leave pay	11,422,495	6,680,519	6,680,519		4,741,976	4,741,976				
Workers' compensation and other accrued liabilities	10,606,360	9,805,797	9,805,797		800,563	800,563				
Total current liabilities (payable from current assets)	40,537,263	27,830,412	24,985,691	2,844,721	12,706,851	12,706,851				
Restricted liabilities (payable from restricted assets):										
Long-term debt and other	29,603,041				29,603,041		$ 24,188,456		$ 544,585	$ 4,870,000
Accrued interest payable	11,775,221				11,775,221		10,094,080			1,681,141
Accounts payable	16,692,583	50,000	50,000		16,642,583			$ 16,642,583		
Contract retainage payable	146,723				146,723			146,723		
Total restricted current liabilities (payable from restricted assets)	58,217,568	50,000	50,000		58,167,568		34,282,536	16,789,306	544,585	6,551,141
Noncurrent liabilities:										
Long-term environmental and other accruals	88,360,644	56,739,645	56,739,645		31,620,999	2,166,999	20,056,000		9,398,000	
Long-term debt	679,983,003	94,263,003	94,263,003		585,720,000	481,075,000			104,645,000	
Deferred revenue and other	73,376,946	30,117,573	30,117,573		43,259,373	32,176,292	5,797,848		5,285,233	
Due to other funds					34,951,998 *	34,951,998 *				
Total noncurrent liabilities	899,938,161	181,170,221	181,170,221		753,719,938	550,370,289	60,136,384	16,789,306	119,872,818	6,551,141
Total liabilities	940,475,424	209,000,633	206,155,912	2,844,721	766,426,789	563,077,140	60,136,384	16,789,306	119,872,818	6,551,141
NET ASSETS										
Invested in capital assets, net of related debt	861,819,242	320,627,129	250,748,806	69,878,323	541,192,113	449,106,754	(23,320,000)	221,153,533	(100,878,174)	(4,870,000)
Restricted for capital and debt service	96,992,511	8,235,238	8,235,238		88,757,273	950,000	33,822,495	35,551,755	2,788,985	15,644,038
Unrestricted	84,688,850	61,596,398	42,296,036	19,300,362	23,092,452	23,092,452				
Total net assets	1,043,500,603	390,458,765	301,280,080	89,178,685	653,041,838	473,149,206	10,502,495	256,705,288	(98,089,189)	10,774,038
Total liabilities and net assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2010

Operating revenues:		
Airline revenues	$	84,997,225
Concessions and other rentals		79,674,270
Other		1,620,005
		166,291,500
Interest income - revenue fund and revenue bond fund		882,957
		167,174,457
Costs of operation and maintenance, excluding depreciation:		
Salaries, wages and fringe benefits		33,036,543
Contract, professional and consulting services		25,193,273
Materials and supplies		3,013,713
Utilities		5,980,700
Equipment rents, repair and fuel		967,508
Insurance		1,346,533
Rent		(676,610)
Travel and management expense		728,269
Allocation of general and administration expense of the Port of Portland		16,968,529
Other		1,495,457
		88,053,915
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$	79,120,542

* Presented in accordance with provisions of Ordinance Nos. 155 and 323 (ordinances authorizing issuance of Airport revenue bonds), which are different from generally accepted accounting principles.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
DEBT SERVICE COVERAGE REQUIREMENTS
for the year ended June 30, 2010

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the debt service requirement, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		$ 79,120,542
Debt service requirement:		
Interest and principal amount	$ 46,886,419	
	x 130%	
Total net revenues required		60,952,345
Excess of net revenues over 130% of debt service requirement		$ 18,168,197

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2010

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

NOTE: This schedule is provided in compliance with Section 8d. of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
REVENUE BOND DEBT SERVICE REQUIREMENT
for the year ended June 30, 2010

Net revenues, per accompanying schedule of net revenues	$	79,120,542	
Less revenue bond fund interest income		(59,795)	
Applied to General Account, available to be applied to debt service of bonds	$	79,060,747	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	46,886,419	(2)
Ratio (1)/(2)		1.69	
Required ratio		1.30	

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
For the year ended June 30, 2010

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2009	$ 143,288	$ 10,770,975	$ 34,687,803
PFC revenues:			
PFC bond account	10,495,231		
Capital account			15,201,486
Interest earnings		33,499	430,353
Transfer from reserve account to bond account	33,499	(33,499)	
Bond payments to trustee	(10,668,955)		
Variable rate bond and interest rate swap costs			(1,228,462)
Costs of approved PFC projects			(40,986,065)
Other, net			(30,897)
Balances at June 30, 2010	$ 3,063	$ 10,770,975	$ 8,074,218

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

for the year ended June 30, 2010

Fiscal Year	Property Taxes Receivable June 30, 2009	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2010	Interest Collected
2009-10		$ 9,312,811	$ (8,757,768)	$ (228,688)	$ (26,286)	$ 300,069	$ 3,843
2008-09	$ 322,613		(184,643)		(12,816)	125,154	9,428
2007-08	97,052		(42,678)		(4,507)	49,867	5,839
2006-07	37,465		(18,584)		(2,306)	16,575	4,152
2005-06	12,593		(8,687)		(817)	3,089	2,152
2004-05 and prior	14,354		(1,728)		(1,073)	11,553	(111)
	$ 484,077	$ 9,312,811	$ (9,014,088)	$ (228,688)	$ (47,805)	$ 506,307	$ 25,303

Reconciliation to income from property taxes:

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

THE PORT OF PORTLAND

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

	Maturity Date	Outstanding at June 30, 2009	2009-2010 Transactions			Outstanding June 30, 2010	
			Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 8,945,647		$ 654,182	$ 654,182	$ 8,291,465	$ 705,744
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	19,845,000		240,000	240,000	19,605,000	300,000
		72,315,647		894,182	894,182	71,421,465	1,005,744
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 12A, 4.00% to 5.25%	07/01/28	19,785,000		1,910,000	1,910,000	17,875,000	1,990,000
Series 12B, 4.00% to 5.25%	07/01/18	10,450,000		1,490,000	1,490,000	8,960,000	1,555,000
Series 12C, 4.00% to 5.25%	07/01/28	111,835,000		4,190,000	4,190,000	107,645,000	4,375,000
Series 15A, 4.00% to 5.00%	07/01/15	10,475,000		1,505,000	1,505,000	8,970,000	1,565,000
Series 15B, 4.50% to 5.375%	07/01/18	35,565,000		3,465,000	3,465,000	32,100,000	3,645,000
Series 15D, 4.50% to 5.50%	07/01/23	66,225,000		2,995,000	2,995,000	63,230,000	3,140,000
Series 18A, 0.22% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 18B, 0.21% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 19, 4.00% to 5.50%	07/01/38	131,965,000				131,965,000	1,480,000
Total Portland Int'l Airport Revenue Bonds		525,190,000		20,795,000	20,795,000	504,395,000	23,320,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	56,065,000		4,535,000	4,535,000	51,530,000	4,785,000
Series 2009A1, 0.30% *	07/01/24	29,000,000				29,000,000	45,000
Series 2009A2, 0.27% *	07/01/24	28,985,000				28,985,000	40,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		114,050,000		4,535,000	4,535,000	109,515,000	4,870,000
Total Port Bonds		$ 711,555,647		$ 26,224,182	$ 26,224,182	$ 685,331,465	$ 29,195,744
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 8,063,159		$ 409,635	$ 409,635	$ 7,653,524	$ 431,967
Oregon Department of Transportation, MMTF-0001, 0%	03/31/13		$ 574,820			574,820	200,000
Oregon Business Development Dept., B08005, 1.67%	09/23/12		8,116,653			8,116,653	
Oregon Business Development Dept., 040-188, 5.13%	07/15/30		1,477,874			1,477,874	
Oregon Business Development Dept., 040-189, 5.13%	07/15/32		618,066			618,066	
Total Contracts & Loans Payable		$ 8,063,159	$ 10,787,413	$ 409,635	$ 409,635	$ 18,440,937	$ 631,967
TOTAL PORT LONG-TERM DEBT		$ 719,618,806	$ 10,787,413	$ 26,633,817	$ 26,633,817	$ 703,772,402	$ 29,827,711

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

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

		2009 - 10 Transactions				
	Outstanding at June 30, 2009	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2010	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 14,784,354		$ 460,818		$ 14,323,536	$ 594,256
Series 2002B, 6.60% to 6.85%	46,812,328		2,965,950		43,846,378	2,965,950
Series 2005, 4.00% to 5.50%	12,665,038		981,318		11,683,720	970,669
	74,261,720		4,408,086		69,853,634	4,530,875
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 12A, 4.00% to 5.25%	6,393,009		956,303		5,436,706	863,000
Series 12B, 4.00% to 5.25%	1,809,972		496,835		1,313,137	423,981
Series 12C, 4.00% to 5.25%	60,557,900		5,468,750		55,089,150	5,270,568
Series 15A, 4.00% to 5.00%	1,678,934		467,803		1,211,131	403,506
Series 15B, 4.50% to 5.375%	8,945,651		1,782,009		7,163,642	1,590,928
Series 15D, 4.50% to 5.50%	28,986,055		3,391,419		25,594,636	3,230,375
Series 18A, 0.22% *	2,158,716		179,376	$ 769,450	1,209,890	140,888
Series 18B, 0.21% *	1,850,460		178,849	516,617	1,154,994	134,484
Series 19, 4.00% to 5.50%	135,261,403		7,843,559		127,417,844	6,883,788
Total Portland Int'l Airport Revenue Bonds	247,642,100		20,764,903	1,286,067	225,591,130	18,941,518
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	16,340,750		3,004,262		13,336,488	2,741,981
Series 2009A1, 0.30% *	1,319,828		70,061	259,774	989,993	86,865
Series 2009A2, 0.27% *	1,319,315		65,609	364,628	889,077	78,152
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	18,979,893		3,139,932	624,402	15,215,558	2,906,998
Total Port Bonds	$ 340,883,713		$ 28,312,922	$ 1,910,469	$ 310,660,322	$ 26,379,391
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 3,318,663		$ 419,068		$ 2,899,595	$ 396,736
Oregon Business Development Dept. B08005, 1.67%		$ 409,493			409,493	
Oregon Business Development Dept. 040-188, 5.13%		1,045,877	34,665		1,011,212	74,922
Oregon Business Development Dept. 040-189, 5.13%		458,243			458,243	20,081
Total Contracts & Loans Payable	$ 3,318,663	$ 1,913,613	$ 453,733		$ 4,778,543	$ 491,739
TOTAL PORT LONG-TERM DEBT	$ 344,202,376	$ 1,913,613	$ 28,766,655	$ 1,910,469	$ 315,438,865	$ 26,871,130

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 8,291,465	$ 705,744	$ 751,148	$ 792,268	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	832,780	
2.00% to 7.41%	-Interest		14,323,536	594,256	743,852	907,732	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220	
Series 2002B	-Principal	03/28/02	43,525,000										265,000	$ 43,260,000
6.60% to 6.85%	-Interest		43,846,378	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	14,186,878
Series 2005	-Principal	09/23/05	19,605,000	300,000	360,000	435,000	510,000	590,000	680,000	775,000	875,000	985,000	1,100,000	12,995,000
4.00% to 5.50%	-Interest		11,683,720	970,669	957,121	937,321	917,254	893,463	864,795	831,753	794,096	751,580	703,719	3,061,949
Total	-Principal		$ 71,421,465	$ 1,005,744	$ 1,111,148	$ 1,227,268	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 56,255,000
Total	-Interest		$ 69,853,634	$ 4,530,875	$ 4,666,923	$ 4,811,003	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 17,248,827
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 12A	-Principal	12/01/98	$ 17,875,000	$ 1,990,000	$ 2,090,000	$ 2,200,000	$ 2,315,000	$ 1,010,000	$ 1,060,000	$ 1,115,000	$ 1,165,000	$ 1,225,000	$ 295,000	$ 3,410,000
4.00% to 5.25%	-Interest		5,436,706	863,000	755,900	643,287	524,769	438,750	387,000	332,625	275,625	215,875	177,875	822,000
Series 12B	-Principal	12/01/98	8,960,000	1,555,000	1,640,000	1,720,000	1,805,000	1,480,000	330,000	135,000	145,000	150,000		
4.00% to 5.25%	-Interest		1,313,137	423,981	340,113	251,912	159,381	75,000	29,750	18,125	11,125	3,750		
Series 12C	-Principal	12/01/98	107,645,000	4,375,000	4,585,000	4,800,000	5,035,000	5,055,000	5,310,000	5,580,000	5,850,000	6,165,000	4,845,000	56,045,000
4.00% to 5.25%	-Interest		55,089,150	5,270,568	5,057,769	4,828,875	4,583,000	4,330,750	4,071,625	3,799,375	3,506,313	3,198,625	2,923,375	13,518,875
Series 15A	-Principal	04/03/01	8,970,000	1,565,000	1,630,000	1,720,000	1,800,000	1,890,000	365,000					
4.00% to 5.00%	-Interest		1,211,131	403,506	329,500	245,750	157,750	65,500	9,125					
Series 15B	-Principal	04/03/01	32,100,000	3,645,000	3,845,000	4,050,000	4,270,000	3,635,000	2,925,000	3,090,000	3,240,000	3,400,000		
4.50% to 5.375%	-Interest		7,163,642	1,590,928	1,389,634	1,177,456	953,856	741,409	565,109	409,250	251,000	85,000		
Series 15D	-Principal	04/03/01	63,230,000	3,140,000	3,335,000	3,475,000	3,665,000	3,865,000	4,110,000	4,305,000	4,550,000	4,790,000	5,080,000	22,915,000
4.50% to 5.50%	-Interest		25,594,636	3,230,375	3,060,406	2,881,644	2,689,638	2,482,563	2,263,249	2,031,837	1,788,325	1,531,475	1,272,750	2,362,374
Series 18A	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,045,000	3,985,000	4,855,000	5,080,000	4,435,000	4,510,000	4,705,000	27,615,000
0.22% **	-Interest		1,209,890	140,888	134,508	128,106	121,407	112,640	101,959	90,783	81,026	71,104	60,753	166,716
Series 18B	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	4,705,000	27,615,000
0.21% **	-Interest		1,154,994	134,484	128,394	122,283	115,899	107,531	97,335	86,657	77,354	67,872	57,992	159,193
Series 19	-Principal	11/13/08	131,965,000	1,480,000	1,840,000	2,350,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	3,245,000	106,455,000
4.00% to 5.50%	-Interest		127,417,844	6,883,788	6,800,788	6,696,038	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	5,772,475	63,634,585
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 504,395,000	$ 23,320,000	$ 24,765,000	$ 26,135,000	$ 27,440,000	$ 27,490,000	$ 26,505,000	$ 27,200,000	$ 26,760,000	$ 27,850,000	$ 22,875,000	$ 244,055,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 225,591,130	$ 18,941,518	$ 17,997,012	$ 16,975,351	$ 15,881,363	$ 14,816,481	$ 13,878,521	$ 12,994,502	$ 12,072,743	$ 11,104,676	$ 10,265,220	$ 80,663,743
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 1999B	-Principal	09/01/99	$ 51,530,000	$ 4,785,000	$ 5,060,000	$ 5,350,000	$ 5,655,000	$ 5,970,000	$ 6,295,000	$ 6,660,000	$ 7,015,000	$ 4,740,000		
5.00% to 5.75%	-Interest		13,336,488	2,741,981	2,458,938	2,159,650	1,850,325	1,530,637	1,185,481	825,513	453,613	130,350		
Series 2009A1	-Principal	06/24/09	29,000,000	45,000	45,000	45,000	45,000	50,000	50,000	55,000	60,000	1,395,000	$ 3,980,000	$ 23,230,000
0.30% **	-Interest		989,993	86,865	86,730	86,595	86,460	86,310	86,160	85,995	85,815	81,630	69,690	147,743
Series 2009A2	-Principal	06/24/09	28,985,000	40,000	40,000	45,000	50,000	50,000	55,000	55,000	60,000	1,395,000	3,975,000	23,220,000
0.27% **	-Interest		889,077	78,152	78,044	77,922	77,787	77,652	77,504	77,355	77,193	73,427	62,694	131,347
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 109,515,000	$ 4,870,000	$ 5,145,000	$ 5,440,000	$ 5,750,000	$ 6,070,000	$ 6,400,000	$ 6,770,000	$ 7,135,000	$ 7,530,000	$ 7,955,000	$ 46,450,000
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 15,215,558	$ 2,906,998	$ 2,623,712	$ 2,324,167	$ 2,014,572	$ 1,694,599	$ 1,349,145	$ 988,863	$ 616,621	$ 285,407	$ 132,384	$ 279,090
Total Port Bonds	-Principal		$ 685,331,465	$ 29,195,744	$ 31,021,148	$ 32,802,268	$ 34,528,640	$ 34,996,100	$ 34,446,806	$ 35,622,546	$ 35,663,815	$ 37,266,618	$ 33,027,780	$ 346,760,000
Total Port Bonds	-Interest		$ 310,660,322	$ 26,379,391	$ 25,287,647	$ 24,110,521	$ 22,865,499	$ 21,659,393	$ 20,561,605	$ 19,508,522	$ 18,410,595	$ 17,325,996	$ 16,359,493	$ 98,191,660

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
CONTRACTS PAYABLE:														
City of Portland LID	-Principal	04/01/03	$ 7,653,524	$ 431,967	$ 455,516	$ 480,349	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 696,515	$ 2,104,374
5.32%	-Interest		2,899,595	396,736	373,186	348,353	322,166	294,552	265,432	234,724	202,342	168,195	132,187	161,722
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	574,820	200,000	200,000	174,820								
Oregon Business Development Dept. B08005	-Principal	03/23/09	8,116,653			8,116,653								
1.67%	-Interest		409,493			409,493								
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,477,874		4,125	45,452	47,813	50,296	52,909	55,656	58,548	61,589	64,787	1,036,699
5.13%	-Interest		1,011,212	74,922	56,229	75,256	72,895	70,412	67,800	65,051	62,161	59,120	55,921	351,445
Oregon Business Development Dept. 040-189	-Principal	09/10/09	618,066			100	19,059	20,049	21,090	22,185	23,338	24,550	25,825	461,870
5.13%	-Interest		458,243	20,081	31,707	37,432	31,557	30,566	29,524	28,429	27,277	26,065	24,789	170,816
Total	-Principal		$ 18,440,937	$ 631,967	$ 659,641	$ 8,817,374	$ 573,408	$ 604,496	$ 637,270	$ 671,819	$ 708,246	$ 746,646	$ 787,127	$ 3,602,943
Total	-Interest		$ 4,778,543	$ 491,739	$ 461,122	$ 870,534	$ 426,618	$ 395,530	$ 362,756	$ 328,204	$ 291,780	$ 253,380	$ 212,897	$ 683,983
TOTAL PORT LONG-TERM DEBT	-Principal		$ 703,772,402	$ 29,827,711	$ 31,680,789	$ 41,619,642	$ 35,102,048	$ 35,600,596	$ 35,084,076	$ 36,294,365	$ 36,372,061	$ 38,013,264	$ 33,814,907	$ 350,362,943
TOTAL PORT LONG-TERM DEBT	-Interest		$ 315,438,865	$ 26,871,130	$ 25,748,769	$ 24,981,055	$ 23,292,117	$ 22,054,923	$ 20,924,361	$ 19,836,726	$ 18,702,375	$ 17,579,376	$ 16,572,390	$ 98,875,643

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

INDUSTRIAL DEVELOPMENT REVENUE BONDS:

Public Grain Elevator Revenue Bonds:														
Columbia Grain, Inc. Project:	-Principal	12/19/84	$ 38,100,000					$ 38,100,000						
1984 Series, 0.57% *	-Interest		$ 977,265	$ 217,170	$ 217,170	$ 217,170	$ 217,170	$ 108,585						
Other Industrial Development Revenue Bonds:														
Delta Airlines Project:	-Principal	08/01/92	$ 8,038,000											$ 8,038,000
1992 Series, 6.20%	-Interest		6,229,450	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	1,245,890
Horizon Air Project:	-Principal	08/07/97	17,300,000											17,300,000
1997 Series, 0.30% *	-Interest		877,975	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	358,975
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000											71,000,000
2006 Series, 0.31% *	-Interest		5,717,325	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	3,492,725
Total Other	-Principal		$ 96,338,000											$ 96,338,000
Total Other	-Interest		$ 12,824,750	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 134,438,000					$ 38,100,000						$ 96,338,000
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 13,802,015	$ 989,886	$ 989,886	$ 989,886	$ 989,886	$ 881,301	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590

* Interest rate at June 30, 2010. Rate is variable, depending on prime.

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

THE PORT OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Award Period	Federal CFDA Number/Contract #	Current Expenditures
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program (M):			
AIP-3-41-0025-20	07/14/08 - 06/30/10	20.106	$ 2,202
AIP-3-41-0025-21	06/08/09 - 06/30/10	20.106	2,227,236
AIP 3-41-0061-14	09/16/08 - 06/30/10	20.106	2,022,438
AIP-3-41-0048-53	07/10/06 - 06/30/10	20.106	122,174
AIP-3-41-0048-55	09/07/06 - 06/30/10	20.106	500
AIP-3-41-0048-57	05/06/08 - 06/30/10	20.106	130,310
AIP-3-41-0048-58	08/06/08 - 06/30/10	20.106	841,908
AIP-3-41-0048-59	02/12/09 - 06/30/10	20.106	1,237,217
ARRA - AIP-3-41-0048-60	03/01/09 - 06/30/10	20.106	5,603,883
AIP-3-41-0048-61	09/02/09 - 06/30/10	20.106	19,916,681
Maritime Administration			
American Recovery and Reinvestment Act of 2009 (M)	06/17/09 - 06/30/10	20.205	1,102,244
Federal Rail Administration			
Railroad Development	08/05/07 - 06/30/10	20.314	3,459,684
			36,666,477
U.S. Department of Homeland Security:			
Federal Emergency Management Agency			
Oregon Emergency Management Disaster Assistance	12/13/08 - 06/30/10	97.036	42,877
Office of Grants & Training			
FY2007 IPP - Port Security Grant Program	08/09/07 - 06/30/10	97.056	86,605
Office of Domestic Preparedness			
Urban Area Security Initiative FY07	07/01/07 - 06/30/10	97.067	78,475
Urban Area Security Initiative FY08	07/01/08 - 06/30/10	97.067	24,240
Transportation Security Administration			
National Explosives Detection Canine Team Program	10/01/04 - 06/30/10	97.072	220,531
Law Enforcement Officer Reimbursement Program	10/01/07 - 06/30/10	97.090	196,913
Airport Checked Baggage Screening Program	10/07/07 - 06/30/10	97.100	25,800,793
Advanced Surveillance Program	09/13/06 - 06/30/10	97.118	256,511
			26,706,945
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/09-06/30/10	39.003	26,710
U.S. Army Corps of Engineers:			
Direct:			
ARRA - Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	2,039,011
Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	10,783,915
			12,822,926
Total Expenditures of Federal Awards			$ 76,223,058

(M) Major federal programs as defined by OMB Circular A-133

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

October 28, 2010

To the Board of Commissioners of the
Port of Portland

We have audited the financial statements of the Airport and Marine & Other activities of the Port of Portland (the "Port"), as of and for the year ended June 30, 2010, which collectively comprise the Port's basic financial statements and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the Port's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be control deficiencies, significant deficiencies or material weaknesses. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over financial reporting and its operation that we consider to be control deficiencies, significant deficiencies or material weaknesses.

Accounting Records
We found the Port's accounting records to be adequate for audit purposes.

Adequacy of Collateral Securing Depository Balances
Oregon Revised Statutes ("ORS") Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 10%, 25%, or 110%, depending on the depository, of the greater of (a) all public funds held by the depository or (b) the average of the balances of public funds held by the depository, as shown on the last four immediately preceding treasurer reports. During the year ended June 30, 2010, we noted no instances where certificates maintained by depositories were not sufficient to secure the Port's bank deposits to the maximum extent possible under statute.

Investments
Our review of deposit and investment balances indicated that, during the year ended June 30, 2010, the Port was in compliance with ORS Chapter 294 as it pertains to investment of public funds.

Legal Requirements Relating to Debt
The general obligation bonded debt of the Port is in compliance with the limitation imposed by ORS Chapter 778. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

Budget Compliance
A description of the budgeting process is included in the notes to the basic financial statements.

The Port appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2010 and the preparation and adoption of its budget for the year ended June 30, 2010. In the Airport PFC Fund, the Port overexpended one budget appropriation for the year ended June 30, 2010. This overexpenditure of $(310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

Insurance Policies and Fidelity Bonds
We have reviewed the Port's insurance and fidelity bond coverage at June 30, 2010. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the Port-owned property at June 30, 2010.

Public Contracts
The Port's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

Programs Funded from Outside Sources
Our reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, and compliance with requirements applicable to each major program and internal control over compliance and other matters in accordance with OMB A-133 are contained in a separate report dated October 28, 2010.

Financial Reporting Requirements
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

* * * * * *

This report is intended solely for the information of the Board of Commissioners, management, and the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pricewaterhouse Coopers LLP

By: _____
Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

"JLO Fund" means the Junior Lien Obligation Fund.

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

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

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

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

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

"Ordinance No. 323" means Ordinance No. 323, as amended, restated and supplemented.

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

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

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

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

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

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

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

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

"Rating Agency" means each nationally recognized securities rating agency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"SLB Interest Account" means the SLB Interest Account in the SLB Fund.

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

"SLB Reserve Account" means the SLB Reserve Account in the SLB Fund.

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

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

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

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

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

"Swap Obligations" means Scheduled Swap Obligations and Other Swap Obligations.

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

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

"Trustee" means the SLB Trustee.

Limitation on Purposes for with SLBs May Be Issued

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

Parity Reimbursement Agreements

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

SLBs are Special, Limited Obligations of the Port

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

General Covenants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The SLB Fund

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

interest, and premium, if any, due on the SLBs and Scheduled Swap Obligations. As described below, the SLB Ordinance provides for the maintenance as separate accounts within the SLB Fund of, among other accounts, the SLB Interest Account, the SLB Serial Bond Principal Account, the SLB Term Bond Principal Account and the SLB Reserve Account. The Port has reserved the right to combine within the SLB Fund one or more of the SLB Interest Account and the two SLB Principal Accounts. See "Amendment of the Airport Revenue Bond Ordinances—Special Amendments."

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

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

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

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

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

SLB Serial Bond Principal Account. The SLB Trustee shall maintain a separate account in the SLB Fund, to be known as the "SLB Serial Bond Principal Account." On the first business day of each month, so long as any SLBs are Outstanding, the Port shall pay to the SLB Trustee, from moneys in the General Account for deposit in the SLB Serial Bond Principal Account, an amount such that, if the same

amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs maturing serially becomes due and payable, the aggregate of the amounts on deposit in this account will equal the amount of serially maturing principal on such SLBs on such principal payment date.

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

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

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

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

The JLO Fund

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

Bond Ordinances to pay Other Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified Swap or has Junior Lien Obligations outstanding, the Port is required to deposit into the JLO Fund money sufficient to: (i) pay any Other Swap Obligations that are then due; and (ii) to collateralize any Qualified Swap in accordance with its terms. The Port may covenant to make additional deposits into the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations.

The TLO Fund

The Port has created the TLO Fund as a special trust fund to be held by the Port and within the TLO Fund a Qualified Swap Termination Payment Fund. The SLB Ordinance permits the Port to create other funds and accounts within the TLO Fund for the payment of Third Lien Obligations and permits the Port to transfer to a qualified trustee the TLO Fund or any of its accounts and funds. The Port is required to set aside and to pay into the TLO Fund from the first money available in the General Account after required payments to the SLB Fund and the JLO Fund: (1) except as otherwise required in the SLB Ordinance, an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and, (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. The Port has pledged the Net Revenues that are available for deposit into the TLO Fund under the Airport Revenue Bond Ordinances to pay Other TLO Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified TLO Swap (and has not determined to make all payments with respect to a Qualified TLO Swap from the Subordinate Lien Obligations Account established under Ordinance No. 395-B, as amended, for the payment of Subordinate Lien PFC Obligations) or has Third Lien Obligations outstanding, the Port is required to deposit into the TLO Fund money sufficient to: (i) pay any Other TLO Swap Obligations that are then due; and (ii) to collateralize any Qualified TLO Swap in accordance with its terms. The Port may covenant to make additional deposits into the TLO Fund to pay Third Lien Obligations and fund reserves for Third Lien Obligations.

Flow of Funds

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

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

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

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

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

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

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

Amount remaining in the General Account after these credits have been made may be used by the Port for any other lawful use or purpose pertaining to the Airport or the aviation or air transport interests of the Port, including without limitation General Aviation Airports.

The SLB Construction Account

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

Pledge of Revenues

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

1. All Revenues,

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

3. All moneys on deposit, from time to time, in the SLB Fund.

Additional Bonds

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

1. The SLB Trustee certifies that no default exists in the payment of principal of, or interest and premium on any SLBs;

2. The SLB Trustee certifies that, upon the issuance of such series of SLBs, the accounts in the SLB Fund for the SLBs will each contain the amounts required to be on deposit therein;

3. An Assistant Secretary of the Port certifies that, for either the Port's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the SLB Debt Service Requirement on all then Outstanding SLBs for such period;

4. Either:

(a) An Airport Consultant provides a written report setting forth projections which indicate:

(i) the estimated Net Revenues for each of three consecutive Fiscal Years beginning in the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for the payment of which provision has not been made as indicated in the report of

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

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

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

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

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

7. The Port provides a Project Certificate.

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

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

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

Qualified Swaps

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

SLB Ordinance to Constitute Contract

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

Special Facilities, Special Obligation Bonds and Net Rent Leases

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

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

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

3. If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the Net Rent Lease referred to in paragraph 2 above shall provide for payment to the Port of a

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

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

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

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

The SLB Trustee

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

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

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

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

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

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

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

Amendments of the Airport Revenue Bond Ordinances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) To amend the definition of "SLB Debt Service Requirement" so that for purposes of calculating compliance with the Port's rate covenants, the amount of principal and/or interest on SLBs and/or the amount of Scheduled Swap Obligations paid or to be paid from moneys not then included in the definition of "Revenues" or "Net Revenues" shall be disregarded and not included in any calculation of "SLB Debt Service Requirement."

(13) To amend Ordinance No. 323 to provide that for purposes of determining compliance with the provisions of Ordinance No. 323 relating to Additional SLBs, the amount of passenger facility charges, customer facility charges, state and federal grants or other payments and/or other moneys that are not then included in the definition of "Revenues" or "Net Revenues" but that are committed irrevocably to the payment of debt service on SLBs and to the payment of Scheduled Swap Obligations or that are held by the SLB Trustee for the sole purpose of paying debt service on SLBs and paying Scheduled Swap Obligations may be disregarded and not included in the calculation of SLB Debt Service Requirement for the period in which such amounts are irrevocably committed or are held by the SLB Trustee.

(14) To delete certain provisions of Ordinance No. 155 relating to the filing and recording of ordinances and the annual delivery of legal opinions relating thereto.

(15) To clarify that when determining compliance with the Port's covenants, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of swaps or other derivative products, shall be disregarded.

(16) To exclude from the definition of "Revenues" customer facility charges (or any portion thereof) that may be levied by the Port and collected by rental car companies from their customers and to permit the release from the pledge of Net Revenues for one or more years, and to make Net Revenues available (through a specific pledge or otherwise) to pay other obligations, including Special Obligation Bonds, subject in each case to the covenants and other provisions then applicable to or in connection with Outstanding SLBs, Scheduled Swap Obligations and Junior Lien Obligations.

(17) To combine the SLB Serial Bond Principal Account, the SLB Interest Account and the SLB Term Bond Principal Account into one account within the SLB Fund.

(18) To permit all or a portion of the Remaining Balance, as hereinafter defined, to be taken into account as "Revenues" when determining compliance by the Port with its rate covenants. For this purpose, "Remaining Balance" means for any fiscal year the amount of unencumbered funds on deposit

or anticipated to be on deposit on the first day of such fiscal year in the General Account (after all deposits and payments required to be made into the SLB Fund or the JLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year).

(19) To permit the application of proceeds received from the sale of SLBs or of Junior Lien Obligations to make termination payments incurred in connection with terminating swap agreements or other derivative products.

Amendments with Owner Consent. The consent of the Owners of not less than sixty-six and two-thirds per centum (66⅔%) of the principal amount of the SLBs then outstanding is required for any amendment not described in the preceding two sections. However, the consent of each affected Owner is required for any amendment to: (1) change the fixed maturity date for the payment of the principal of any SLB or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any SLB or the rate of interest thereon or any premium payable upon the redemption or payment thereof; or (2) reduce the aforesaid percentage of SLBs, the Owners of which are required to consent to any such amendment, or (3) give to any SLB or SLBs any preference over any other SLB or SLBs secured by the SLB Ordinance; or (4) authorize the creation of any pledge of the Revenues or any lien thereon prior or superior or equal to the pledge and lien created in the SLB Ordinance for the payment and security of the SLBs; or (5) deprive any Owner of the security afforded by the Airport Revenue Bond Ordinances.

Events of Default

Each of the following shall constitute an "Event of Default":

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

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

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

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

5. If an order or decree shall be entered (a) with the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, or (b) without the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or

any of the buildings and facilities thereof, and such order or decree having been entered, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

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

Notice to Owners of Events of Default

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

Remedies Upon Occurrence of Event of Default

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

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

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

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

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

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

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

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

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

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

(i) moneys sufficient to make such payment or

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

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

If any SLBs shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise, and if moneys or Governmental Obligations shall at such due date be held by the SLB Trustee, or a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the amounts due upon presentment of such SLBs on such due date, then interest shall cease to accrue on such SLBs, all liability of the Port for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the SLB Trustee or such Paying Agent, to hold said moneys or Governmental Obligations, without liability to such Owner for interest thereon, in trust for the benefit of the holder of such SLB, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim of whatever nature on his part on or with respect to said SLB, including any claim for the payment thereof.

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

(including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

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

No Personal Liability

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

Limitation of Rights

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

APPENDIX D

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series Twenty-One Bonds. The Series Twenty-One Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series Twenty-One Bond certificate will be issued for each maturity of each subseries of the Series Twenty-One Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series Twenty-One Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Twenty-One Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Twenty-One Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Twenty-One Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Twenty-One Bonds, except in the event that use of the book-entry system for the Series Twenty-One Bonds is discontinued.

4. To facilitate subsequent transfers, all Series Twenty-One Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Twenty-One Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Twenty-One Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Series Twenty-One Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series Twenty-One Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Twenty-One Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series Twenty-One Bond documents. For example, Beneficial Owners of Series Twenty-One Bonds may wish to ascertain that the nominee holding the Series Twenty-One Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series Twenty-One Bonds within a maturity of a subseries are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series Twenty-One Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series Twenty-One Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Series Twenty-One Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series Twenty-One Bonds at any time by giving reasonable notice to the Port or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series Twenty-One Bond certificates are required to be printed and delivered.

10. The Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series Twenty-One Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Port believes to be reliable, but the Port takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$5,490,000
THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS,
SUBSERIES TWENTY-ONE A (NON-AMT)

$51,280,000
THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS,
SUBSERIES TWENTY-ONE B (AMT)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by The Port of Portland (the "Port") in connection with the issuance of the Port's Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One A (Non-AMT) and its Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One B (AMT) (collectively, the "Bonds"). The Bonds are authorized pursuant to Ordinance No. 155 enacted November 10, 1971, as amended, Ordinance No. 323 enacted October 9, 1985, as amended, and Ordinance No. 437-B enacted March 9, 2011, as supplemented by the Certificate of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Series Twenty-One Bonds dated April ___, 2011 (collectively, the "Ordinances"). The Port covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriters of the Bonds in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinances, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the final official statement for the Bonds dated March 10, 2011.

"Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports. The Port shall not later than nine (9) months after the end of the Port's fiscal year (which shall be April 1 of each year, so long as the Port's fiscal year ends on June 30), commencing with the report for the fiscal year ending June 30, 2011, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Port may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Port's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number. The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the Annual Report described in Section 4 on or prior to the date set forth in this Section 3.

SECTION 4. Content of Annual Reports. The Port's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Port for the preceding fiscal year, prepared in accordance with the laws of the State of Oregon and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board, or its successor, and generally of the type included in the Official Statement under the heading "Appendix B—Audited Financial Statements." If the Port's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the Port, the Annual Report shall also include the following historical financial information and operating data set forth in the Official Statement under the heading "PORTLAND INTERNATIONAL AIRPORT":

1. Under the caption "—Airlines Serving the Airport";

2. In the table entitled "Airlines Serving the Airport";

3. Information regarding the number of origin and destination passengers at the Airport under the caption "—Historical Traffic and Activity," but only to the extent that information is readily available to the Port;

4. In the column entitled "Total Enplaned Passengers" in the table entitled "Historical Enplaned Passengers";

5. In the table entitled "Enplaned Passengers By Airline";

6. In the table entitled "Historical Total Cargo Tonnage";

7. In the table entitled "Historical Landed Weight";

8. In the table entitled "Historical Financial Performance";

9. Under the caption "—Management's Discussion of Results";

10. In the table entitled "SLB Debt Service Schedule"; and

11. In the table entitled "Historical Debt Service Coverage."

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Port or related public entities, which have been made available to the public on the MSRB's website. The Port shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Port shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the Port.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Port in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Port, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Port.

(b) The Port shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving the Port or the sale of all or substantially all of the assets of the Port, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

SECTION 6. Format for Filings with MSRB. Any notice to or report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Port's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, and notwithstanding the provisions of Section 9 hereof, the Port may rescind its obligations under this Disclosure Certificate, in whole or in part, if (a) it obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require this Disclosure Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) it notifies and provides the MSRB a copy of such opinion and of the cancellation of this Disclosure Certificate.

SECTION 8. Enforceability and Remedies. The Port agrees that this Disclosure Certificate is intended to be for the benefit of Holders or Beneficial Owners of the Bonds and shall be enforceable by or on behalf of any such Holder or Beneficial Owner; provided that, the right of any Holder or Beneficial Owner to challenge the adequacy of the information furnished hereunder shall be limited to an action for specific performance or mandamus. Any such action for specific performance or mandamus may be instituted only in Multnomah County, Oregon District Court or in U.S. District Court for the District of Oregon. Any failure by the Port to comply with the provisions of this undertaking shall not be an Event of Default under the Ordinances. This Disclosure Certificate confers no rights on any person or entity other than the Port and Holders or Beneficial Owners of the Bonds.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Port, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Port shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Choice of Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws, and official interpretations thereof.

SECTION 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Port chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the Port shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port, the Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: April ___, 2011.

THE PORT OF PORTLAND

By _____
Authorized Port Representative

[This page intentionally left blank.]

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

April 5, 2011

The Port of Portland
Portland, Oregon

$5,490,000
The Port of Portland, Oregon
Portland International Airport Refunding Revenue Bonds
Subseries Twenty-One A (Non-AMT)

$51,280,000
The Port of Portland, Oregon
Portland International Airport Refunding Revenue Bonds
Subseries Twenty-One B (AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Port of Portland (the "Port") in connection with issuance of $5,490,000 aggregate principal amount of The Port of Portland, Oregon Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One A (Non-AMT) (the "Twenty-One A Bonds") and of $51,280,000 aggregate principal amount of The Port of Portland, Oregon Portland International Airport Refunding Revenue Bonds, Subseries Twenty-One B (AMT) (the "Twenty-One B Bonds" and together with the Twenty-One A Bonds, the "Bonds"), issued pursuant to the authority of Ordinance No. 437-B enacted on March 9, 2011, as supplemented by the Certificate of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Series Twenty-One Bonds dated April 5, 2011 (collectively, the "Bond Ordinance"). The Bonds are issued in accordance with the provisions of the Port's Ordinance No. 155 enacted on November 10, 1971, as amended, restated and supplemented, and Ordinance No. 323 enacted on October 9, 1985, as amended, restated and supplemented (collectively, the "Prior Ordinances"). The Bond Ordinance and the Prior Ordinances are collectively referred to herein as the "Ordinances." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinances.

In such connection, we have reviewed the Ordinances, the Tax Certificate dated the date hereof, executed and delivered by the Port (the "Tax Certificate"), the opinion of counsel to the Port, certificates of the Port, The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Trustee"), and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Port. We have assumed, without undertaking to verify,

the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinances and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinances and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against port districts in the State of Oregon. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Ordinances or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Port.

2. The Bonds are limited obligations of the Port payable only from the Net Revenues of the Airport (as more particularly defined in the Ordinances, the "Net Revenues").

3. The Bond Ordinance has been duly and legally enacted by the Port, and constitutes the valid and binding obligation of, the Port. The Ordinances create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, all money on deposit, from time to time, in the SLB Construction Account and all money on deposit, from time to time, in the SLB Fund, subject to the provisions of the Ordinances permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. Interest on the Twenty-One A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954 (the "54 Code") and Section 1313(a) of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Twenty-One A Bond for any period that such Twenty-One A Bond is held by a "substantial user" of the facilities refinanced by the Twenty-One A Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 54 Code. Interest on the Twenty-One B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Twenty-One B Bond for any period that such Twenty-One B Bond is held by a "substantial user" of the facilities refinanced by the Twenty-One B Bond or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Twenty-One A Bonds is not, and interest on the Twenty-One B Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Twenty-One A Bonds is, and interest on the Twenty-One B Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of Oregon personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

THE PORT OF PORTLAND, OREGON • PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS, SUBSERIES TWENTY-ONE A (NON-AMT) AND SUBSERIES TWENTY-ONE B (AMT)

MIX
From responsible sources
FSC™ C017146
FSC
www.fsc.org

Printed by: ImageMaster