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

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

PORT OF PORTLAND

$109,440,000
THE PORT OF PORTLAND
(Oregon)
Portland International Airport Refunding Revenue Bonds
Series Twenty-Three
(Non-AMT)

Dated: Date of initial delivery **Due:** July 1, as shown on inside cover

The Port of Portland (the "Port") is issuing its Portland International Airport Refunding Revenue Bonds, Series Twenty-Three (the "Series Twenty-Three Bonds") to refund a portion of the Port's outstanding Series Nineteen Bonds and to pay costs of issuing the Series Twenty-Three Bonds, all as described herein. The Bank of New York Mellon Trust Company, N.A., serves as the trustee, registrar and paying agent for the Series Twenty-Three Bonds and as escrow agent for the Series Nineteen Bonds being refunded.

The Series Twenty-Three Bonds are issuable in denominations of $5,000 and integral multiples thereof within a single maturity. Interest on the Series Twenty-Three Bonds will be payable on each January 1 and July 1 commencing July 1, 2015, at the rates set forth on the inside cover page of this Official Statement.

The Series Twenty-Three Bonds are subject to optional and mandatory redemption prior to their stated maturities as described herein.

When issued, the Series Twenty-Three Bonds 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-Three Bonds. Purchases of beneficial interests in the Series Twenty-Three Bonds will be made only in book-entry form. Purchasers will not receive certificates representing their interests in the Series Twenty-Three Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series Twenty-Three Bonds, payments of principal of and interest on the Series Twenty-Three 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-Three Bonds are payable solely from Net Revenues of the Airport that are available for deposit in the General Account and money held in certain funds and accounts established pursuant to the Airport Revenue Bond Ordinances, all as described herein. The Series Twenty-Three 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-Three 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.

The Series Twenty-Three Bonds are offered when, as and if issued, subject to receipt of the approving opinion of Orrick, Herrington & Sutcliffe LLP, 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, Kutak Rock LLP. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as disclosure counsel to the Port. It is expected that delivery of the Series Twenty-Three Bonds will be made through the facilities of DTC in New York, New York on or about March 31, 2015.

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

March 5, 2015

$109,440,000
THE PORT OF PORTLAND
Portland International Airport Refunding Revenue Bonds
Series Twenty-Three (Non-AMT)

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (735240)
2018	$ 3,065,000	5.00%	1.03%	G56
2019	3,215,000	5.00	1.33	G64
2020	3,380,000	5.00	1.55	G72
2021	3,545,000	5.00	1.72	G80
2022	3,720,000	5.00	1.99	G98
2023	3,910,000	5.00	2.16	H22
2024	4,110,000	5.00	2.30	H30
2025	4,310,000	5.00	2.40	H48
2026	4,525,000	5.00	2.58*	H55
2027	4,750,000	5.00	2.74*	H63
2028	4,990,000	5.00	2.85*	H71
2029	5,240,000	5.00	2.93*	H89
2030	5,505,000	5.00	3.01*	H97
2031	5,780,000	5.00	3.08*	J20
2032	6,065,000	5.00	3.13*	J38
2033	6,370,000	5.00	3.17*	J46
2034	6,685,000	5.00	3.20*	J53
2035	7,025,000	5.00	3.23*	J61

$23,250,000 5.00% Term Bonds due July 1, 2038 priced to yield 3.30%* CUSIP No. 735240J79†

* Priced to July 1, 2025, the first optional redemption date at par.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Series Twenty-Three Bonds. No assurance can be given that the CUSIP numbers for the Series Twenty-Three Bonds will remain the same after the date of initial delivery of the Series Twenty-Three Bonds to the Underwriters. The Port is not responsible for the selection of CUSIP numbers, nor is any representation made as to their correctness.

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

Board of Commissioners

Jim Carter	President
Paul A. Rosenbaum	Vice President
Diana Daggett	Secretary
Peter Bragdon	Treasurer
Tom Chamberlain	Commissioner
Bruce A. Holte	Commissioner
Robert L. Levy	Commissioner
Linda M. Pearce	Commissioner
Tom Tsuruta	Commissioner

Port Management

Bill Wyatt	Executive Director
Curtis Robinhold	Deputy Executive Director
Vince Granato	Chief Operating Officer
Cindy Nichol	Chief Financial Officer and Director of Financial & Administrative Services
Daniel Blaufus	General Counsel
Keith Leavitt	Chief Commercial Officer
Stan Watters	Director of Project and Technical Services
Bobbi Stedman	Director Human Resources
Kristen Leonard	Public Affairs Director

ADVISORS AND CONSULTANTS

Orrick, Herrington & Sutcliffe LLP
Bond Counsel & Disclosure Counsel

Public Financial Management, Inc. and Backstrom McCarley Berry & Co., LLC
Co-Financial Advisors

Trillion Av, LLC
In association with Airmac LLC, AVK Consulting, Inc. and Partners for Economic Solutions
Airport Consultant

PricewaterhouseCoopers LLP
Independent Accountants

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

No dealer, broker, salesperson or other person has been authorized by the Port or by the Underwriters to give any information or to make any representations with respect to the Port or the Series Twenty-Three Bonds other than the information and representations 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-Three 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, including the appendices, are 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 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 to the extent expressly required by the Port's continuing disclosure agreement described herein.

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-Three Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Twenty-Three 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-Three Bonds to certain dealers (including dealers depositing Series Twenty-Three 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.

Inactive textual references to the Port's website or to other websites are not hyperlinks, and information and representations contained on such websites are not included in or incorporated into this Official Statement. The Port is responsible only for the information contained in this Official Statement.

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OFFICIAL STATEMENT

THE PORT OF PORTLAND

$109,440,000
Portland International Airport Refunding Revenue Bonds
Series Twenty-Three
(Non-AMT)

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page, 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, Series Twenty-Three (the "Series Twenty-Three Bonds"). The Series Twenty-Three Bonds are being issued to refund, to generate debt service savings, a portion of the Port's outstanding Portland International Airport Revenue Bonds, Series Nineteen (the "Series Nineteen Bonds") and to pay costs of issuing the Series Twenty-Three Bonds. See "REFUNDING PLAN."

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 included in Appendix C.

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 owns, operates, develops and/or maintains public maritime terminals, the dredge *Oregon* and other navigation equipment used to maintain the navigation channel on the lower Columbia and Willamette Rivers on behalf of the U.S. Army Corps of Engineers and other ports in the region, and six business and industrial parks.

In August 2014, in connection with the issuance by the Port of its Portland International Airport Revenue Bonds, Series Twenty-Two (the "Series Twenty-Two Bonds"), the Port engaged Trillion Av, LLC, Austin, Texas ("Trillion Aviation"), in association with AVK Consulting, Inc., Airmac LLC and Partners for Economic Solutions (together, the "Airport Consultant"), to provide a forecast of aviation activity and to review the Port's forecasts of revenues and expenses and its planned capital improvement program for the Airport for fiscal years ending June 30, 2015 through 2021 and to issue a report dated August 21, 2014 (the "Series Twenty-Two Report") that described its forecasts and review. In connection with the issuance of the Series Twenty-Three Bonds, Trillion Aviation reviewed the Series Twenty-Two Report and on February 26, 2015 confirmed the assumptions and findings contained in the Series Twenty-Two Report in respect of the 2015-2021 forecast period and noted some operating expense increases that could result in increases in airline payments and some capital improvement program updates that could impact results, after fiscal year 2021. The Series Twenty-Two Report, together with Trillion Aviation's confirming letter (the "Series Twenty-Three Letter" and together with the Series Twenty-Two Report, the "Report of the Airport Consultant" or the "Report"), are included in this Official Statement as Appendix A.

The Report is part of this Official Statement and should be read in its entirety. See "REPORT OF THE AIRPORT CONSULTANT" below and the Report of the Airport Consultant in Appendix A. Except as described in the Series Twenty-Three Letter, the Series Twenty-Two Report has not been revised to reflect the final terms of the Series Twenty-Two Bonds (described in the Report and issued on

September 25, 2014) or the proposed issuance of the Series Twenty-Three Bonds and refunding of a portion of the Series Nineteen Bonds.

The Airport

The Airport provides Northwest Oregon's scheduled passenger, cargo and charter air services and also serves as a general aviation facility. The Airport is primarily an origin and destination airport and provides the only commercial air service in a seven-county air service area.

The Series Twenty-Three Bonds and SLBs

The Series Twenty-Three 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"); Port Ordinance No. 455-B, effective as of November 10, 2014, amending Ordinance No. 155 and Ordinance No. 323 (the "2014 Amendments"); and Port Ordinance No. 456-B, enacted by the Board on February 11, 2015 (the "Series Twenty-Three Ordinance"). The terms and administrative provisions of the Series Twenty-Three Bonds are to be described in a Certificate of the Executive Director to be dated the date the Series Twenty-Three Bonds are issued (the "Series Twenty-Three Bond Certificate").

Ordinance No. 155 and Ordinance No. 323, the 2014 Amendments and the Series Twenty-Three Ordinance are referred to collectively in this Official Statement as the "Airport Revenue Bond Ordinances." In the Airport Revenue Bond Ordinances, the Port has reserved the right to make a number of additional special amendments as described below. See "—Security and Sources of Payment—Special Amendments."

The Series Twenty-Three Bonds are being issued as "SLBs" under the Airport Revenue Bond Ordinances and are secured by a prior pledge of the Revenues of the Airport available for deposit in the General Account, after payment of Costs of Operations and Maintenance, and of money in the SLB Fund (including the SLB Reserve Account) and the SLB Construction Account, on a parity with the pledge that secures payment of the Port's outstanding SLBs. As of February 1, 2015, $496,675,000 aggregate principal amount of the Port's SLBs were outstanding, of which $102,405,000 of Series Eighteen SLBs bear interest at variable interest rates.

In the Airport Revenue Bond Ordinances, the term "SLBs" originally referred to "Subordinate Lien Bonds," but the Port no longer has any outstanding obligations secured by a pledge prior to the pledge that secures the payment of SLBs and has covenanted in the Airport Revenue Bond Ordinances that it will not issue any obligations payable from the Net Revenues or money in the General Account that have a claim prior to the claims of the SLBs and scheduled payments under Qualified Swaps ("Scheduled Swap Obligations"). As a result, "SLBs" are now "Senior Lien Bonds" and include the outstanding SLBs, Scheduled Swap Obligations, outstanding Parity Reimbursement Agreements, the Series Twenty-Three Bonds, any Additional SLBs, including any additional Scheduled Swap Obligations and any new Parity Reimbursement Agreements that may be issued or entered into in accordance with the Airport Revenue Bond Ordinances. To avoid confusion, this Official Statement uses the term "SLB" in place of "Subordinate Lien Bonds" referred to in the Airport Revenue Bond Ordinances.

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-Three Bonds, and is being appointed to serve as escrow agent for the Series Nineteen Bonds being refunded.

Security and Sources of Payment

Net Revenues. SLBs, including the Series Twenty-Three Bonds, are payable solely from Net Revenues (Revenues that are available for deposit in the General Account after the payment of Costs of Operation and Maintenance) and from money in the SLB Fund (which includes the SLB Principal and Interest Account and the SLB Reserve Account) and from money in the SLB Construction Account, as defined and provided in the Airport Revenue Bond Ordinances. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of Net Revenues" and "—Funds Under the Airport Revenue Bond Ordinances." The Airport Revenue Bond Ordinances provide that the SLBs, including the Series Twenty-Three 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-Three 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 (the year ending June 30) at least equal to 130% of the SLB Debt Service Requirement for such fiscal year for all SLBs then Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of Net Revenues" and "—Rate Covenant."

Additional SLBs and Parity Reimbursement Agreements. The Airport Revenue Bond Ordinances permit the Port to issue additional bonds and other obligations, including Scheduled Swap Obligations (collectively, "Additional SLBs") and to 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 Outstanding SLBs and the Series Twenty-Three Bonds. 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 SOURCES OF PAYMENT FOR THE SLBs—Additional Bonds," "—Parity Reimbursement Agreements" and "OTHER AIRPORT OBLIGATIONS — Interest Rate Swaps."

Special Amendments. In the Series Twenty-Three Ordinance and in the Airport Revenue Bond Ordinances that authorized the outstanding SLBs, the Port reserved the right to make certain amendments to the Airport Revenue Bond Ordinances. As described below, the Port enacted four of these special amendments, the "2014 Amendments," effective November 10, 2014. The Series Twenty-Three Ordinance provides that by purchasing the Series Twenty-Three Bonds, the Owners thereof will be deemed to have consented to all of the amendments reserved in the Series Twenty-Three Ordinance and in the other Airport Revenue Bond Ordinances. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Special Amendments."

Continuing Disclosure

The Port has covenanted for the benefit of the holders of the Series Twenty-Three Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12. See "CONTINUING DISCLOSURE" below and the form of the Port's Continuing Disclosure Certificate in Appendix F.

Additional Information

Brief descriptions of the Series Twenty-Three Bonds, the Port, the Airport, the Airport Revenue Bond Ordinances and certain other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and agreements and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, agreement, statute, report or other instrument. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement. 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-Three Bonds.

REFUNDING PLAN

The Series Twenty-Three Bonds are being issued to refund a portion of the Port's outstanding Series Nineteen Bonds and to pay costs of issuing the Series Twenty-Three Bonds.

Refunding

To generate debt service savings, the Port is refunding the Series Nineteen Bonds stated to mature on and after July 1, 2019 as shown in the following table (the "Series Nineteen Refunded Bonds"). The Series Nineteen Bonds stated to mature before July 1, 2019 ($8,450,000 aggregate principal amount of Series Nineteen Bonds as of February 1, 2015) will not be refunded.

SERIES NINETEEN BONDS TO BE REFUNDED

Principal Amount	Maturity Date (July 1)	Redemption Date (July 1)	Redemption Price	Existing CUSIP No. (735240)
$6,340,000	2019	2018	100%	WL3
6,990,000	2021	2018	100	WM1
20,870,000	2026	2018	100	WN9
15,310,000	2029	2018	100	WP4
63,285,000	2038	2018	100	WQ2

Refunding Escrow. A portion of the proceeds of the Series Twenty-Three Bonds, together with other available funds of the Port, is to be deposited into a separate escrow account to be held by the Trustee as escrow agent (the "Escrow Agent") pursuant to an escrow deposit agreement and used to purchase non-callable direct obligations of, or non-callable obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and that qualify as "Government Obligations" under the Airport Revenue Bond Ordinances (the "Escrow Obligations") scheduled to mature in the amounts and on the dates required to pay interest on the Series Nineteen Refunded Bonds and to redeem the Series Nineteen Refunded Bonds on July 1, 2018.

The Ordinances under which the Series Nineteen Bonds were issued provide that upon the deposit to the escrow account of cash or Escrow Obligations or a combination thereof in an amount sufficient to pay the principal of and interest on the Series Nineteen Refunded Bonds, such Bonds will cease to be

entitled to any lien, benefit or security under the Airport Revenue Bond Ordinances and that the Series Nineteen Refunded Bonds will no longer be outstanding.

Verification. Grant Thornton LLP, a firm of independent accountants, has been retained by the Port to deliver a report indicating that it has verified mathematical accuracy of the mathematical computations prepared by the Port's financial advisors of the adequacy of the cash and maturing principal of and interest on the Escrow Obligations to pay when due the interest on the Series Nineteen Refunded Bonds and the redemption price of the Series Nineteen Refunded Bonds. Bond Counsel will rely upon the verification report in concluding that the Series Nineteen Refunded Bonds are no longer outstanding under the Airport Revenue Bond Ordinances.

Estimated sources and uses of funds for the issuance of the Series Twenty-Three Bonds and the refunding of the Series Nineteen Refunded Bonds are summarized in Table 1.

TABLE 1
ESTIMATED SOURCES AND USES OF FUNDS

Sources	
Principal Amount of Series Twenty-Three Bonds	$ 109,440,000
Original Issue Premium	18,963,960
Port Funds[1]	1,502,087
Total Sources	$ 129,906,047
Uses	
Deposit to the Escrow Account	$ 129,131,261
Costs of Issuance [2]	774,786
Total Uses	$ 129,906,047

[1] Represents funds credited to the SLB Principal and Interest Account for the Series Nineteen Refunded Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances—SLB Principal and Interest Account."

[2] Includes legal, financial advisory, consulting, accounting, trustee, escrow agent, verification agent and rating agency fees, printing, underwriters' discount and other costs of issuing the Series Twenty-Three Bonds and refunding the Series Nineteen Refunded Bonds.

Source: The Port.

THE SERIES TWENTY-THREE BONDS

General

The Series Twenty-Three Bonds will be dated the date they are issued and, subject to prior redemption, will mature on July 1 in the years and principal amounts and bear interest at the rates set forth on the inside cover of this Official Statement. Interest on the Series Twenty-Three 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 July 1, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series Twenty-Three Bond Certificate provides that if the date for making any payment is not a business day, such payment may be made on the next succeeding business day and that no interest shall accrue on the payment so deferred.

The Series Twenty-Three Bonds will be issuable only as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof within a single maturity. The Series Twenty-Three 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-Three Bonds. So long as the

Series Twenty-Three Bonds are in book-entry form, purchasers of Series Twenty-Three Bonds will not receive certificates representing their interest in the Series Twenty-Three Bonds purchased. See "DTC AND ITS BOOK-ENTRY ONLY SYSTEM" in Appendix E.

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-Three 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-Three Bonds; (2) the delivery to any participant or correspondent or to any other person of any notice with respect to the Series Twenty-Three Bonds, including any notice of redemption; (3) the selection by DTC of the beneficial interests in Series Twenty-Three 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-Three Bonds.

Payment of Series Twenty-Three Bonds

So long as the Series Twenty-Three Bonds are in book-entry only form, payment of principal of the Series Twenty-Three Bonds will be made by wire transfer to DTC or its successor. Payment of interest will be made by wire transfer to DTC or its successor on the interest payment date or on the next business day if the interest payment date is not a business day.

The Airport Revenue Bond Ordinances and the Series Twenty-Three Bond Certificate provide that if the Series Twenty-Three Bonds cease to be in book-entry form, then payment of principal of the Series Twenty-Three Bonds will be made by check or draft issued upon the presentation and surrender of the Series Twenty-Three Bonds at the principal office of the Trustee and that payment of interest will be made by check or draft mailed (or at the request of the registered owner of $1.0 million or more in aggregate principal amount of Series Twenty-Three Bonds, by wire transfer to a U.S. bank) 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.

So long as the Series Twenty-Three Bonds are in book-entry only form, all notices and payments required to be made or given to Owners of Series Twenty-Three 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 has any responsibility for notices and payments that are to be made or given by DTC or its successor to participants and beneficial owners. See "DTC AND ITS BOOK-ENTRY ONLY SYSTEM" in Appendix E.

Redemption of Series Twenty-Three Bonds

Optional Redemption. The Series Twenty-Three Bonds that are stated to mature on or before July 1, 2025, are not subject to optional redemption prior to their stated maturity. The Series Twenty-Three Bonds that are stated to mature on or after July 1, 2026, are subject to redemption prior to their stated maturities at the option of the Port, in whole or in part, on any date on or after July 1, 2025, at a redemption price equal to 100% of the principal amount of the Series Twenty-Three Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption of Series Twenty-Three Term Bonds. The Series Twenty-Three Bonds stated to mature on July 1, 2038, are term bonds (the "Series Twenty-Three Term Bonds") and are subject to mandatory sinking fund redemption prior to their stated maturity at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 in the years and principal amounts set forth below:

Series Twenty-Three Term Bonds

Mandatory Redemption Date (July 1)	Mandatory Redemption Amount
2036	$ 7,380,000
2037	7,745,000
2038*	8,125,000

*maturity

If requested to do so by the Port not less than 60 days in advance of a date fixed for mandatory sinking fund redemption of Series Twenty-Three Term Bonds, the Trustee is to reduce the principal amount of such Series Twenty-Three Term Bonds to be redeemed on that date fixed for mandatory sinking fund redemption by the amount of such Series Twenty-Three Term Bonds previously redeemed at the option of the Port as described above, or delivered to the Trustee for cancellation, and which have not previously formed the basis for such a reduction.

Selection of Series Twenty-Three Bonds for Optional Redemption. The Series Twenty-Three Bond Certificate provides that if fewer than all the Outstanding Series Twenty-Three Bonds are to be redeemed at the option of the Port, the Trustee, upon written instruction from the Port, shall select the Series Twenty-Three Bonds to be redeemed from the maturities selected by the Port, by lot within each such maturity; provided, that the portion of any Series Twenty-Three Bond to be redeemed in part is to be in the principal amount of $5,000 or any integral multiple thereof. The Series Twenty-Three Bond Certificate provides that so long as Series Twenty-Three Bonds are registered to DTC or its nominee, selection of a portion of Series Twenty-Three Bonds to be redeemed within a maturity shall be made by DTC in accordance with its operational arrangements then in effect. See "DTC AND ITS BOOK-ENTRY-ONLY SYSTEM" in Appendix E.

Notice of Redemption. The Series Twenty-Three Bond Certificate provides that so long as the Series Twenty-Three Bonds are in book-entry only form, notice of redemption is to be given in accordance with DTC's operational arrangements, not less than 30 days prior to the date fixed for redemption unless DTC consents to a shorter period. If the Series Twenty-Three Bonds cease to be in book-entry only form, then notice of redemption is to be given by registered mail to all Owners of Series Twenty-Three Bonds to be redeemed, not less than 30 days prior to the date fixed for redemption. The Series Twenty-Three Bond Certificate provides that failure to give any required notice of redemption as to any particular Series Twenty-Three Bond or any defect therein will not affect the validity of the notice for redemption of any Series Twenty-Three Bonds in respect of which no such failure or defect has occurred. The Series Twenty-Three Bond Certificate also provides that any notice mailed as provided therein will be effective when sent and will be conclusively presumed to have been given whether or not actually received by any Owner.

Conditional Notice of Optional Redemption. Redemption notices in connection with optional redemption of any Series Twenty-Three Bond may provide that unless money sufficient to pay the principal of and premium, if any, and interest on such Series Twenty-Three Bond has been received by the Trustee prior to the giving of such notice of redemption, such notice may state that such redemption shall be conditional upon the receipt of such money by the Trustee on or prior to the date fixed for redemption. The Series Twenty-Three Bond Certificate provides that if such money is not received, such optional redemption notice shall be of no force and effect, such Series Twenty-Three Bond shall not be redeemed, the redemption price shall not be due and payable and that the Trustee will give notice, in the same manner in which the notice of redemption was given, that such money was not so received and that such Series Twenty-Three Bond will not be redeemed.

Effect of Redemption. As provided in the Series Twenty-Three Bond Certificate, interest on Series Twenty-Three Bonds that have been called for redemption will cease to accrue on the date fixed for redemption so long as amounts sufficient to redeem those Series Twenty-Three Bonds have been received by the Trustee on or before the date fixed for redemption. The Series Twenty-Three Bond Certificate also provides that Series Twenty-Three Term Bonds called for mandatory sinking fund redemption shall become due and payable on the date fixed for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SLBs

Pledge of Net Revenues

The Series Twenty-Three 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-Three Bonds) and to the payment of all Scheduled Swap Obligations: (1) all Revenues after payment of Costs of Operation and Maintenance, (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 "Revenues" does not include (1) income from investments credited to the Airport Construction Fund or 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) beginning in fiscal year 2015, customer facility charges (or any portion thereof) imposed by the Port for use of Airport rental car facilities and charged to customers who rent vehicles from rental car companies operating at or from the Airport ("CFCs") that may be levied by the Port and collected by rental car companies from their customers; and in any event does not include tax revenues or tax-derived revenues. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program—Customer Facility Charges" below and the definition of "Revenues" in Appendix C.

As defined in the Airport Revenue Bond Ordinances, "Revenues" include only revenues of the Airport and do not include any amounts received or to be received by the Port in connection with its other operations, including its maritime and industrial facilities and General Aviation Airports. See the definition of "Revenues" in Appendix C.

"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. See the definitions of "Costs of Operation and Maintenance," "Revenues" and "Net Revenues" in Appendix C.

Limited Obligations

The Airport Revenue Bond Ordinances provide that the SLBs, including the Series Twenty-Three 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-Three 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 and Accounts in the following order of priority:

FIRST: to the Trustee for deposit to the SLB Principal and Interest Account, until all required deposits to that account have been made;

SECOND: to the Trustee for deposit to the SLB Reserve Account, until all required deposits to that account have been made;

THIRD: to the Port for deposit in the Junior Lien Obligation Fund (the "JLO Fund") described below, until all required deposits to that fund have been made; and

FOURTH: to the Port for deposit in the Third Lien Obligation Fund (the "TLO Fund") described below, until all required deposits to that fund have been made.

Amounts remaining in the General Account after the credits described in FIRST through FOURTH have been made may be used and applied 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 the General Aviation Airports, and for any other lawful use or purpose necessary to carry out the Airport Revenue Bond Ordinances, including making payments or credits to pay Costs of Operation and Maintenance of the Airport, making payments or credits to other funds or accounts and as of the effective date of the 2014 Amendments, paying Special Obligation Bonds. See "OTHER AIRPORT OBLIGATIONS—Special Obligation Bonds."

SLB Fund. The SLB Fund, which is held by the Trustee, consists of the SLB Principal and Interest Account and the SLB Reserve Account. Until they were combined pursuant to the 2014 Amendments, the SLB Fund included separate Interest, Serial Bond Principal and Term Bond Principal Accounts, and the Airport Revenue Bond Ordinances required deposits to the three accounts to be made in that order. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The SLB Fund" in Appendix C.

SLB Principal and Interest Account. The Port is required to 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 Airport Revenue Bond Ordinances provide that 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 and provide

that in the event of a shortfall in the SLB Principal and Interest Account, the Trustee is to apply available amounts first to pay, on a *pro rata* basis, interest on the SLBs and any amounts due in respect of Scheduled Swap Obligations.

In the case of SLBs, such as the Series Twenty-Three Bonds, and any Qualified Swap for which interest or Scheduled Swap Obligations are due semi-annually or less frequently, the Port is required on the first business day of each month to transfer amounts in the General Account to the Trustee for deposit in the SLB Principal and Interest Account installments so that, together with other funds available or scheduled to be available therein, there will be sufficient money available to make such interest payments when due. In the case of SLBs and any Qualified Swap for which interest or Scheduled 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 Principal and Interest Account 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 Principal and Interest Account. See "OTHER AIRPORT OBLIGATIONS" below.

The Port also is required, on the first business day of each month (commencing with the month that is 12 months prior to the first principal payment date of any SLB maturing serially or prior to the date on which SLBs are subject to mandatory redemption), to pay to the Trustee, from moneys in the General Account for deposit in the SLB Principal and Interest Account, an amount such that, if the same amount were so credited to the SLB Principal and Interest Account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs becomes due, the aggregate of the amounts on deposit in the SLB Principal and Interest Account will equal the amount of principal due on such SLBs on such principal payment date and/or mandatory redemption date.

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. The Airport Revenue Bond Ordinances provide that 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 will 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."

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. As shown in Table 2, as of the date the Series Twenty-Three Bonds are issued, the SLB Reserve Fund Requirement will be satisfied by a combination of cash, securities and existing surety bonds issued by the providers, in the amounts and expiring on the dates, listed in Table 2. The Airport Revenue Bond Ordinances do not require the Port to replace sureties issued by companies that later are no longer rated in the highest rating category.

TABLE 2
SLB RESERVE ACCOUNT
(as of January 31, 2015)

Provider	Expiration Date	Amount
MBIA Insurance Corporation [(1) (2)]	July 1, 2015	$11,195,436
Financial Guaranty Insurance Company [(2)]	July 1, 2023	9,670,775
Financial Guaranty Insurance Company [(1), (2)]	July 1, 2025	1,180,750
Financial Guaranty Insurance Company [(1), (2)]	July 1, 2026	13,423,219
Financial Guaranty Insurance Company [(1), (2)]	July 1, 2028	10,770,756
Financial Guaranty Insurance Company [(1), (2)]	July 1, 2028	3,490,190
Total Surety Bonds		$49,731,126
Existing Cash and Securities [(3)]		26,394,388
Total Cash, Securities and Surety Bonds [(3)]		**$76,125,514**
Current SLB Reserve Fund Requirement[(4)]		**$50,070,531**

[(1)] Reinsured by National Public Finance Guarantee Corporation, a wholly-owned subsidiary of MBIA Inc.
[(2)] The Airport Revenue Bond Ordinances do not require the Port to replace surety bonds issued by companies that no longer are rated in the highest rating category.
[(3)] As of January 31, 2015.
[(4)] As of March 5, 2015; net of capitalized interest on the Series Twenty-Two Bonds.
Source: The Port.

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 bonds or other obligations that are secured by a lien of the pledge of Net Revenues that is subordinate to the lien of the pledge that secures SLBs and Scheduled Swap Obligations ("Junior Lien Obligations"), including 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 outstanding stand-alone bonds that are Junior Lien Obligations, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps described below are payable from the JLO Fund. Some of the Port's Junior Lien Obligations have payment dates that are monthly or that are not scheduled. See "OTHER AIRPORT OBLIGATIONS—Junior Lien Obligations" and "—Interest Rate Swaps" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The JLO Fund" in Appendix C.

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 described below are payable from the TLO Fund. See "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps" and "—Third Lien Obligations" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The TLO Fund" in Appendix C.

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 use or purpose pertaining to the Airport or to the aviation or air transport interests of the Port,

including the General Aviation Airports. Both of the General Aviation Airports are designated reliever airports for the Airport, and from time to time the Port pays a portion of the capital and/or operating costs of the General Aviation Airports. In addition, the 2014 Amendments amended the Airport Revenue Bond Ordinances to permit the Port to apply Net Revenues remaining in the General Account to pay Special Obligations, and 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 lawful Port purpose. See "—Special Amendments" and "PORTLAND INTERNATIONAL AIRPORT — Other Airport Matters—Regulation."

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 (including capitalized interest), (2) to pay the costs of the acquisition and construction of General Aviation Airports or (3) to the payment of SLBs (including Scheduled Swap Obligations). The Port is required to transfer money in the SLB Construction Account to the Trustee for deposit in the SLB Principal and Interest Account in accordance with the schedule contained in each Capitalized Interest Certificate. Other withdrawals of money credited 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.

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, (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 and (3) 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.

The Port also covenanted to 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 and to revise the same from time to time, whenever necessary and to collect the income, receipts and other moneys derived therefrom, so that the Net Revenues in each fiscal year will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such fiscal year. As defined in the Airport Revenue Bond Ordinances, "Excess Principal" means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular fiscal year (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the extent the principal amount of such SLBs, which is so due and payable in such fiscal year, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such fiscal year (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to "Excess Principal" and to amend the definition of "SLB Debt Service Requirement." See "—Special Amendments."

In the 2014 Amendments, the Port clarified that in determining the Port's compliance with the required coverage tests, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are

to be disregarded. See the definitions of "Revenues" and "SLB Debt Service Requirement" in Appendix C.

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 to pay costs of construction of additions, expansions and improvements at the Airport, to refund outstanding SLBs and to pay costs of the acquisition and construction of General Aviation Airports. The Airport Revenue Bond Ordinances provide, however, that except in the case of certain refunding SLBs, such as the Series Twenty-Three Bonds, the Port may issue Additional SLBs only if, among other requirements, there is provided to the Trustee:

(1) a certificate of an Assistant Secretary of the Port to the effect 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; and

(2) either (a) a written report of an Airport Consultant 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) a certificate of an Assistant Secretary of the Port to the effect 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.

The Airport Revenue Bond Ordinances provide that in determining the Port's compliance with the required coverage tests, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded.

The Airport Revenue Bond Ordinances provide that if the series of Additional SLBs is being issued for the purpose of refunding previously issued SLBs, the certifications described above are not required unless the aggregate debt service payable on the refunding SLBs exceeds the aggregate debt service payable on the SLBs which are being refunded, but that if the Additional SLBs are being issued to refund Short Term/Demand Obligations, the certifications described in paragraph (1) above are required. The Port is issuing the Series Twenty-Three Bonds as refunding bonds to achieve debt-service savings and expects that these certificates will not be required.

The Port also 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

"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Additional Bonds" in Appendix C.

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 described 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. Other amounts that may become payable under reimbursement agreements but that do not qualify as "Parity Reimbursement Agreement" obligations or (in the case of fees and expenses) as Costs of Operation and Maintenance may be Junior Lien Obligations or Third Lien Obligations. See "OTHER AIRPORT OBLIGATIONS – Junior Lien Obligations" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Parity Reimbursement Agreements" in Appendix C.

Junior Lien Obligations

The Port may issue Junior Lien Obligations, including other Swap Obligations, and pledge the amounts in the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations. Junior Lien Obligations may be issued for any lawful Airport purpose, including to pay Other Swap Obligations, to post collateral under any Qualified Swap and to pay termination payments in connection with Qualified Swaps, Qualified TLO Swaps or other derivative products. As of the date of this Official Statement, the only Junior Lien Obligations outstanding are the Port's Other Swap Obligations incurred in connection with the Series Eighteen Swaps described below. See "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps—Series Eighteen Swaps."

Third Lien Obligations

Third Lien Obligations are bonds or other 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 the TLO Fund. Currently, the Port's only Third Lien Obligations are payments (other than regularly scheduled payments) that may be owed by the Port to the insurer or counterparty under the Port's outstanding PFC Bond Swaps. See "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps—PFC Bond Swaps."

Special Amendments

The Port has reserved the right in the Airport Revenue Bond Ordinances, without additional consent of the Owners of the Series Twenty-Three Bonds, to make the following changes to the Airport Revenue Bond Ordinances (in addition to the 2014 Amendments that became effective as of November 10, 2014), provided that such amendments are then permitted by law and that any required consents from credit and liquidity facility providers, swap providers and surety bond providers are obtained. The Airport Revenue Bond Ordinances provide that by purchasing the Series Twenty-Three Bonds, the

Owners of the Series Twenty-Three Bonds are deemed to have consented to all of the amendments described below and in Appendix C.

(a) To amend the definition of "Airport" to add any facilities operated by the Port whether or not such facilities are related to aviation. Effecting this amendment would require, among other things, changes in federal laws and regulations regarding the use of airport revenues.

(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 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 permit all or a portion of the Remaining Balance 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, the JLO Fund and the TLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year). The Port could, but would not be required to, limit the amount of Remaining Balance that is included for this purpose.

(o) 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-Three Bonds, the Owners of the Series Twenty-Three 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-Three Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Amendments of the Airport Revenue Bond Ordinances" in Appendix C.

OTHER AIRPORT OBLIGATIONS

In addition to $496,675,000 aggregate principal amount of outstanding SLBs, the Port has issued or incurred for the Airport Parity Reimbursement Obligations, Junior Lien Obligations, Third Lien Obligations, PFC Bonds, interest rate swaps and one series of Special Obligation Bonds.

Parity Reimbursement Obligations

In connection with the issuance of two irrevocable direct-pay letters of credit (each, a "Series Eighteen Letter of Credit") providing credit and liquidity support on the Port's Portland International Airport Refunding Revenue Bonds, Series Eighteen, which as of February 1, 2015 were outstanding in the aggregate principal amount of $102,405,000 (the "Series Eighteen Bonds"), the Port entered into two Reimbursement Agreements each dated as of July 1, 2011, one with U.S. Bank National Association and one with Wells Fargo Bank, National Association (each, a "Series Eighteen Reimbursement Agreement"). The Series Eighteen Reimbursement Agreements constitute Parity Reimbursement Agreements and therefore SLBs for purposes of the Airport Revenue Bond Ordinances, except with respect to payments

under the Series Eighteen Reimbursement Agreements that constitute Junior Lien Obligations. Each Series Eighteen Letter of Credit expires on January 13, 2017, subject to prior termination under certain conditions. See "CERTAIN INVESTMENT CONSIDERATIONS — Changes in Financial Markets and Financial Condition of Parties Dealing with the Port."

Junior Lien Obligations—Series Eighteen Reimbursement Agreements and Series Eighteen Swaps

The following amounts payable under each 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 that Series Eighteen Reimbursement Agreement and (2) amounts due upon a liquidity drawing under the applicable Series Eighteen Letter of Credit if, at the time that liquidity drawing is made (a) the representations and warranties made by the Port under that Series Eighteen Reimbursement Agreement are not true and correct in all material respects as of the date of that liquidity drawing, except, in each case, to the extent that those representations and warranties specifically refer to an earlier date, in which case, they are not true and correct as of that earlier date or (b) an event has occurred and is continuing, or would result from the payment of that liquidity drawing, that constitutes a default or an event of default under that Series Eighteen Reimbursement Agreement. Events of default under each Series Eighteen Reimbursement Agreement include, among other events, a downgrade by Moody's (if Moody's assigns a rating) below "A3" (or its equivalent) or by S&P or Fitch (if Fitch assigns a rating) below "A-" (or its equivalent) in the long-term rating assigned to the SLBs (without regard to any third party credit enhancement), or a withdrawal or suspension of either such rating. See "CERTAIN INVESTMENT CONSIDERATIONS."

Other Swap Obligations under the Series Eighteen Swaps, including fees and any termination payments, charges and indemnifications, constitute Junior Lien Obligations and are payable from the JLO Fund. See "Interest Rate Swaps—Series Eighteen Swaps" below.

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."

Special Obligation Bonds

Pursuant to Ordinance 155, the Port may issue Special Obligation Bonds for the purpose of acquiring, renovating or constructing Special Facilities and the site thereof for lease to third parties pursuant to Net Rent Leases. As of February 1, 2015, the only Special Obligation Bonds outstanding for the Airport are $17,300,000 of bonds issued in 1997 under separate financing documents to finance costs of an operations, training and aircraft maintenance facility for Horizon Air Industries ("Horizon"), referred to in this Official Statement as the "Horizon Special Obligation Bonds." The Horizon Special Obligation Bonds are payable only from payments made by Horizon under a facilities lease and from moneys drawn under the direct-pay letter of credit held by the trustee for the bonds and do not constitute a debt, liability or general obligation of the Port, the State or any political subdivision thereof. None of the Port, the State or any political subdivision thereof is obligated to levy any taxes or to expend any funds for the payment of the Horizon Special Obligation Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Underwriters for the Series Twenty-Three Bonds, serves as remarketing agent for the Horizon Special Obligation Bonds. Although the 2014 Amendments would permit the Port to pay and/or to pledge to the payment of Special Obligation Bonds from Net Revenues remaining in the General Account after all other deposits are made, the Port has no current plans to issue additional Special Obligation Bonds or to agree to make payments in connection with any Special Obligation Bonds, including the Horizon Special Obligation Bonds. See "SECURITY AND SOURCES OF PAYMENT

FOR THE SLBs—Funds Under the Revenue Bond Ordinances" above and the definitions of "Net Rent Lease" and "Special Obligation Bonds" in Appendix C.

PFC Bonds

As of February 1, 2015, the Port had outstanding $72,015,000 aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (the "Series 2011A PFC Bonds"), $57,530,000 aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (the "Series 2012A PFC Bonds"), and $18,655,000 aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Refunding Bonds Series 2012B (the "Series 2012B PFC Bonds"). The Series 2011A PFC Bonds, the Series 2012A PFC Bonds and the Series 2012B PFC Bonds are referred to collectively in this Official Statement as the "Outstanding PFC Bonds." The Outstanding PFC Bonds are payable solely from and secured solely by PFC revenue and related income and are not payable from or secured by Net Revenues. See "—Interest Rate Swaps—PFC Bond Swaps" and "CERTAIN INVESTMENT CONSIDERATIONS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—PFC Bond and PFC Swaps."

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 and 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. The Airport Revenue Bond Ordinances provide that Other Swap Obligations (including termination payments) are payable out of the JLO Fund and that Other TLO Swap Obligations (including termination payments) are payable out of the TLO Fund.

Swap Policy. The Board adopted a policy on Interest Rate Exchange Agreements (the "2004 Swap Policy") in 2004 and amended the 2004 Swap Policy in August 2013. Under the amended policy (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 written contracts that provide for an exchange of payments based upon fixed and/or variable interest rates for payments based on levels of or changes in interest rates, or provisions to hedge payment, rate, spread or an interest rate swap floor, cap, collar or an option to enter into such a contract. 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, presented to the Board 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 without graduation by at least two nationally recognized rating agencies or (2) will collateralize the agreement in accordance with all statutory requirements. The statutory collateralization requirements included in the Swap Policy are listed as follows: cash or obligations rated in one of the top three rating categories, without graduation, by at least two nationally recognized rating agencies are deposited with the Port or the State Treasurer, on behalf of the Port, or an agent of the Port; the collateral has a market value to fully collateralize the agreement as determined at the discretion of the Port; and the collateral is marked to market no less frequently than monthly.

Series Eighteen Swaps. On May 28, 2004, the Port entered into interest rate swaps with Goldman Sachs Mitsui Marine Derivative Products, L.P., an affiliate of Goldman Sachs & Co., one of the Underwriters of the Series Twenty-Three Bonds, and JPMorgan Chase Bank, N.A. as the successor in interest to Bear Stearns Capital Markets Inc. (together, the "Series Eighteen Swaps") in connection with the expected refunding of certain SLBs. Those SLBs were refunded on June 11, 2008 with proceeds received from the sale of the Series Eighteen Bonds. The Series Eighteen Swaps require the Port to pay amounts based on fixed rates of interest averaging approximately 5% per annum on a notional amount (as of February 1, 2015) of $100,435,000 and to receive amounts based on variable rates of interest (68% of one-month LIBOR). At the time the Series Eighteen Swaps were entered into, the fixed rates on the Series Eighteen Swaps were off-market and required the counterparties to make cash payments to the Port totaling $9,293,538. As of June 30, 2014, the Series Eighteen Swaps had an estimated negative fair value of $20,700,000. The Series Eighteen Swaps are coterminous with the maturity of the Series Eighteen Bonds (July 1, 2026), 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 uses 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. See "PORTLAND INTERNATIONAL AIRPORT—Scheduled Debt Service Requirements." Scheduled Swap Obligations under the Series Eighteen Swaps are payable from the SLB Fund, and the Port's payments of Scheduled Swap Obligations under the Series Eighteen Swaps are insured by XL Capital Assurance. Other Swap Obligations under the Series Eighteen Swaps (including termination payments) are payable from the JLO Fund.

PFC Bond Swaps. On February 6, 2007, the Port entered into interest rate swaps with Merrill Lynch Capital Services, Inc., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Underwriters of the Series Twenty-Three Bonds, and JPMorgan Chase Bank, N.A. as the successor in interest to Bear Stearns Financial Products Inc. (together, 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 Portland International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2009A (the "Series 2009A PFC Bonds") on June 24, 2009. The PFC Bond Swaps require the Port to pay amounts based on fixed rates of interest (4.975% and 4.955% per annum) on a total notional amount of $57,530,000 (as of February 1, 2015), and to receive amounts based on variable rates of interest (68% of one-month LIBOR). The PFC Bond Swaps required the Port's counterparties to make cash payments to the Port totaling $5,453,000. As of June 30, 2014, the PFC Bond Swaps had an estimated negative fair value of $14,100,000. Because the Series 2009A PFC Bonds hedged by the PFC Bond Swaps were refunded by the Series 2012A PFC Bonds, the PFC Bond Swaps are accounted for in the Port's financial records as investment derivatives. See Note 6 in Appendix B. The PFC Bond Swaps are coterminous with the maturity of the Series 2012A PFC Bonds, and their aggregate notional amounts decline each year approximately in accordance with the scheduled mandatory redemption of the Series 2009A PFC Bonds. The Port is required to pay variable rates of interest on the Series 2012A PFC Bonds (75 basis points plus 70% of one-month LIBOR per annum) through August 1, 2016.

Scheduled payments under the PFC Bond Swaps are payable only from PFC revenue and not from Net Revenues. Termination payments under the PFC Bond Swaps, however, are Third Lien Obligations payable from the TLO fund established under the Airport Revenue Bond Ordinances, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established under the Master PFC Ordinance established for the payment of PFC obligations. See Note 6 in Appendix B.

Under certain conditions, each counterparty to the PFC Bond Swaps (including the Port) is required to post collateral equivalent to the termination value of the applicable PFC Bond Swap. Such

collateral may be realized upon by the other counterparty following certain events of default or termination under the applicable PFC Bond Swap. As of June 30, 2014, the PFC Bond Swaps had and can be expected to continue to have a negative fair value, because the Port received cash payments in connection with entering into the PFC Bond Swaps. As of February 1, 2015, the Port has posted approximately $5.8 million in collateral with one counterparty pursuant to the terms of the PFC Bond Swap that requires the Port to post collateral in the event a negative fair value exists.

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 Oregon. The Port is charged with operating aviation, maritime, commercial and industrial facilities within Multnomah County (including the City of Portland), Washington County and Clackamas County. Pursuant to this authority, the Port owns and operates three airports: the Airport (PDX), which provides the region's scheduled passenger, cargo and charter air services and also is a general aviation facility; and the Troutdale (TTD) and Hillsboro (HIO) general aviation airports (together, 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 owns marine terminals, business and industrial parks and other properties. The Port also owns and operates the dredge *Oregon* to help maintain on behalf of the U.S. Army Corps of Engineers the navigation channel on the lower Columbia and Willamette rivers. The Port leases portions of its marine and industrial properties, including its principal containerized cargo facility at Terminal 6. The Port's headquarters are located at the Airport, and the Port has representation in Seoul, Korea; Tokyo, Japan; Taipei, Taiwan; and Hong Kong; Shanghai and Tianjin, China.

The Airport is operated by the Port as an independent enterprise, separate from the General Aviation Airports and from the Port's marine and 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 and Third 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 that are not paid through general aviation revenues or federal grants. The Port has reserved the right (to the extent then permitted by law) 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. As of the date of this Official Statement, the use by the Port of aviation-related revenues for non-aviation purposes is not permitted under federal law. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances," "—Pledge of Net Revenues" and "—Special Amendments" and "PORTLAND INTERNATIONAL AIRPORT – Airport Regulation."

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 their 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 listed in Table 3.

TABLE 3
THE PORT OF PORTLAND
BOARD OF COMMISSIONERS

Name and Office	Principal Occupation	Expiration of Term of Appointment
Jim Carter, President	Retired; Formerly, General Counsel, NIKE Inc.	November 2017
Paul A. Rosenbaum, Vice President	CEO and Chairman, SWR Corporation	June 2015
Diana Daggett, Secretary	America Region Director of Corporate Affairs, Intel Corporation	September 2015
Peter Bragdon, Treasurer	Senior Vice President of Legal and Corporate Affairs, Columbia Sportswear Company	September 2015
Tom Chamberlain, Commissioner	President, Oregon AFL-CIO	May 2015
Bruce A. Holte, Commissioner	International Longshore and Warehouse Union	July 2015
Robert L. Levy, Commissioner	Partner, Windy River	April 2017
Linda M. Pearce, Commissioner	Chief Financial Officer, Tillamook County Creamery Association	September 2016
Tom Tsuruta, Commissioner	Professor and Executive in Residence, Marylhurst University	December 2016

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 comprised of the Deputy Executive Director, the Chief Commercial Officer, the Chief Operating Officer, the Chief Financial Officer and Director of Financial and Administrative Services, the General Counsel and the Directors of Public Affairs, Project and Technical Services 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 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.

Curtis Robinhold, **Deputy Executive Director**, joined the Port in 2014 as Deputy Executive Director, a new position at the Port. Prior to joining the Port, Mr. Robinhold served as Chief of Staff to Governor Kitzhaber and before that served as Chief Executive Officer at EnergyRM, an energy efficiency finance company. Prior to that, Mr. Robinhold was Managing Director of BP Alternate Energy's global gas-fired power business in Europe and Asia.

Vince Granato, **Chief Operating Officer**, joined the Port in 1987 and was appointed to his current position in February 2012. From 2009 to 2012, he was Chief Financial Officer and Director of Financial & Administrative Services. From 2005 to 2009, Mr. Granato was General Manager, Financial Services, and from 2000 until 2005, he served as Senior Manager, Aviation Finance.

Cindy Nichol, **Chief Financial Officer and Director of Financial and Administrative Services**, joined the Port in April 2012. Prior to joining the Port, Ms. Nichol served as Finance Director at San Francisco International Airport since 2008. Ms. Nichol has more than 25 years of experience in airport and seaport financial planning and economic analysis, from both the airport management and consulting perspectives.

Daniel Blaufus, **General Counsel**, joined the Port in 2014. Before joining the Port Mr. Blaufus served as Senior Vice President and General Counsel at Borden Dairy Company in Dallas, Texas and before that served in various legal capacities at NIKE Inc.

Keith Leavitt, **Chief Commercial Officer**, joined the Port in 1999 and was appointed to his current position in November 2014. From 2008 to 2014, he was the General Manager of Business Development and Properties. Mr. Leavitt has also served in a variety of other capacities at the Port, including Development Project Manager and State Governmental Affairs Manager. Prior to joining the Port, Mr. Leavitt served as Port Division Manager and Economic Development Representative for the Oregon Economic Development Department.

Stan Watters, **Director of Project and Technical Services**, joined the Port in 2008. Before joining the Port, Mr. Watters was a senior vice president for Pacificorp and president of Portland-based utility Pacific Power.

Bobbi Stedman, **Director Human Resources**, joined the Port in 2013. Previously, Ms. Stedman was Senior Vice President, People and Culture, for Vestas Windsystems and before that was Director of Human Resources at Philips Medical Systems WA.

Kristen Leonard, Public Affairs Director, joined the Port in July 2014. Before joining the Port, Ms. Leonard owned and operated C&E Systems, a Portland-based company specializing in government relations, financial services and software development.

Aviation Business Line. Airport operations, terminal leasing and concessions development and operations are managed by the Port's Operations Department, which is headed by the Chief Operating Officer. Commercial development and management of general aviation properties at the Airport and at the General Aviation Airports and air service development are managed by the Commercial Department. At the Airport, the general managers of: Environmental Operations; PDX Business and Properties; Airports Operations; Planning and Development; and Chief Public Safety Officer report to the Chief Operating Officer, and the General Managers of Business Development and Properties and Air Service Development report to the Chief Commercial Officer.

The General Manager, Environmental Operations, is responsible for integrating environmental considerations into Port planning and operational decisions and for environmental compliance. The General Manager, PDX Business and Properties, is responsible for the Airport's contractual relationships with the various airlines, concessionaires, rental car operators and other tenants providing service at the Terminal. The General Manager, Airports Operations, is responsible for the daily operations and maintenance of the Airport, including airside and landside operations for the Airport and for the General Aviation Airports. This position is also responsible for customer service issues both inside and outside the Terminal, including aspects of tenant relations as well as the general public who use the facility. The

General Manager, Planning and Development, is responsible for the planning, development, management and implementation of projects and long-term facilities planning. The Chief Public Safety Officer is responsible for airport police, fire and Port-wide emergency management communications. The General Manager, Business Development and Properties, is responsible for the commercial development and management of the general aviation, cargo, airline maintenance and commercial Airport properties. The General Manager, Air Service Development, is responsible for the Port's commercial air service development and implementation.

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 Service Area described below and is relatively isolated from competing commercial air service facilities. Seattle-Tacoma International Airport, which is the closest airport with comparable facilities, is approximately 160 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.

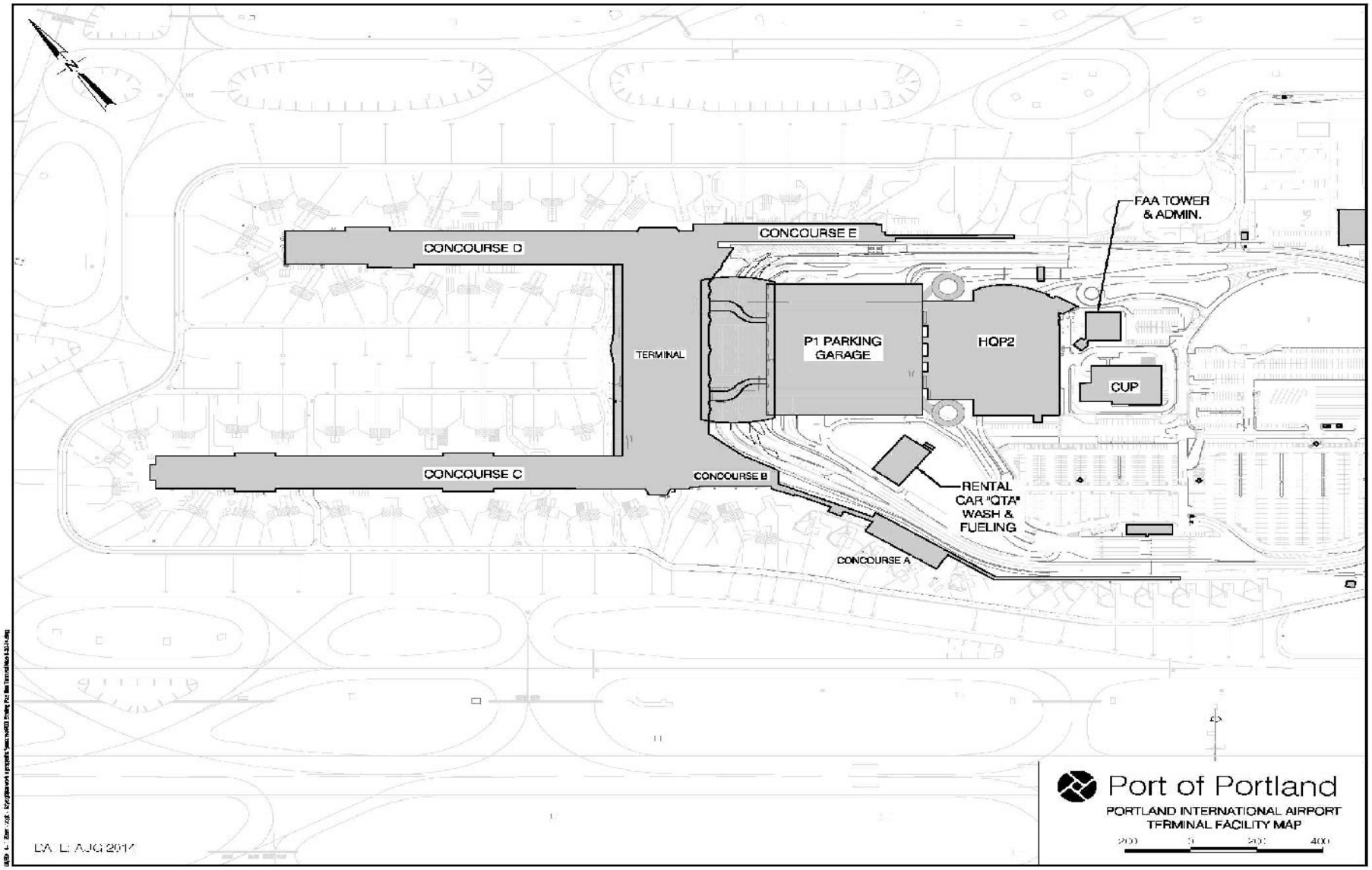
The Airport principally serves origin and destination passengers, which are estimated by the Port to have accounted for approximately 83% of total Airport passengers in the calendar year ended December 31, 2014, with the remaining 17% of Airport passengers having connected between flights.

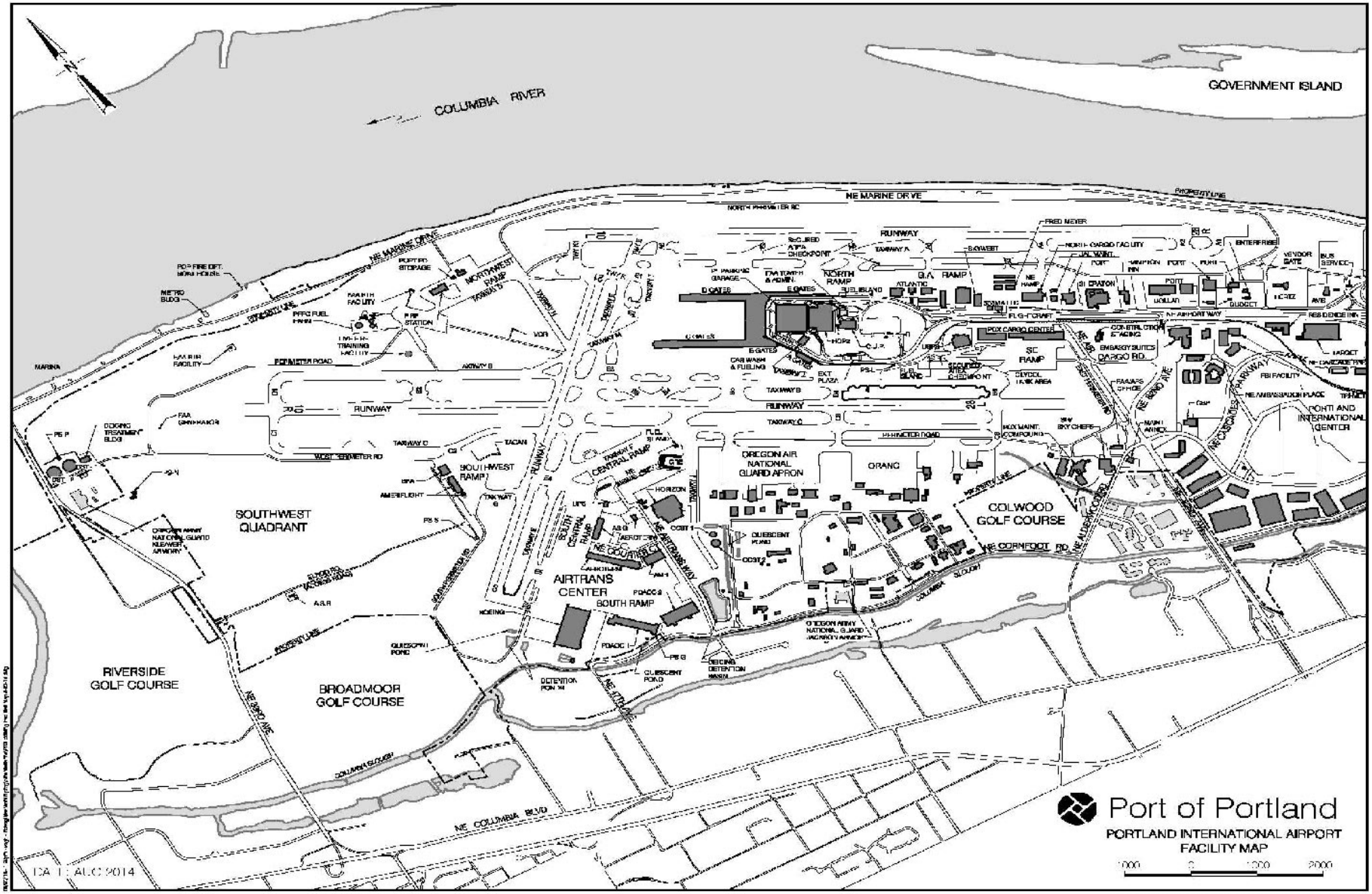
According to calendar year 2013 data provided by the Federal Aviation Administration (the "FAA"), the Airport was the 30th busiest airport in the United States in terms of enplaned passengers and is now a large-hub airport (enplaning more than 1.0% of the national total of enplaned passengers). 2013 data reported to the FAA (the most recent data publicly available) ranked the Airport the 22nd busiest airport in the United States in terms of cargo landed weight in calendar year 2013.

In calendar year 2014, the Airport served 7,938,482 enplaned passengers, 5.8% more than the 7,506,507 enplaned passengers the Airport served in calendar year 2013.

Existing Airport 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 150 feet-wide, of asphalt concrete construction and fully lighted. The south runway (Runway 10R-28L, which is 11,000 feet long and was reconstructed in 2011) and the north runway (Runway 10L-28R, which in 2010 was extended to 9,825 feet long) are fully instrumented. Runway 3-21, the northeast/southwest crosswind runway, is 6,000 feet long and is not instrumented. The following two maps illustrate the locations of the Port's existing Airport facilities.


CONCOURSE D
CONCOURSE E
FAA TOWER
& ADMIN.
TERMINAL
P1 PARKING
GARAGE
HQP2
CUP
CONCOURSE C
CONCOURSE B
RENTAL
CAR "QTA"
WASH &
FUELING
CONCOURSE A
Port of Portland
PORTLAND INTERNATIONAL AIRPORT
TERMINAL FACILITY MAP


COLUMBIA RIVER
GOVERNMENT ISLAND
NE MARINE DRIVE
RUNWAY
NORTHWEST RAMP
NORTH RAMP
GA RAMP
SC RAMP
SOUTHWEST RAMP
CENTRAL RAMP
SOUTH RAMP
SOUTHWEST QUADRANT
OREGON AIR NATIONAL GUARD APRON
ORANG
COLWOOD GOLF COURSE
AIRTRANS CENTER
RIVERSIDE GOLF COURSE
BROADMOOR GOLF COURSE
NE CORNFOOT RD
NE COLUMBIA BLVD
NE 82ND AVE
NE CASCADE PARKWAY
PORTLAND INTERNATIONAL CENTER
Port of Portland
PORTLAND INTERNATIONAL AIRPORT
FACILITY MAP
DRAWING INTENDED FOR GRAPHICAL USE ONLY

Passenger Terminal Complex. 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 accommodates 67 independent gate positions and related passenger waiting areas and security screening facilities. Of the 67 gates, six are Federal Inspection Services ("FIS") gates that can accommodate international arrivals, and 61 are used mainly for domestic operations. Except for the 14 commuter gates at Concourse A and the seven 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, a spa that offers foot and therapeutic massage treatments, a barbershop, a 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. As part of the Port's capital improvement program, a state-of-the-art, in-line baggage screening system was completed in an area on the lower level beyond public spaces.

Parking. Port-owned parking facilities provide a total of approximately 17,000 public and employee parking spaces and consist of a seven-story, short-term public parking garage, a seven-story long-term parking garage, an economy surface parking lot and two employee surface parking lots. The short-term parking garage has approximately 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 approximately 3,030 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 garages to the Terminal. Approximately 7,900 surface parking spaces are available in the economy surface parking lot, which is located near Interstate 205 off NE Airport Way. Free parking shuttles operate regularly between the economy lot and the Terminal. Another surface parking lot, with approximately 2,400 spaces, is provided for parking by Airport concessionaire and tenant employees, and a 1,000-space surface parking lot is used for parking by Port employees (approximately 450 spaces) and by rental car companies for vehicle storage and maintenance. The parking lots and garages include an automated parking payment and revenue control system, and the public floors of the two parking garages include an automated parking guidance system that includes a sensor over each parking space and notifications about available parking. 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, Oregon. Ground transportation to and from the Airport also is provided by private passenger vehicles, taxis, private bus and shuttle services and limousine services. Eight rental car companies provide service at the Airport: five provide on-Airport service counters and vehicles, two provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport and one provides only passenger pick-up and drop-off service to facilities located off-Airport. See "—Other Business and Operating Agreements" below and Chapter 3 in Appendix A.

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; and 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, and the United States Postal Service has a ground lease adjacent to the PDX Cargo Center. In the AirTrans Center, third-party developers, including Aero Portland, Prologis, L.P., PDACC1 and PDACC2, lease land upon which they have constructed cargo facilities and also manage the aircraft ramps associated with each of their cargo facilities. Subtenants in these cargo facilities include Federal Express, DHL Worldwide Express, Summit NW, Ghelany Logistics, the United States Postal Service and Matheson Postal Services, Inc. In addition, the AirTrans Center hosts Boeing Corporation's paint operation hangars, United Parcel Service's northwest regional hub and Horizon Air's 150,000 square-foot regional headquarters and maintenance facility.

Military and General Aviation Facilities. Pursuant to a ground lease, the United States, for the benefit of the Oregon Air National Guard (the "ORANG"), leases an approximately 240-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center. The lease was scheduled to expire in 2029 but in 2013 the term was extended for an additional 50 years to 2063, subject to a scheduled early termination of two parcels in 2015 and 2030 and in the case of one 75-acre parcel subject to termination at the Port's sole option if the parcel is needed for a third runway. The lease is also subject to early termination at any time at the option of the United States, with 180 days' prior notice to the Port. As with most U.S. military leases at joint-use airports, under its lease at the Airport the U.S. is required to pay only nominal rent but is required to pay certain costs, including costs related to environmental and other regulatory requirements.

Corporate and general aviation facilities at the Airport are located on approximately 25 acres along the north side of the Airport and include paved aircraft parking areas, aircraft hangars and fixed base operator facilities. The Port owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. Atlantic Aviation manages the hangars on behalf of the Port, as well as the general aviation ramp, pursuant to hangar and ramp management agreements. The Port also receives ground lease rent from the owners of several corporate aircraft hangars.

Other general aviation services are provided by the Port at the General Aviation Airports, both of which are located within 35 highway miles of the Airport. The FAA has designated both of the General Aviation Airports as "reliever airports." Reliever airports are intended to reduce congestion at larger commercial service airports primarily by providing an option to accommodate general aviation traffic. 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. The Port subsidizes the General Aviation Airports from Airport Net Revenues available after required payments to the TLO Fund are made. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds under the Airport Revenue Bond Ordinances" above and "Flow of Funds" in Appendix C.

Commercial Facilities. On the eastern side of the Airport, adjacent to Interstate 205 and NE Airport Way, is the Port-owned Portland International Center (the "PIC"), a commercial and industrial complex. The Cascade Station is a retail and commercial sub district within the PIC. The Cascade Station development framework was negotiated as part of a development and financing package to extend the regional light rail system through the PIC to the Terminal. Development of Cascade Station began in 2001, with a significant amount of construction beginning in 2005 and now includes office space, retail space and several hotels, including a Hyatt Place and an Aloft. The Cascade Station development agreement is with a master developer and has a 99-year term. Other development within the PIC (except for roads, which are owned by the City) were constructed and are operated by private parties on Airport land that is leased from the Port under prepaid leases with terms of up to 50 years.

Parcel B is closest to the Terminal and NE 82nd Avenue and consists of approximately 318 acres. Developed areas in Parcel B include 131 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 38 acres for future industrial development. Parcel B includes another 73 acres of land designated as permanently open. Parcel A, which includes the Cascade Station area, includes 145 acres of the PIC and has been developed by private developers and tenants for hotel rooms and retail and office space and includes regional FBI offices. Of the 145 acres in Parcel A, approximately 120 are currently completed or in development and 25 are undevelopable (and comprise street rights of way and park blocks).

On the north side is a Sheraton Hotel and a Hampton Inn on land leased from the Port.

Airport Master Plan

Master Planning Process. Master Plan projects are developed as a part of the Port's master planning process. The Port's traditional approach to master planning begins with an inventory of existing conditions and an aviation demand forecast. The inventory and forecast serve as the basis for assessing the ability of the Airport to meet projected demand. Facility requirements triggered by various activity levels are evaluated, defined and then depicted on an Airport Layout Plan, a set of drawings that graphically represent the long-term development plan for the Airport. The final step of this process includes development of projects for recommended improvements required at various activity levels tied loosely to a timeline which are then incorporated into the Port's Capital Improvement Program (the "CIP"). The CIP is always subject to change, and projects are evaluated and adjusted (timing and/or scope and budget) consistent with variations in demand and project approach.

The Airport Master Plan. The Port updated its master plan for the Airport in 2011. Among the principal findings were that a third parallel runway will not be required during the planning period (through 2035) and that the existing Terminal and roads can meet the demand forecasted for the next 25 years, with modest improvements. Concurrently, the City developed a land use plan for the Airport that includes airport plan district zoning designation for the Airport that will permit the Port to carry out its master plan without submitting to significant additional zoning reviews.

Airport Capital Improvement Program

At the time the Series Twenty-Two Report was prepared and the Series Twenty-Two Bonds were issued, the Port estimated that CIP costs (not including financing costs) would total approximately $895.4 million (of which approximately $648.7 million would be allocated to the Airline Cost Center) during the seven fiscal years ending June 30, 2021. Since that time, the scope and the costs of the CIP have been refined, and as of February 1, 2015 the Port expects that costs of the Airport's CIP (excluding financing costs) will total approximately $1,078.9 million for the seven fiscal years ending June 30, 2021. Approximately $816.8 million of these costs are allocated to the Airline Cost Center for the Terminal and airfield improvements and for a portion of shared cost center projects, and approximately $262.0 million of costs are allocated to the Port Cost Center described below. Other projects may include a variety of project types, but most are tied to asset renewal, regulatory, or master planning projects. As noted by Trillion Aviation in its Series Twenty-Three Letter**,** the Port currently expects to increase by approximately $160 million the principal amount of Additional Bonds to be issued for CIP project costs, which will result in increased debt service primarily in years after the end of the 2015-2021 forecast period. See "REPORT OF THE AIRPORT CONSULTANT" below and the Report of the Airport Consultant, including the Series Twenty-Three Letter, in Appendix A.

As described below and in Appendix A, the Port and the Signatory Airlines have agreed to a Majority-in-Interest disapproval process related to Airport capital improvement projects other than

projects funded in a manner that does not directly impact the airline rate base or that otherwise are exempted under the Signatory Airline Agreements described below. See "—Other Business and Operating Agreements" and "Passenger and Cargo Airline Agreements—Signatory Airline MII Process for Capital Improvement Projects and Agreement Amendments" below and "Chapter 3" in Appendix A.

The Port maintains an asset management program that tracks the condition of Port assets and recommends projects to renew those assets as needed. These projects encompass the entire range of Airport assets from pavement to buildings to utilities. Projects that are driven by regulatory compliance range from environmental compliance to FAA requirements to new building codes.

Separately, the Port also expects to replace the rental car quick turnaround area, used for fueling, washing and holding vehicles, which the Port expects to finance solely with CFCs. See "—Customer Facility Charges."

Sources of Funds for Airport CIP Projects

The Port expects to finance its CIP project costs with a combination of PFCs, available Net Revenues, proceeds of the Series Twenty-Two Bonds, State and federal grants, CFCs, investment income and proceeds of Additional Bonds. See Table 4 below and the Series Twenty-Three Letter and Chapters 3 and 4 and Exhibit A of the Series Twenty-Two Report in Appendix A.

TABLE 4
CAPITAL IMPROVEMENT PLAN
FISCAL YEARS 2015-2021
(Dollars in Thousands)

	Estimated Project Costs	Federal/ State Grants	PFC Funds	Port Funds	Outstanding SLB Proceeds[1]	Future SLB Proceeds
Capital Projects[2]:						
Airline Cost Center	$816,820	$86,915	$146,564	$107,699	$91,642	$384,000
Port Cost Center	262,041	55,402	0	206,639	0	0
Total Projects	$1,078,861	$142,317	$146,564	$314,338	$91,642	$384,000

* Amounts may not add due to rounding.
(1) Represents project costs funded with Series Twenty-Two Bond proceeds.
(2) Excludes costs of the rental car quick turnaround area, to be paid with only CFCs.
Source: Port of Portland airport management records, February 1, 2015.

Grants. The Port receives federal entitlement and discretionary grants for Airport-related capital projects under the Airport Improvement Program (the "AIP"). Entitlement Grants are based upon (1) levels of funding authorized and appropriated by Congress for the program and (2) the number of passengers and amount of cargo at the Airport and are reduced by 75% because the Port collects a $4.50 PFC. The Airport's AIP entitlement grants totaled $3,521,545 in the federal fiscal year ending September 30, 2014. The two General Aviation Airports receive a total of $300,000 per year. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding (approximately $5 million in the federal fiscal year ending September 30, 2014). FAA discretionary grant awards are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects. The Port intends to apply approximately $142.3 million of FAA grants during Port fiscal years 2015 through 2021 to pay costs of CIP projects. The Port also received $331,653 in grant funding under the FAA's voluntary airport low emission ("VALE") program in the federal fiscal year ending September 30, 2014.

Generally, all grant funds are payable only on a reimbursement basis when the grant agreement is approved and after eligible expenditures are made. AIP grants received by the Port for capital projects are not included as Revenues under the Airport Revenue Bond Ordinances and do not secure the payment of the SLBs. The Port is subject to periodic compliance reviews and audits by the FAA to verify the Port's compliance with applicable federal laws, FAA grant assurances and FAA policies concerning the use of airport revenue. See "—Airport Regulation" and "CERTAIN INVESTMENT CONSIDERATIONS—Regulation" and "—Federal Funding Considerations" below and Chapter 4 in Appendix A.

Passenger Facility Charges. PFCs are charges authorized by the federal Aviation Safety and Capacity Act of 1990, as amended (the "PFC Act") and regulations promulgated thereunder by the FAA to finance approved, eligible airport-related projects. An airport must obtain the FAA's approval before imposing PFCs and before using the proceeds of PFCs and investment income thereon (together, "PFC revenue"). PFC revenue is used to pay the costs of certain FAA-approved, PFC-eligible projects, either by using PFC revenue to pay for approved project costs on a pay-as-you-go basis or by pledging and assigning PFC revenues to pay debt service associated with PFC revenue bonds issued to fund costs of approved PFC projects when authorized by the FAA or by using available PFCs to pay debt service on other bonds.

The Port is currently authorized by the FAA, pursuant to 12 PFC application approvals, to impose and use approximately $1.115 billion of PFC revenue (at a PFC of $4.50) for various projects, of which approximately $518.7 million has been collected and approximately $479.7 million has been spent as of December 31, 2014. The Port also has applied for approval to impose and use an additional $38.74 million of PFCs, which if approved by the FAA would bring the total to approximately $1.155 billion. PFC revenue is pledged to, and is required to be used first to pay, debt service on the Port's outstanding PFC Bonds and scheduled payments on PFC Bond Swaps. The Port currently expects that during Port fiscal years 2015 through 2021, the Port will use, on a pay-as-you-go basis, approximately $146.6 million of PFC revenue to pay costs of CIP projects, provided that the Port receives FAA approval of the Port's 13th PFC application and of its future PFC applications. See "—Airport Regulation" below and Section 4.4 in Appendix A.

PFC revenues received by the Port are not part of "Revenues" under the Airport Revenue Bond Ordinances and do not secure the payment of the SLBs. The Port has no current plans to use PFCs to pay debt service on any SLBs.

Customer Facility Charges. Beginning January 15, 2014, rental car companies operating from the Airport are required to collect CFCs (initially, $6.00/Transaction Day for up to four consecutive Transaction Days) from their Airport customers and to remit to the Port on a monthly basis the required amount of CFCs. CFC collections received by the Port are to be applied only to pay costs of rental car-related projects and programs. As of June 30, 2014, the Port had recorded approximately $5.6 million of CFCs, and has budgeted for approximately $13.7 million of collections for fiscal year 2015, the first full year of the CFC program. The Port intends to use CFC funds to pay, on a pay-as-you-go basis, costs of replacing its quick-turn-around facility used by the on-Airport rental car companies. CFCs are not part of "Revenues" under the Airport Revenue Bond Ordinances and are not pledged to the payment of SLBs. See "—Other Business and Operating Agreements—Rental Car Agreements" and "CERTAIN INVESTMENT CONSIDERATIONS."

Air Service Area

The Airport is primarily an origin and destination airport, and most passengers are traveling to or from the Airport's general service area and not simply connecting through the Airport to other destinations. The Airport's general service area (the "Air 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. According to information compiled by the Airport Consultant, from 2003 to 2013, the population of the Air Service Area increased at a compound annual growth rate of 1.4%, compared with 1.1% for the State and 0.9% for the United States. In 2013, Multnomah County (where Portland and the Airport are located) was the most populous county in the State, accounting for approximately 19% of the population of the State and approximately 32.5% of the population of the Air Service Area. In 2013, the Oregon counties in the Air Service Area accounted for approximately 2,334,159 people or 58.9% of the population of the State, and in 2013 the Portland-Vancouver-Beaverton Metropolitan Statistical Area (the "MSA") was the 24th most populous MSA in the United States.

As described in Appendix A, real disposable personal income and employment are among the most significant economic variables that drive air passenger and air freight demand nationally and in the Air Service Area. Per capita personal income for the Air Service Area (in 2013 dollars), for example ($43,244 in 2013, compared with $39,286 for the State and $43,597 for the United States), increased at a compound annual growth rate of 0.5% between 2003 and 2013, compared with 0.5% for the State and 1.0% for the United States. In 2013, approximately 35% of households in the Air Service Area had household incomes of $75,000 or more, compared with 29% in the State and 32% in the United States. From 2003 to 2013, the compound annual growth rate of the Air Service Area civilian labor force was 0.7%, compared with 0.4% for the State and 0.6% for the United States. In July 2014, the unemployment rate in the Air Service Area (not seasonally adjusted) was 6.3%, compared with 7.0% in the State and 6.5% in the United States (not seasonally adjusted). Seasonally adjusted, the unemployment rate in July 2014 was 6.9% in the State and 6.2% in the United States. Seasonally adjusted monthly unemployment rates are not yet available for the counties that make up the Air Service Area. See Chapters 1 and 2 of the Report of the Airport Consultant and the map of the Air Service Area (Figure 1-2) in Appendix A.

Airlines Serving the Airport

As shown in Table 5, as of January 31, 2015, 15 United States-flag passenger airlines and two foreign-flag passenger airlines provided scheduled passenger service at the Airport; and eight airlines provided all-cargo service. In addition, Condor Airlines, a new carrier for the Airport, announced that it will begin twice-weekly, nonstop service to Frankfurt, Germany beginning in June 2015, and Icelandair announced seasonal nonstop service to Reykjavik, Iceland between May and October 2015, beginning May 20, 2015. See "—Historical Traffic and Activity" below and Chapter 2 in Appendix A.

TABLE 5
AIRLINES SERVING THE AIRPORT
(January 31, 2015)

Scheduled passenger service	All-cargo service
United States-flag airlines	
Alaska Airlines	ABX Air, Inc.
American Airlines [1]	Air Transport International, Inc.
Compass Airlines, LLC (d/b/a Delta Connection)	Airpac Airlines, Inc.
Delta Air Lines, Inc.	Ameriflight, LLC
Frontier Airlines, Inc.	Empire Airlines
Hawaiian Airlines, Inc.	FedEx Corporation
Horizon Air (d/b/a Alaska Airlines) [2]	MartinAire Aviation LLC
jetBlue Airways Corporation	United Parcel Service
SeaPort Airlines, Inc.	
SkyWest Airlines (d/b/a Alaska, Delta Express and United Express)	
Southwest Airlines Co.	
Spirit Airlines Inc.	
United Airlines, Inc.	
US Airways, Inc. [1]	
Virgin America, Inc.	
Foreign-flag airlines[3]	
Jazz Aviation LP [4]	
Concesionaria Vuela Compania de Aviacion, S.A. (d/b/a Volaris Airlines)	

[1] On December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, Inc., merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating subsidiaries. To date, American Airlines and US Airways continue to operate separately.
[2] D/b/a as Alaska Airlines pursuant to a capacity purchase agreement with Alaska Airlines. Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group, Inc.
[3] In addition, Icelandair and Condor Airlines announced that on May 20, 2015 and June 19, 2015, respectively, they will begin twice-weekly service from the Airport.
[4] Pursuant to a capacity purchase agreement with Air Canada, Jazz Aviation LP operates in the United States and Canada under the brand name "Air Canada Express."
Source: Port records and airline websites.

Historical Traffic and Activity

The Airport serves primarily origin and destination ("O&D") passengers. The Port estimates that origin and destination passengers accounted for approximately 83% of total Airport passengers in the fiscal year ended June 30, 2014, with the remaining 17% of Airport passengers connecting between flights. Table 6 summarizes the Airport's top 20 domestic O&D airports in fiscal year 2014. See also Tables 2-6 and 2-7 in Appendix A.

TABLE 6
PORTLAND TOP 20 DOMESTIC O&D AIRPORTS
FISCAL YEAR 2014

Destination	Distance (miles)	Percent of Total Domestic Passengers	Daily Scheduled Nonstop Departures
Los Angeles basin, CA	834	11.8%	27
San Francisco Bay area, CA	541	11.1	35
Las Vegas, NV	762	5.0	8
Phoenix, AZ	1,008	4.0	10
Denver, CO	988	4.0	12
San Diego, CA	932	3.7	7
New York City, NY	2,432	3.3	5
Sacramento, CA	491	3.1	10
Chicago, IL	1,748	3.0	12
Washington, DC/Baltimore, MD area	2,350	2.6	3
Salt Lake City, UT	628	2.3	9
Seattle, WA	129	2.2	31
Dallas Fort Worth, TX	1,629	1.9	7
Boston, MA	2,528	1.8	3
Honolulu, HI	2,601	1.7	2
Atlanta, GA	2,171	1.7	5
Boise, ID	343	1.6	7
Minneapolis St. Paul, MN	1,420	1.6	6
Spokane, WA	290	1.5	8
Kahului, HI	2,561	1.3	2
Top 20		68.9	209
All Other		31.1	65
Total		**100.0%**	**274**

Sources: U.S. DOT Origin and Destination Passenger Survey YE Q2 2014 (June 30, 2014); mileage from OAG March 2015.

The numbers of enplaned passengers (passengers boarding flights) at the Airport during fiscal years ended June 30, 2004 through June 30, 2014 and during the seven months ended January 31, 2014 and January 31, 2015 are set forth in Table 7. In calendar year 2014, approximately 96.9% of passengers enplaned on domestic flights at the Airport, and the remaining 3.1% enplaned on international flights.

TABLE 7
HISTORICAL ENPLANED PASSENGERS
FISCAL YEARS 2004–2014

Fiscal Year Ended June 30	Total Enplaned Passengers	Percent Increase (Decrease)
2004	6,336,392	--
2005	6,757,694	6.6%
2006	7,012,004	3.8
2007	7,144,443	1.9
2008	7,449,917	4.3
2009	6,654,126	(10.7)
2010	6,477,286	(2.7)
2011	6,750,420	4.2
2012	6,946,300	2.9
2013	7,335,638	5.6
2014	7,762,027	5.8

	Compound annual growth rate
FY 2004-2014	2.05%
FY 2010-2014	4.63%

Seven Months Ended January 31	Total Enplaned Passengers	Percent Increase (Decrease)
2014	4,599,087	--
2015	4,784,531	4.0%

Source: Port records, from reports by the airlines.

Enplaned passengers by airline at the Airport for fiscal year 2014 and for the first seven months of fiscal years 2014 and 2015 are listed in Table 8.

TABLE 8
ENPLANED PASSENGERS BY AIRLINE

Airline	Fiscal Year 2014 Enplaned Passengers	Fiscal Year 2014 Share
Alaska Airlines [1] [2]	1,752,199	22.6%
Horizon Air [1]	1,392,274	17.9
	3,144,473	40.5%
Southwest	1,285,341	16.6
United Airlines [2]	1,069,165	13.8
Delta Air Lines [3]	929,585	12.0
US Airways [4]	301,446	3.9
American Airlines [4]	279,618	3.6
Frontier Airlines	199,652	2.6
jetBlue Airways	181,324	2.3
Spirit Airlines Inc.	112,159	1.4
Hawaiian Airlines	96,944	1.2
Virgin America	90,005	1.2
Jazz Aviation LP [5]	60,246	0.8
Other	12,069	0.1
Total	**7,762,027**	**100.0%**

Airline	Seven Months Ended January 31, 2014	Seven Months Ended January 31, 2015
Alaska Airlines [1] [2]	885,347	1,020,963
Horizon Air [1] [2]	919,897	961,694
	1,805,244	1,982,657
Southwest Airlines	771,768	823,166
United Airlines [2]	683,549	568,394
Delta Air Lines [3]	541,828	636,308
American Airlines [4]	342,715	349,253
Frontier Airlines	120,030	101,508
jetBlue Airways	117,538	109,710
Spirit Airlines Inc.	64,164	77,693
Hawaiian Airlines	58,203	58,082
Virgin America	52,639	22,936
Jazz Air, LP [5]	34,764	40,611
Allegiant Air, Inc.	1,070	1,548
Volaris [6]	0	6,002
Other	5,575	6,663
Total	**4,599,087**	**4,784,531**

[1] D/b/a as Alaska Airlines pursuant to a capacity purchase agreement with Alaska Airlines. Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group, Inc.

[2] Includes enplaned passengers on flights operated by SkyWest Airlines as an affiliate for Alaska or Horizon (183,856 enplaned passengers during fiscal year 2014; 102,316 enplaned passengers during the first seven months of 2014 and 111,253 enplaned passengers during the first seven months of 2015), and United (223,503 enplaned passengers during fiscal year 2014). United announced that it would reduce its flights with SkyWest Airlines by approximately 70% (approximately 500 daily seats) beginning in September 2014. SkyWest accounted for 133,514 of United's enplaned passengers in the first seven months of fiscal year 2014 and 64,877 during the first seven months of fiscal year 2015.

[3] Includes enplaned passengers on flights operated for Delta by SkyWest (57,311 enplaned passengers for fiscal year 2014; 29,907 enplaned passengers in the first seven months of fiscal year 2014; and 36,651 during the first seven months of fiscal year 2015) or by Compass Airlines, LLC (7,989 enplaned passengers in fiscal year 2014, 66,170 during the first seven months of fiscal year 2015 and none during the first seven months of fiscal year 2014).

[4] On December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating subsidiaries.

[5] Pursuant to a capacity purchase agreement with Air Canada, Jazz Aviation LP operates in the United States and Canada under the brand name "Air Canada Express."

[6] As described below, Volaris began service to and from the Airport in October 2014.

Source: Port records and airline websites.

Recently Announced Changes in Service at the Airport

Several airlines recently announced changes in their service at the Airport in fiscal year 2015 and the first half of fiscal year 2016. Concesionaria Vuela Compania de Aviacion, S.A. (d/b/a Volaris Airlines), an "ultra low-cost airline" based in Mexico, began twice-weekly service from the Airport to Guadalajara, Mexico, on October 6, 2014 and in December 2014, expanded service to three nonstop flights each week. Icelandair announced that beginning May 20, 2015, it would provide seasonal, nonstop twice-weekly service to Reykjavik, Iceland, and Condor Airlines announced new seasonal twice-weekly, non-stop service to Frankfurt Germany.

In addition, Southwest Airlines announced new nonstop service between the Airport and Dallas Love Field beginning April 8, 2015. Alaska Airlines re-entered the Mexico beach market for the winter season starting in November 2014 with three weekly flights to Puerto Vallarta and four weekly flights to San Jose del Cabo, Mexico and also announced that in partnership with SkyWest Airlines it would offer daily nonstop service between Portland and St. Louis, beginning in July 2015. In August 2014, Delta Air Lines started service to Seattle, Washington with five daily flights.

United reduced its flights with SkyWest Airlines by approximately 70%, or by approximately 500 daily seats, beginning in September 2014. Although United continues to operate some of its flights to San Francisco and Denver utilizing SkyWest, all of United's flights from the Airport to Seattle, Los Angeles, Eugene, Klamath Falls and Redmond were eliminated. Southwest Airlines discontinued its two daily flights from the Airport to Salt Lake City, Utah beginning August 8, 2014, and Alaska Airlines discontinued its flights to Long Beach, California beginning in late August 2014 and its one daily flight to Atlanta, Georgia beginning in September 2014.

The primary factors airlines consider in making route capacity and airport decisions are described in Chapter 2 of Appendix A.

Air Cargo Tonnage

Total cargo tonnage at the Airport since fiscal year 2004 and for the seven months ended January 31, 2014 and 2015 is summarized in Table 9. The movement of air cargo is an important part of the services provided at the Airport. 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 9
HISTORICAL TOTAL CARGO TONNAGE
FISCAL YEARS 2004–2014

Fiscal Year Ended June 30	Volume[1] (tons)	Percent Increase (Decrease)
2004	266,479	--
2005	283,475	6.4%
2006	291,639	2.9
2007	285,983	(1.9)
2008	265,300	(7.2)
2009	211,613	(20.2)
2010	199,905	(5.5)
2011	212,894	6.5
2012	218,727	2.7
2013	218,170	(0.2)
2014	222,822	2.1

	Compound annual growth rate
FY 2004-2014	(1.77%)
FY 2010-2014	2.75

Seven Months Ended January 31	Volume[1] (tons)	Percent Increase (Decrease)
2014	132,576	--
2015	138,363	4.4%

[1] Includes mail; total short tons in and out.
Source: Port records, from reports by the airlines.

Landed Weight

Aircraft landed weight at the Airport (expressed in 1000-pound units), 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 summarized in Table 10. Although changes in landed weight do have an effect on the Port's landing fee rates, under the Signatory Airline Agreements and Non-Signatory Ordinances described below, 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 "—Airport Cost Centers—Residual Rate Setting Methodology for the Airline Cost Center" and "—Passenger and Cargo Airline Agreements" below and the descriptions of aircraft landed weights, operations and other measurements of capacity in Section 2.2 in Appendix A.

TABLE 10
HISTORICAL LANDED WEIGHT
FISCAL YEARS 2004–2014
(1000-pound units)

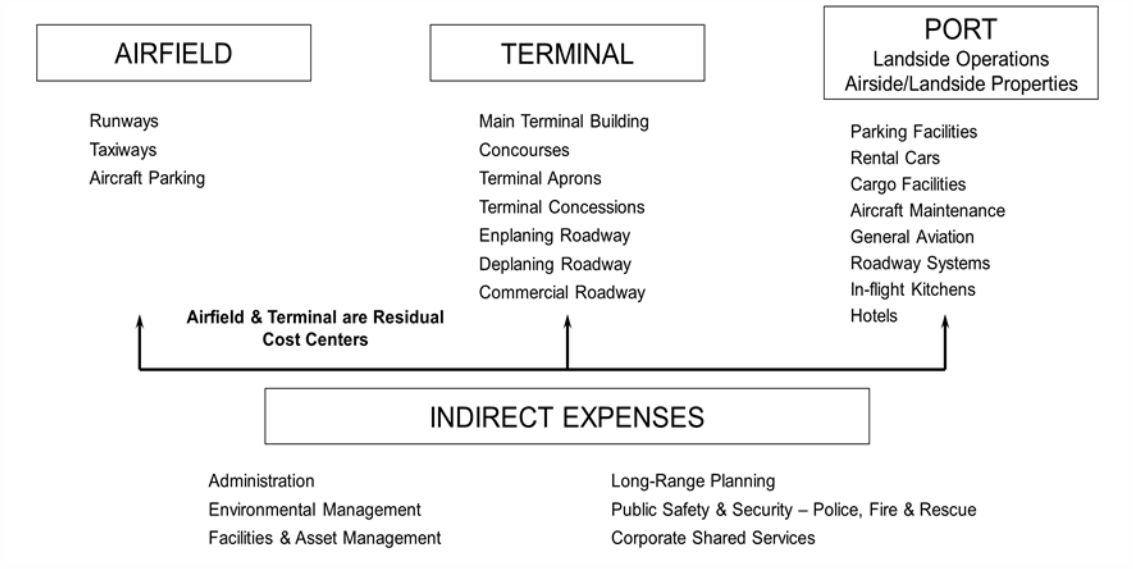
Fiscal Year Ended June 30	Passenger Airlines	All-Cargo Airlines	Total	Increase (Decrease)
2004	8,598,665	1,418,114	10,016,779	--
2005	8,558,289	1,471,442	10,029,731	0.1%
2006	8,826,387	1,500,529	10,326,916	3.0
2007	9,006,434	1,457,523	10,463,957	1.3
2008	9,350,834	1,362,171	10,713,005	2.4
2009	8,523,064	1,217,425	9,740,489	(9.1)
2010	7,892,566	1,042,172	8,934,738	(8.3)
2011	8,015,905	1,117,532	9,133,437	2.2
2012	7,956,842	1,143,111	9,099,953	(0.4)
2013	8,123,435	1,140,494	9,263,929	1.8
2014	8,699,074	1,126,771	9,825,845	6.1
	Compound annual growth rate			
2004-2014	0.12%	(2.27%)	(0.19%)	
2010-2014	2.46	1.97	2.41	

Seven Months Ended January 31	Total Landed Weight (1,000-pound units)	Percent Increase (Decrease)
2014	5,846,344	—
2015	5,848,823	.04%

Source: Port records.

Airport Cost Centers

The Port has used a cost-center structure for the Airport since FY 1992. Of the Port's 13 cost centers, six are direct, revenue-producing cost centers and seven are indirect cost centers allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portions of expenses from the indirect cost centers, comprise the Airline Cost Center. Costs of Operations and Maintenance (including allocated expenses from the indirect costs centers), allocated debt service and debt service coverage, Terminal concession revenues and revenues from passenger and cargo carriers are included in the Airline Cost Center. The Port Cost Center includes the Ground Transportation (non-Terminal public access roadways, automobile parking facilities and rental car facilities), Non-Aviation (leased commercial and industrial properties such as the PIC and other hotel, warehousing and office facilities), Other Aviation and Air Cargo direct cost centers, plus their allocated portions of the expenses included in the indirect cost centers. Indirect cost centers include salaries, benefits, materials, equipment and supplies, of the Airport's operations, maintenance, environmental, systems and services, rescue and firefighting, security and public safety and administration staff and facilities, in each to the extent not attributable to a direct cost center. Some of the activities and facilities included in the cost centers are illustrated in the following chart.



Source: the Port.

As described below, rate-setting at the Airport is "residual" in connection with the Airline Cost Center (the airlines have primary responsibility and risk for costs and the benefit from non-airline revenues). The Port has the responsibility and risk for the Port Cost Center revenues and costs, although the Port also shares with the airlines some of the benefits of revenues from the Port Cost Center). See "—Passenger and Cargo Airline Agreements – Residual Rate-Setting Methodology for the Airline Cost Center" and "—Revenue Sharing" below and Section 4.3 in Appendix A.

Passenger and Cargo Airline Agreements

General. The Port is a party to two types of agreements, Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2010 and Affiliate Passenger Carrier Operating Agreements (together, the "2010 Signatory Passenger Airline Agreements") and Cargo Carrier Operating Agreements (the "2010 Signatory Cargo Airline Agreements" and together with the 2010 Signatory Passenger Airline Agreements, the "2010 Signatory Airline Agreements"). The 2010 Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. Airlines that have executed the 2010 Signatory Passenger Airline Agreements and their operating affiliates (together, the "2010 Signatory Airlines") account for more than 99% of enplaned passengers at the Airport in fiscal year 2014, and all but two of the all-cargo carriers that currently operate at the Airport have signed the 2010 Signatory Cargo Airline Agreements.

The 2010 Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas and certain cargo and other facilities and permit the 2010 Signatory Airlines to lease Exclusive Space, Preferential Space and Shared Space. Exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space and baggage service area space; and Preferential Space is Airport space, including aircraft loading bridges and/or other aircraft support equipment, leased to the 2010 Signatory Airline and to which the 2010 Signatory Airline has a higher and continuous priority of use over all other air carriers and concessionaires. Shared Space includes some baggage make-up areas, corridors and ticket offices; and Common Use Space includes Port-controlled ticket counter, ticket office, equipment, kiosks and gates the Port has not leased.

Passenger airlines and cargo carriers operating at the Airport that are not 2010 Signatory Airlines or affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the "Non-Signatory Ordinances"), which do not benefit from the revenue sharing described below and reflect a 25% premium over the rates and charges established in the 2010 Airline Agreements.

The 2010 and 2015 Signatory Airline Agreements. The 2010 Airline Agreements, which are scheduled to expire on June 30, 2015, were amended and restated as of May 2014. The Amended and Restated Signatory Passenger Lease and Operating Agreements, which are binding upon signing and take effect on July 1, 2015 (the "2015 Signatory Airline Agreements" and together with the 2010 Airline Agreements, the "Airline Agreements"), were approved by the 2010 Signatory Airlines pursuant to the Majority-In-Interest amendment approval process described below. As of February 1, 2015, six passenger airlines, Alaska Airlines, Delta Air Lines, Hawaiian Airlines, Southwest Airlines, Spirit Airlines and United Airlines, and six of the eight all-cargo carriers (representing 86.7% of enplaned passengers and 88.1% of total landed weight during the first seven months of fiscal year 2015) have signed 2015 Signatory Airline Agreements. After June 30, 2015, airlines that elect not to sign the 2015 Signatory Airline Agreement would use the Airport as a Non-Signatory Airline in accordance with Ordinance No 433-R. The 2015 Signatory Airline Agreements are scheduled to expire on June 30, 2025 unless terminated earlier by the Port because of an event of default or because termination is required by law.

The 2010 Signatory Airlines and airlines that sign the 2015 Signatory Airline Agreement are referred collectively in this Official Statement as the "Signatory Airlines." As was the case with the 2010 Signatory Agreements, the Signatory Airlines have no right to terminate their 2015 Airline Agreements, but each Signatory Airline does have a right as of July 1, 2015 and again on July 1, 2020, with six months' notice, to reduce its Exclusive Space, Preferential Space and/or Shared Space (as defined in the Airline Agreement) by up to 25% (but in the case of a reduction in 2015, so long as the Signatory Airline continues to lease at least 100 square feet of Exclusive Space for the entire term of the 2015 Agreement and gives notice of such a reduction by January 1, 2015).

Residual Rate-Setting Methodology for the Airline Cost Center. The 2010 Airline Agreement and the 2015 Airline Agreement each provides that the Agreement is residual in that the Signatory Airlines are obligated in connection with the Airline Cost Center to (a) discharge all claims, obligations and indebtedness payable from the Airport Revenues allocated to the Airline Cost Center; and (b) produce Net Revenues in each fiscal year sufficient to comply with the minimum rate covenant in the Airport Revenue Bond Ordinances, and to comply with the earnings test required under the Airport Revenue Bond Ordinances for the issuance of any additional bonds applicable to the Airfield Cost Center and Terminal Cost Center.

The Airline Agreements also provide that all Terminal Rents, Landing Fees, other rents, charges, fees, fines, costs, reimbursements, penalties, taxes, late charges, liquidated damages and interest of all types (in the Airline Agreements, collectively referred to as "Rent") are subject to adjustment to meet those requirements. In addition, following the end of each fiscal year, Rents are recalculated using audited financial information and adjusted if necessary, and any underpayments are payable by the Airlines within 30 days after an invoice is received and any overpayments refunded to the Airlines by the Port within 30 days after its determination. See Section 4.2 in Appendix A.

Landing Fees. Landing fees are calculated by multiplying the then-current Landing Fees rate by the Revenue Landed Weight. The Landing Fees rate is calculated by allocating the Airfield Net Requirement (the annual sum of all expenses and fees, including Debt Service Coverage, allocated to the Airfield, minus all Offsetting Revenues, including all Revenues other than the Landing Fees of Signatory

Airlines) between Signatory Airlines and Non-Signatory Airlines, based upon landed weight, with the Non-Signatory landed weight being increased by 25%. As described below, the allocated Signatory Net Requirement is then reduced by Revenue Sharing allocated to the Airfield. The Signatory Landing Fee rate is the reduced allocated Net Requirement divided by Signatory landed weight, and the Non-Signatory Landing Fee rate is the allocated Non-Signatory Net Requirement divided by Non-Signatory landed weight.

Terminal Rents. The Terminal includes the passenger Terminal building and concourse areas; the access roadways and associated sidewalks immediately adjacent to the Terminal; the public area (including the concourse corridors and connectors, the concession areas, ticket lobby and non-rentable areas); the Aircraft Apron; and the security screening areas. The Airline Agreements provide that when calculating Rents allocable to the access roadways that are part of the Terminal Cost Center, the Terminal Cost Center pays 100% of the capital costs of the roadways, the Port Cost Center pays 100% of the O&M Expenses and the Port Cost Center receives 100% of the concession revenues.

Terminal Rents for Terminal Space are determined by allocating the Terminal Net Requirement to different categories of Signatory Space, Baggage Claim Areas, Common Use Ticket Offices and Non-Signatory Space. Except in the case of Terminal roadways, the Terminal Net Requirement includes the sum of total annual Direct and Indirect O&M Expenses and Direct and Indirect Debt Service and Debt Service Coverage allocated to the Terminal Cost Center (collectively, the "Terminal Requirement"), less direct and indirect Non-Airline Revenues allocated to the Terminal Cost Center, interest income allocated to the Terminal from the Airport Fund, and loading bridge fees, baggage conveyor system fees, International Arrivals Facility ("IAF") fees, Common Use Space and other fees, aircraft apron fees, other fees and other Terminal Rents. The Terminal Net Requirement allocated to Signatory Space is then reduced by 50% of Revenue Sharing allocated to the Terminal as described below.

Revenue Sharing. The Airline Agreements include a formula for sharing Port Cost Center Revenues, subject to certain conditions, with the Signatory Airlines during the term of the Airline Agreements. The Port agreed that over the five-year term of the 2010 Signatory Airline Agreements, the Port would share with the Signatory Airlines Port Cost Center Revenues totaling $30 million (up to $6 million per fiscal year), subject to certain conditions. Similarly, in the 2015 Signatory Airline Agreement the Port agreed to share $60 million of Port Cost Center Revenue, in annual installments of $6 million, subject to any adjustments, offsets or reductions, including reductions if actual O&M Expenses are less than the targets set forth in the 2015 Airline Agreement. Under both Airline Agreements, Revenue Sharing is allocated between the Terminal and the Airfield in proportion to the net requirement of those cost centers before revenue sharing, and in the Terminal is allocated 50% to offset Terminal rental rates and 50% to offset baggage claim area rates. Both Airline Agreements also allow for additional revenue sharing if the Airport SLB debt service coverage ratio (Airport net revenue divided by debt service on Airport revenue bonds) exceeds 1.75, of up to 50% of net revenues above any Airport coverage ratio of less than 2.00 and permit reduced Revenue sharing if the Port reduces actual Operation and Maintenance Costs (O&M Expenses in the Airline Agreements) below its Operation and Maintenance Cost targets. See "Chapter 4" in Appendix A.

Fee Waivers. As described in Appendix A, both Airline Agreements permit the Port to offer fee waivers and marketing and other incentives for up to one year to any air carrier that provides new scheduled, non-stop passenger or cargo service from Portland to an unserved domestic or international market specified by the Port in the United States, Europe, Asia, Mexico or Canada. Any extensions, enhancements or additions to the fee waiver program specified in the Airline Agreements would be subject to the majority-in-interest disapproval process applicable to capital improvement projects.

Signatory Airline MII Process for Capital Improvement Projects and Agreement Amendments. In the Airline Agreements, the Port and the Signatory Airlines agreed to a process in which a Majority-in-Interest (an "MII") of more than 75% of eligible Signatory Airlines that account for more than 75% of total Rents may disapprove Airport capital improvement projects in an Airline Supported Area and additional fee waivers and, as described below, an MII of more than 66% is required to approve certain amendments to the Airline Agreements.

Capital Improvements. The Airline Agreements provide that if the capital improvement impacts only the Terminal Cost Center, the MII will be more than 75% in number of Signatory Passenger Airlines and more than 75% of the total of Terminal Rents paid for Signatory Airline Space and that if the capital improvement impacts only the Airfield Cost Center, the MII will be based upon more than 75% of the number of Signatory Airlines and more than 75% of the total Signatory Landing Fees.

Some projects are not subject to the MII disapproval process, including capital projects funded with Debt Service Coverage or in another manner that does not directly impact the Airline rate base; public safety projects required by federal or State law; costs to repair casualty damage for which insurance proceeds are not available or are insufficient; projects required to ensure compliance with lawful federal or state law or that are required under the terms of federal or state grants or litigation settlements; improvements of an emergency nature or to cleanup property following a hazardous substance release; and facilities for a new or expanding carrier are not subject to the Airline MII disapproval process.

In general, other than the projects described above and projects financed with debt service coverage or in another manner that does not directly impact the Airline rate base, 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 the event of an MII disapproval, the Port has the option under the Airline Agreements to convene a meeting with the Airline Affairs Committee to address questions, ask that the disapproval be withdrawn or request that another approval vote be taken. If an MII of impacted Signatory Airlines agrees in writing to withdraw the disapproval, the Port may proceed with the capital improvement. The Airline Agreement also provides that the Port may not commence construction on any capital improvement project that received Signatory Airline approval under the MII process if the estimate later exceeds 110% of the initial, approved 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. See Section 4.3 in Appendix A.

The Airline Agreements also require the Port to allocate 100% of the Debt Service Coverage generated by the Airlines to fund capital improvements in the Airline Supported Areas or to fund the Airlines' allocated portions of capital improvements in the Indirect Cost Centers. See Chapter 4 in Appendix A.

Agreement Amendments. The Airline Agreements require a 66% MII process to approve amendments to the Airline Agreements if the amendment will have a materially adverse impact on any of the Signatory Airlines (other than Signatory Airlines that at the time the ballot is mailed to the Signatory Airlines have no scheduled service at the Airport). The Airline Agreements provide that if the amendment affects only the Terminal Cost Center, the MII will be based on approval by more than 66% of the Signatory Passenger Airlines whose combined Terminal Rents for Signatory Airline Space and Common Use Gates used in connection with the IAF total more than 66% of the total such Rents. If the amendment impacts only the Airfield Cost Center, the MII approval is to be by more than 66% of Signatory Passenger and Signatory Cargo Airlines or by those Signatory Airlines whose combined landed weights account for more than 66% of total Signatory Landed Weight over the preceding 12-month period. The Airline Agreements provide that if the amendment could impact both the Terminal Cost

Center and the Airfield Cost Center, the MII would be based on approval by more than 66% of the number of Signatory Passenger and Cargo Airlines or approval by those Signatory Airlines whose combined Terminal Rents and Signatory Handling Fees total more than 66% of the combined Signatory Terminal Rents and Signatory Landing Fees.

Other Business and Operating Agreements

Terminal Concession Agreements. The Port has concession lease agreements with other entities that operate, provide services or occupy space in the Airport Terminal, including food-court restaurants, casual dining bars and cafes, full-service restaurants, holistic spa, full service barber shop, bank ATMs, newsstands, retail shops, passenger services, such as Mail Safe and Smarte Carte, and display advertising. Parties to most of the current concession lease agreements pay concession rent of between 8% and 16% of monthly gross receipts (20% of gross receipts in the case of the newly opened, pre-security food-cart program leases) with a minimum annual guarantee (a "MAG") equal to 80% of the prior year's rent. The Port has agreed in each of the concession lease agreements that the MAG may be reduced temporarily because of construction impacts or because of a drop of 15% or more in enplanements at the Airport or at the applicable concourse. Although the Port charges the concessionaires for employee parking ($35/month for each employee), with the exception of natural gas, historically the Port has not passed through or charged concessionaires for utility costs.

Between the end of calendar year 2014 and the end of calendar year 2017, approximately 75% of the Port's Terminal concession leases are scheduled to expire. The Port is coordinating its program to renovate, reconfigure and expand its existing concession spaces and develop new spaces, part of the Terminal CIP, with its multi-concession procurement programs to renew or replace expiring concession lease agreements. Metering the concession spaces for utility usage is part of the Port's current CIP and will enable the Port to recover utility costs in each of the new concession lease agreements. Concession revenues are taken into account in calculating terminal rents under the Airline Agreements. See Section 4.3 in Appendix A.

Rental Car Agreements. Nine rental car companies provide service at the Airport: five provide on-Airport service counters and vehicles (Avis, National, Dollar, Enterprise and Hertz), three provide on-Airport service from kiosks in the short-term garage and have passenger pick-up and drop-off facilities located off-Airport (Alamo, Budget and Thrifty) and one (Airport Van Rental) provides only passenger pick-up and drop-off service to facilities located off-Airport. The Port collects concession fees for the right to operate a rental car concession at the Airport, pursuant to Ordinance No 439-R in the case of Airport Van Rental, the off-Airport rental car company, and pursuant to concession lease and operating agreements in the case of the other rental car companies. All of the rental car companies are required to collect CFCs on behalf of the Port, to hold CFC moneys in trust and to remit CFCs (whether actually collected or not) on a monthly basis.

Alamo, Budget and Thrifty (referred to in the agreements as "Limited Service Concessionaires") have kiosk concession and lease agreements that expire on August 31, 2016 and pay concession fees equal to the greater of 10% of gross receipts (referred to as "Percentage Rent") or the MAG specified in the agreements. The five companies that provide vehicles in the garages as well as at the quick turnaround area are parties to rental car concession lease and operating agreements that provide for concession fees equal to the greater of 10% of gross receipts or a MAG of 85% of the previous year's concession fee payment. On-Airport companies also lease administrative and vehicle maintenance and storage facilities pursuant to separate, per-square-foot facilities leases. All of the agreements with on-Airport concessionaires expire August 31, 2016.

Parking. The Port contracts with SP Plus Corporation, a parking management company, to operate the Port's on-Airport automobile parking facilities (other than the facilities used by rental car companies), including the automatic payment and revenue systems and valet and automobile detailing services; the shuttle bus system, including round-the-clock shuttle bus services; and the two-level, eight-lane commercial roadways, pursuant to a four-year Landside Management Agreement that unless earlier terminated by the Port, is scheduled to expire on June 30, 2018, subject to optional extensions for up to four years. Under the Landside Management Agreement, the Port reimburses the operator monthly for direct costs and also pays a fixed, annual fee, subject to adjustment if reimbursable costs vary above or below the operating budget by 25% or more. See Section 4.3 in Appendix A.

Airport Workplace Initiative. Although most of the approximately 10,000 people who work at the Airport are employed by Airport tenants, concessionaires and other companies, not by the Port, Port leadership is developing a workplace initiative designed, among other things, to enhance working conditions and opportunities at the Airport, including programs to enhance career development opportunities, to provide clear safety, training and equipment standards, to standardize operating contracts, selection criteria and other procurement and permitting processes and to monitor and enhance best practice requirements for third-party contracts and service providers. The Port is in the process of drafting specific actions, in collaboration with various stakeholder groups, and soliciting feedback.

Historical Operating Results

The financial data set forth in Table 11 and under the heading "Management's Discussion of Results" is derived from the Airport's financial records, which comprise the Airport segment presented in the Port's audited financial statements. The financial data is presented to inform investors of the Airport's historical financial performance that is applicable to the SLBs, including the Series Twenty-Three Bonds. The presentation of net income in Table 11 includes certain adjustments, referred to as "Reconciling Items", that are not in accordance with generally accepted accounting principles ("GAAP") but that are made to calculate net income as required by certain covenants in the Airport Revenue Bond Ordinances. The presentation of non-GAAP net income is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other issuers.

The financial data set forth in Table 11 should be read in conjunction with "Management's Discussion of Results" immediately following Table 11 and in conjunction with the Port's audited financial statements and related notes included in Appendix B of this Official Statement. For financial reporting purposes, the Port is considered to be an enterprise similar to a commercial entity. Accordingly, the financial statements included in Appendix B 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 the Airport conform to GAAP as applicable to proprietary funds of local governments.

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TABLE 11
HISTORICAL FINANCIAL PERFORMANCE
FY 2011–2014
($000s)

	Fiscal Year Ended June 30,			
OPERATING STATEMENT DATA:	**2014**	**2013**	**2012**	**2011**
Operating revenues:				
Airline revenues	$90,823	$85,702	$87,257	$87,115
Terminal concessions	12,864	11,794	10,289	9,646
Parking [1]	53,426	48,815	45,627	43,475
Rental cars	18,577	18,091	16,568	13,546
Other	23,466	22,364	21,575	19,660
Total operating revenues	199,156	186,766	181,316	173,442
Interest income - revenue fund and revenue bond fund	961	400	571	883
Total Revenues	200,118	187,166	181,887	174,325
Costs of Operation and Maintenance, excluding depreciation				
Salaries, wages and fringe benefits	41,718	39,617	38,748	36,428
Contract, professional and consulting services	31,234	28,401	25,921	24,178
Materials and supplies	4,792	3,593	3,727	3,505
Utilities	7,909	6,949	7,104	6,397
Equipment rents, repair and fuel	1,404	1,325	1,458	973
Insurance	1,533	1,597	1,746	2,040
Rent	(13)	7	(2)	8
Travel and management expense	1,065	1,034	986	1,006
Allocation of general and administration expense of the Port	19,276	17,083	16,545	15,674
Other	2,998	1,209	2,855	3,457
Total Costs of Operation and Maintenance	111,916	100,815	99,088	93,666
Net Revenues, as defined by Section 2(r) of Ordinance No. 155	$88,202	$86,351	$82,799	$80,659
Depreciation	78,938	80,413	71,489	63,152
Other income (expense):				
Interest income – excluding revenue fund and revenue bond fund	1,133	3,993	771	830
Interest expense – net	(25,250)	(29,431)	(28,712)	(28,853)
Passenger facility charges	30,907	29,339	27,686	26,988
Customer facility charges[2]	5,646	-	-	-
Other, Net	(4,239)	(6,672)	(4,925)	(6,430)
Total other income (expense)	8,197	(2,771)	(5,180)	(7,465)
Reconciling items: [3]				
Airport allocation of pension bond interest	3,109	2,976	2,848	2,730
Pension asset amortization[4]	(284)	(143)	12	98
Net income [5]	$20,285	$6,000	$8,990	$12,870
BALANCE SHEET DATA:				
Airport net position [5]	$785,534	$769,388	$740,431	$701,848

[1] The Port increased long-term rates by $2.00/day in October 2012 and by $3.00/day in April 2014.
[2] The CFC program began on January 15, 2014. Beginning in fiscal year 2015, CFCs are excluded from "Revenues" under the Airport Revenue Bond Ordinances.
[3] Items treated differently under GAAP than under the Airport Revenue Bond Ordinances.
[4] The Port issued limited tax pension obligations in 2002 and 2005, payable from the Port's Marine and Other Revenues, to fund a portion of its share of the estimated PERS unfunded actuarial accrued liability. See Notes 6 and 8 in Appendix B and Appendix D.
[5] The Port's financial data for the fiscal year ended June 30, 2014 includes the required retrospective implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which no longer permits debt issuance costs to be classified as an asset and instead requires that they be expensed in the year incurred. See Note 1 in Appendix B. In addition, call premiums from refunding debt have been reclassified to deferred outflows of resources from assets. The effect of adoption of GASB 65 for the preliminary operating statement financial data for the year ended June 30, 2014 was not material. The adoption of GASB 65 had no effect on Net Revenues as defined by Section 2(r) of Ordinance 155. The historical operating results presented in Table 11 for periods prior to June 30, 2014 are not retrospectively restated for the implementation of GASB 65. Accordingly, the results for the year ended June 30, 2014 are not comparable to all prior years presented.

Source: Extracted by the Port from its audited financial statements.

Management's Discussion of Results

Revenues. Total operating revenues increased 6.6% from $186.8 million in fiscal year 2013 to $199.2 million in fiscal year 2014, due primarily to increases in airline, concession, rental car and parking revenues. Airline revenues increased approximately 6.0% from fiscal year 2013 to fiscal year 2014, primarily due to the Airline share of increased Costs of Operation and Maintenance resulting from increased salaries, wages, and fringe benefits for direct Airport employees as well as corporate overhead; City of Portland off-site storm water fees; costs associated with snow and ice events; terminal studies; and costs associated with an environmental cleanup obligation. Revenue from terminal concessions increased approximately 9.1% from fiscal year 2013 to fiscal year 2014 as a result of higher sales due to increased passenger volumes. Parking revenues increased 9.4% from fiscal year 2013 to FY 2014 due to a mid-year parking rate increase, combined with record passenger counts. Other revenues increased 4.9% from FY 2013 to fiscal year 2014 because of higher non-airline rents. In fiscal year 2011 through fiscal year 2013, total operating revenues increased 7.7%, from $173.4 million to $186.8 million. Airline revenues decreased $1.4 million, or 1.6%, primarily due to higher off-setting terminal concession revenues and increased revenue sharing from the Port Cost Center. During the same period, terminal concessions and parking revenues increased 22.3% and 12.3%, respectively, as a result of increased passenger volumes. Rental car revenues increased 33.6% during the same time as a result of a new operating agreement as well as increased passengers. Other revenues increased 13.7% from $19.7 million in fiscal year 2011 to $22.4 million in fiscal year 2013 due to higher non-airline rents, including cargo facilities, terminal, and rental car facility rents.

Expenses. Total Costs of Operation and Maintenance increased 11.6% from $100.8 million in fiscal year 2013 to $111.9 million in fiscal year 2014, largely driven by increased salaries, wages, and fringe benefits for direct Airport employees as well as corporate overhead; City of Portland off-site storm water fees; costs associated with snow and ice events; terminal studies; and costs associated with an environmental cleanup obligation. In fiscal year 2011 through fiscal year 2013, total Costs of Operation and Maintenance increased 7.6% from $93.7 million to $100.8 million, primarily attributable to salary, wage, and fringe benefits; long-range master planning; and corporate overhead expense.

Net Revenues. Net Revenues increased from $86.4 million in fiscal year 2013 to $88.2 million in fiscal year 2014, primarily due to higher parking revenues. In fiscal year 2011 through fiscal year 2013, Net Revenues increased from $80.7 million to $86.4 million, as a result of increased parking, rental car, and Other revenues, along with increased Costs of Operation and Maintenance. Net Revenues exceeded 130% of the Debt Service Requirement in each fiscal year. See Table 12 below and the audited financial statements of the Port for the fiscal year ended June 30, 2014 in Appendix B.

Airport Net Position. Airport net position increased by $16.1 million in fiscal year 2014, reflecting net income, capital grants from the federal government, and transfers to general aviation as well as the impact of implementation of GASB No. 65 (as outlined in footnote 5 to Table 11). CFCs are not included as "Revenues." Airport net position increased from $701.8 million at the end of fiscal year 2011 to $769.4 million at the end of fiscal year 2013, 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, rounded to the nearest dollar, are set forth in Table 12.

TABLE 12
SLB DEBT SERVICE SCHEDULE

Fiscal Year Ending June 30[1]	Outstanding SLB Debt Service[2] [3][4]	Series Twenty-Three Bonds Debt Service			Total SLB Debt Service[2][4]
	Total	Principal	Interest	Total	
2015	$ 44,296,467	-	$ 1,383,200	$ 1,383,200	$ 45,679,667
2016	44,694,325	-	5,472,000	5,472,000	50,166,325
2017	43,706,929	-	5,472,000	5,472,000	49,178,929
2018	40,334,727	$ 3,065,000	5,472,000	8,537,000	48,871,727
2019	35,692,815	3,215,000	5,318,750	8,533,750	44,226,565
2020	35,636,555	3,380,000	5,158,000	8,538,000	44,174,555
2021	35,624,916	3,545,000	4,989,000	8,534,000	44,158,916
2022	31,372,690	3,720,000	4,811,750	8,531,750	39,904,440
2023	31,367,800	3,910,000	4,625,750	8,535,750	39,903,550
2024	24,986,239	4,110,000	4,430,250	8,540,250	33,526,489
2025	24,975,542	4,310,000	4,224,750	8,534,750	33,510,292
2026	23,824,971	4,525,000	4,009,250	8,534,250	32,359,221
2027	16,705,750	4,750,000	3,783,000	8,533,000	25,238,750
2028	16,703,350	4,990,000	3,545,500	8,535,500	25,238,850
2029	8,344,100	5,240,000	3,296,000	8,536,000	16,880,100
2030	8,339,800	5,505,000	3,034,000	8,539,000	16,878,800
2031	8,341,450	5,780,000	2,758,750	8,538,750	16,880,200
2032	8,339,975	6,065,000	2,469,750	8,534,750	16,874,725
2033	8,338,200	6,370,000	2,166,500	8,536,500	16,874,700
2034	8,335,625	6,685,000	1,848,000	8,533,000	16,868,625
2035	8,336,750	7,025,000	1,513,750	8,538,750	16,875,500
2036	8,335,863	7,380,000	1,162,500	8,542,500	16,878,363
2037	8,342,500	7,745,000	793,500	8,538,500	16,881,000
2038	8,340,700	8,125,000	406,250	8,531,250	16,871,950
2039	8,340,213	-	-	-	8,340,213
2040	8,340,288	-	-	-	8,340,288
2041	6,260,250	-	-	-	6,260,250
2042	6,262,750	-	-	-	6,262,750
2043	6,262,250	-	-	-	6,262,250
2044	6,263,250	-	-	-	6,263,250
Total	$ 575,047,037	$ 109,440,000	$ 82,144,200	$ 191,584,200	$ 766,631,237

* Amounts may not add due to rounding.
[1] Payments due on July 1 are shown as being made in the prior fiscal year.
[2] Approximately $90.9 million aggregate principal amount of the Series Eighteen Bonds is assumed to bear interest at 4.94% per annum and $9.6 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 $2.0 million is assumed to bear interest at 6.00% per annum. See "Other Airport Obligations—Interest Rate Swaps."
[3] Excludes the Series Nineteen Refunded Bonds and the Series Twenty-Three Bonds.
[4] Net of Series Twenty-Two capitalized interest.
Source: Port records.

Historical Debt Service Coverage

A summary of the debt service coverage for fiscal years 2011 through 2014 is set forth in Table 13. See Chapter 4 and Exhibit I in Appendix A.

TABLE 13
HISTORICAL DEBT SERVICE COVERAGE
FY 2011–2014

Fiscal Year Ended June 30	Net Revenue[1] ($000s)	SLB Debt Service Requirement[2] ($000s)	Coverage Ratio
2011	$ 80,608	$ 48,594	1.66
2012	82,776	48,056	1.72
2013	86,316	48,387	1.78
2014	88,181	46,985	1.88

(1) Excludes Revenue Bond Fund interest income.
(2) Excludes Series Twenty-Two Bonds, issued during FY 2015, and excludes Series Twenty-Three Bonds. Includes Series Nineteen Bonds.
Source: The Port.

Investment of Funds

The Port has adopted an investment policy (the "Investment Policy") that governs investment of funds including those that 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 with the Port's primary investment objective of preservation of capital.

The Port's current Investment Policy, which is reviewed annually and was readopted by the Board on October 8, 2014, permits investments in U.S. Treasury bills and notes, general obligations of U.S. agencies and instrumentalities and of U.S.-sponsored enterprises, municipal debt obligations, corporate indebtedness, certain time certificates of deposit and bankers acceptances and certain repurchase agreements that have terms of 30 days or less. Yield-restricted funds may be invested in certain municipal bonds, and Port funds also may be invested in the Oregon Short Term Fund up to limits established by State statute (currently $46,364,262). 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 in Appendix B.

Pension and Other Post-Retirement Benefit Plans

The Port is a participating employer in the state-wide Oregon Public Employees' Retirement System ("PERS"). Information about PERS and about other post-retirement benefits is included in Appendix D and in Notes 8 and 9 in Appendix B. As described in Appendix D, contribution rates for the various PERS pension programs are based upon actuarial valuation reports for PERS as of December 31 of odd-numbered years. For fiscal year 2014, the Port contributed approximately $8.9 million to fund its PERS obligations and for fiscal year 2015, has budgeted contributions totally approximately $9.68 million. Employer contribution rates for fiscal year 2016 and 2017 were adopted on September 26, 2014, based upon the valuation report for PERS as of December 31, 2013. As noted in Appendix D, fiscal year

2016 and 2017 contribution rates increased, and the Port expects that employer contribution rates will continue to increase.

For fiscal year 2014, the Port contributed approximately $575,000 to fund its other post-employment benefit obligations. See Appendix D and Note 9 in Appendix B.

Other Airport Matters

Labor Relations. During fiscal year 2014, the Port employed approximately 765 full-time-equivalent employees ("FTEs") in a variety of work categories and for fiscal year 2015 has budgeted for a total of 789.3 FTEs. An FTE represents 2,080 hours of work annually. Of the total number of FTEs at the Port, approximately 362 are employed at the Airport. At the Airport, four unions collectively represent approximately 210 of the Port's Airport employees. The collective bargaining agreement with one of the unions representing Airport employees expired on June 30, 2014, although the terms and conditions continue under state law until a successor agreement is reached. Negotiations are currently in the mediation stage. The collective bargaining agreements with the other three unions representing Airport employees expire during the period from June 30, 2015 through June 30, 2017. At the Airport, there have been no strikes or other labor-related disruptions directed against the Port.

Business Continuity and Risk Management Programs. The Port has a business continuity program and a comprehensive, professionally administered risk management program. This program uses a combination of self-insurance (up to $1.0 million) 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 $1.0 billion per occurrence, including flood coverage up to $220 million per occurrence and currently includes earthquake coverage up to $100 million per occurrence. In future years, earthquake coverage may not be obtainable at commercially reasonable prices or at all. Airport liability insurance, including in the event of terrorism at the Airport, currently 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 the 2009 Legislative Assembly to increase the liability limits for public bodies and to impose an annual cost of living increase on the limits.

Effective July 1, 2014, 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 $666,700. The liability limits for multiple claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence has increased 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 for multiple 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.

Effective July 1, 2014, 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 occurring before July 1, 2015 is limited as follows: (a) $109,400, adjusted as described below, to any single claimant, and (b) $546,800, adjusted as described below, for multiple claimants. These liability limits are subject to annual 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.

City of Portland Stormwater Fees. Until July 1, 2013, the Port, as a property owner within the Multnomah County Drainage District (the "Drainage District"), paid stormwater management fees annually via the Multnomah County property tax bills for its Airport properties. For FY 2013, the Airport paid approximately $1.2 million in stormwater management fees with approximately $1.0 million covering the on-site management services provided by the Drainage District and approximately $0.2 million covering off-site management services provided by the City. The off-site fee component has historically been discounted to a rate well below that paid by landowners outside the Drainage District. Beginning in July 2013 (fiscal year 2014), the fees charged to the Port and to other Drainage District property owners started to escalate over a four-year period to reach the same level as out-of-Drainage District fees. The annual fee at the end of the four-year ramp-up period is estimated to be approximately $4.4 million. The stormwater fees are recoverable by the Port through airline rates and charges (amounting to approximately $0.50 per enplaned passenger) and the Port Cost Center net revenues from sources such as parking and rental cars. The airlines serving the Airport are exploring a legal challenge through the FAA and U.S. Department of Transportation of the City's offsite fees, arguing that the Airport and the airlines do not receive any direct benefit for the stormwater service fees they are charged and asserting that paying the fees is a violation of the FAA's airport revenue use policy described below. The airlines are paying the fee under protest to the City. Additionally, the ORANG, which is co-located at the Airport, has not been paying the City's offsite stormwater charges they are being billed, arguing that they do not have authority to do so under specific language in the Clean Water Act that addresses Department of Defense facilities and service fees. Neither the airline challenge nor the ORANG challenge is resolved at this time.

Airport Regulation

The Port operates the Airport pursuant to an Airport Operating Certificate issued annually by the FAA following an on-site review. In addition to this Operating Certificate, the Airport is required to obtain approval, and/or to comply with, other regulatory requirements, including airport sponsor assurances made as a condition to receiving funds from the FAA's Airport Improvement 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 and any revenues generated from sales of aviation fuel and the Port's use of PFC revenue and grant proceeds are subject to FAA regulation, review and audit. An airport's violation of any of the applicable statutes and regulations or of any assurances the Airport provides as a condition of receiving federal grants can result in, among other things, an obligation to return grant funds and/or a loss of grant eligibility and eligibility to impose a PFC and to use PFC revenue.

Rates and Charges and Revenue Use 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 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, other federal statutes and FAA regulations also require 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 2010 or 2015 Signatory Airline Agreements are in effect, the fee-challenge provisions of the FAA Act under most circumstances will not affect the airline rates, fees and charges set by the Port. Airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Port Ordinance No. 433-R, which reflect a premium added to the rates and charges established in the Signatory Airline Agreements.

Federal and State Noise Regulation. State statutes and State Department of Environmental Quality ("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 approximately 30 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 four times with the latest update being completed and approved by the Federal Aviation Administration in July 2010. 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 the Airport Noise and Capacity Act of 1990 ("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.

The Airport is also regulated by the federal Environmental Protection Agency (the "EPA") and by 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."

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 cleanup efforts in the notes to its financial statements. See Notes 1 and 11 in Appendix B.

Columbia Slough. All non-deicing-related drainage from the Airport ultimately flows and has historically flowed to the Columbia Slough, which borders the Airport on the south. Investigations performed by the 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 or to participate in long-term monitoring. It is unknown what the likely costs would be to respond to DEQ's assertion that Port activities impacted the Columbia Slough or to perform an investigation of any such impacts.

McBride Slough. Stormwater from the Terminal and surrounding areas within a stormwater basin known as Basin 7 has historically drained to the McBride Slough, which is located at the southeast corner of the Airport. The McBride Slough ultimately drains to the Columbia Slough via a culvert. Contaminants carried in the stormwater have, over time, been deposited in McBride Slough sediments. Effective July 3, 2012, the Port entered into a consent order with DEQ to conduct a remedial investigation, feasibility study and source control evaluation associated with McBride Slough. Although the consent order obligates the Port to fund the investigation and remedy selection phases of the cleanup, it does not obligate the Port to perform any selected cleanup. Nonetheless, it is likely that the Port will be liable to perform any McBride Slough sediment cleanup associated with historical impacts from Basin 7. The anticipated cost to perform the investigation and cleanup is currently estimated to be up to $6 million, 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 recently concluded a multi-year effort called "Airport Futures" that resulted in an update to the Airport master plan and land use zoning. See

"Airport Master Plan." This process resulted in more flexibility for the Airport to manage and develop its land in exchange for enhancing and mitigating natural resource features. The obligations of the Airport are documented in a 25-year agreement dated March 2011 adopted by the Port and the City of Portland. Those obligations include zoning and mitigation of upland grasslands and watershed enhancement measures. The total estimated costs to Airport over the 25-year period range from $2.6 million to $5.1 million.

Columbia Corridor Flood Control and Levee System Re-Accreditation by the Federal Emergency Management Agency (FEMA). The four contiguous flood control/drainage districts along the south shore of the Columbia River in Multnomah County Oregon manage the operations and maintenance of the critical infrastructure (levees, drainage conveyances, pumps) that allows for the land behind the levees to be designated outside the 1% change annual flood hazard area so that property owners may benefit from the FEMA-administered National Flood Insurance Program (NFIP). The Port owns significant assets in these districts. To maintain standing in the NFIP, the system needs to be certified by engineers as meeting post-Katrina design and operations and maintenance standards, and then be accredited by FEMA. To accomplish this, the system must first be evaluated by engineers, any deficiencies remediated, the system certified by engineers, then an application for accreditation made to and approved by FEMA. The most western two of the four districts (Peninsula Drainage District 1 and Peninsula Drainage District 2) have lost their certification (not accreditation) and are in the process of being evaluated by engineers. The Port owns 11% of the land in PEN 1, and less than 1% of the land in PEN 2. Until the engineering evaluation is complete (Fall 2015), remediation cost estimates are uncertain. The other two drainage districts, Multnomah County Drainage District 1 (MCDD), and the Sandy Drainage Improvement Co (SDIC) are the locations, respectively, of the Portland International Airport, and of the port-owned Troutdale Airport/TRIP complex. The Port owns approximately 50% of the land in each of these two districts. The certifications for these districts expire in 2017. The engineering evaluation of these two districts will begin in Spring 2015. If re-accreditation costs were to be allocated on a per acre basis the Port would expect to pay approximately 20-25% of the total costs. However, recognizing that the entire region, not just local landowner behind the levees, benefit from this flood control system, the City of Portland, Multnomah County, the Port and other local, state, and federal jurisdictions and other stakeholders are working to define a more broad-based revenue generating mechanism to pay for this currently undefined reaccreditation cost, as well as ongoing O&M expenses. Before any credible engineering costs estimated are available, many in the community are using a working estimate of $150 million as the projected total cost for all four districts to gain certification and reaccreditation; this rough estimate is derived from the recent reaccreditation experiences of other drainage districts on the West Coast of the US.

Portwide Stormwater Master Plan. The Port expects that a stormwater master plan for all Port facilities except the General Aviation Airports will be complete by the end of fiscal year 2015. The objective of the master plan is to ensure that the stormwater infrastructure serving Port properties, including the Airport, has the capacity to meet future needs, has the structural integrity and useful life to meet those needs, and meets water quality requirements. One of the outputs of the plan will be a stormwater capital improvement program that will identify various capital projects to meet the objectives over the next 20 years. Most of those improvements will be integrated into already programmed capital projects. There will be some stand-alone stormwater features built under separate projects. The total cost of these stormwater improvements has not yet been estimated, but the costs of many of them are already estimated at a planning level and are being integrated into existing capital projects.

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.

In November 2014, the Port (including all aviation facilities and operations) received certification from its accredited auditor, Bureau Veritas (BV), that the Port's Environmental Management System conforms with the internationally recognized ISO 14001 Environmental Management System standard. One of the purposes of applying this management system at the Port is to identify environmental risks to the Port and to integrate those risks into Port decision-making, thereby identifying, avoiding and managing environmental liabilities.

Non-Airport Environmental Matters

The following environmental matters affect the Port but are not expected to result in liabilities that will be payable from Airport revenues. Although none of these matters may affect the Airport directly, they may impact the Port's General Fund entities, many of which pay rent to the Airport and/or share expenses with the Airport.

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, the DEQ is overseeing uplands investigations and cleanups adjacent to the river sediments Site. The Port and multiple other potentially responsible parties (the "PRPs") have executed and are implementing an EPA Settlement and Administrative Order on Consent to perform a remedial investigation and feasibility study of the Site. The Port also is 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. In July 2012, the natural resource trustees released a draft Restoration Plan and Programmatic Environmental Impact Statement for the Portland Harbor Superfund site as part of the 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 DEQ oversight. The Port expects the investigations to continue through fiscal year 2016.

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

The Port is pursuing other PRPs' contribution to and participation in the investigation, cleanup and natural resources damages assessment and restoration of Portland Harbor, primarily thorough alternative dispute resolution processes. See Note 11 in Appendix B.

No Litigation Relating to the Series Twenty-Three Bonds

As of the date of this Official Statement, management of the Port has not been notified and is not aware of any litigation, filed or threatened challenging the authority of the Port to issue the Series Twenty-Three Bonds or seeking to enjoin the issuance of the Series Twenty-Three 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 to be 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, occasionally the Port is a named defendant in legal actions the Port believes to be frivolous.

Labor Relations – Marine

Terminal 6. At Terminal 6, the Port's containerized cargo terminal, there is an ongoing dispute involving the Port, the Port's tenant at Terminal 6 (ICTSI Oregon, Inc.), the ILWU (longshore) and the IBEW (electricians that are Port employees) regarding which union has the right to perform certain work related to the monitoring, plugging and unplugging of refrigerated containers at Terminal 6. That issue is pending in proceedings before the National Labor Relations Board and the U.S. District Court for the District of Oregon. To date, all rulings have supported the Port's position that the Port has the right to control this work and to assign the work to its employees (members of IBEW).

In July 2014, the contract between the ILWU and the Pacific Maritime Association (the "PMA," a multi-employer bargaining association to which ICTSI belongs) expired. On February 20, 2015, the parties announced that they had reached a new agreement, subject to approval by PMA and ILWU members. Since July 2014, the movement of container cargo into and out of West Coast container terminals has slowed substantially, resulting in large backlogs and delays. The Port is not a member of the PMA and is not directly involved in the labor dispute, but ICTSI and several other tenants at the Port's marine terminals are PMA members.

In addition, Hanjin, the carrier responsible for approximately 80% of the current container volume at Terminal 6, and Hamburg SUD, which represented about 4% of the volume, recently announced that they would cease calling at Terminal 6.

ICTSI has a 25-year lease commitment with the Port. The Port plans to continue to work with ICTSI and other stakeholders to secure new direct service to and from Asia. Recruiting another transpacific carrier the size of Hanjin will be challenging, however, and the Port expects the process likely will take two to three years. In the meantime, the Port expects that shippers either will use another Portland carrier or ship through Puget Sound ports. The Port's marine business revenues, including revenues from the Port's lease with ICTSI, are separate from its Airport revenues and although difficulties in replacing Hanjin's business could adversely affect ICTSI's operations under its lease with the Port, the Port does not expect any adverse effect on the Airport or the Airport's financial condition.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant, which includes the Series Twenty-Two Report and the Series Twenty-Three Letter, is part of this Official Statement as Appendix A, and potential purchasers of the Series Twenty-Three Bonds should read the Report, in its entirety.

The Report of the Airport Consultant provides an overview of the economic base of the Air Service Area and of the primary economic and demographic variables (including population, personal income, gross regional and domestic product, employment, consumer prices and other economic conditions and events) nationally and in the Air Service Area that drive demand for passenger and cargo air transportation services and a forecast of such variables for fiscal years 2015 through 2021, the "forecast period." The Report describes air service at the Airport currently, identifies the primary factors that affect demand for air travel, including factors (such as costs and availability of jet fuel, other industry consolidation costs and national and Airport aviation security and capacity) that influence passenger and cargo airline profitability and decisions, and summarizes the Airport Consultant's forecast, and the assumptions behind the forecast, of air traffic, including passenger enplanements, aircraft operations and landed weights, at the Airport for the forecast period.

The Report also includes the Airport Consultant's review of existing Airport facilities and a review of the Port's capital improvement program and existing Port agreements and obligations. The Airport Consultant reviewed the financial forecasts provided by the Port and the assumptions made and methodologies used by the Port in preparing the forecasts and concluded that the Port's forecasts, assumptions and methodologies are reasonable for the purposes of financial planning and that Net Revenues in each year during the forecast period will be sufficient to satisfy the Port's rate covenant in the Airport Revenue Bond Ordinances and at the same time to maintain reasonable levels of passenger airline cost per enplaned passenger.

The Series Twenty-Two Report was prepared in conjunction with the issuance of the Series Twenty-Two Bonds. The Airport Consultant prepared the aviation activity forecasts included in the Series Twenty-Two Report along with underlying assumptions. The Port prepared the financial forecasts contained in the Series Twenty-Two Report. Those forecasts were reviewed by the Airport Consultant, including underlying assumptions and methodologies, and determined to be reasonable for the purposes of the financial feasibility analysis. In the preparation of its findings and conclusions, the Airport Consultant relied upon the accuracy and completeness of financial and other data provided to it by the referenced sources, without independent verification.

As noted in the Series Twenty-Three Letter, the Series Twenty-Two Report assumed higher annual debt service costs than are anticipated to be in place when the proposed Series Twenty-Three Bonds are issued. The Series Twenty-Two Report incorporated all outstanding debt service, estimates of future debt service associated with the Series Twenty-Two Bonds and estimates of debt service associated with bonds the Port expects to issue during the forecast period of fiscal years 2015 through 2021. At the time the Series Twenty-Two Report was issued, estimates of future annual debt service associated with the Series Twenty-Two Bonds were higher than the actual amounts. The higher estimates of annual debt service contained in the Series Twenty-Two report as compared to the actual annual debt service issued for the Series Twenty-Two Bonds ranged from approximately $1.2 million to $1.5 million annually over the forecast period of fiscal years 2015 to 2021. In addition, the Series Twenty-Two Report did not assume the proposed savings anticipated to be achieved through the refunding of a portion of the Series Nineteen Refunded Bonds.

In preparing the Series Twenty-Three Letter, Trillion Aviation reviewed the assumptions and factors contained in the Series Twenty-Two Report to determine that its findings at this time are still

materially valid in regards to the Port's ability to satisfy rate covenant requirements and obligations established by the Airport Revenue Bond Ordinances and to maintain reasonable levels of airline cost per enplaned passenger throughout the forecast period. Some of the conclusions set forth in the Series Twenty-Three Letter are summarized below.

- Certain key socioeconomic data available since the publication of the Series Twenty-Two Report continue to suggest that the Airport's Air Service Area is capable of generating demand for air travel services in line with, or better than, forecasts for air travel services during the forecast period.
- Aviation activity at the Airport continues to grow at a strong pace. For the first seven months of fiscal year 2015 (July 2014 through January 2015), enplaned passengers experienced growth of approximately 4.0 percent as compared with the same period in fiscal year 2014. The Series Twenty-Two Report assumed growth in enplaned passengers of approximately 2.0 percent for fiscal year 2015 as compared to fiscal year 2014. Therefore, enplaned passenger growth currently is outpacing that forecast in the Series Twenty-Two Report.
- Project costs for the Port's CIP have increased by approximately $183 million as compared to costs presented in the Series Twenty-Two Report. Approximately $168 million of this increase is attributed to the Airline Cost Center and approximately $15 million to the Port Cost Center.
- The Port currently anticipates issuing approximately $384 million of additional SLBs to fund its CIP. This is an additional $161 million of future bonds as compared to the amount of future bonds presented in the Series Twenty-Two Report. Given the currently planned timing of the CIP, the majority of the financial impact resulting from increased debt service is not forecast by the Port to be realized until after the end of the 2015-2021 forecast period. Trillion Aviation notes, however, that debt service associated with the additional SLBs will be payable as the Port's existing debt service requirements decrease and that there are no material impacts to the airline cost-per-enplanement or debt service coverage ratio forecasts as compared to the Series Twenty-Two Report for the 2015 through 2021 fiscal-year period.
- Trillion Aviation notes as well that the Port's current outstanding annual debt service costs beyond fiscal year 2021 are scheduled to decrease. For example, in fiscal year 2024 annual outstanding debt service is scheduled to be $34.1 million as compared to $44.7 million in fiscal year 2021, or a $10.6 million decrease. Therefore, annual debt service associated with future bond issues is currently planned to be issued as outstanding debt service is decreasing.
- Operation and Maintenance Expenses are currently forecast by the Port to increase at a compound annual growth rate ("CAGR") of approximately 4.5% over the forecast period of fiscal year 2015 to fiscal year 2021. The Port's forecast of O&M Expenses in the Series Twenty-Two Report included a CAGR of approximately 4.1% for this same period. As a result, total O&M Expenses are forecast to be approximately $3.3 million higher in fiscal year 2021 as compared to the Series Twenty-Two Report. Approximately $2.0 million of this increase is related to the higher stormwater fees described above.

Trillion Aviation notes that although it believes that the approach and assumptions are reasonable and provide an appropriate basis for the financial forecasts, any forecast is subject to uncertainties, that some assumptions used as basis of the forecasts will not be realized, that unanticipated events and circumstances may occur, that there are likely to be differences between the financial forecast and actual financial results and that those variations could be material. The Report of the Airport Consultant, including the Series Twenty-Three Letter, should be read in its entirety for an understanding of the forecasts and the 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 the Series Twenty-Three Letter.

TABLE 14
PROJECTED NET CASH FLOW AND DEBT SERVICE COVERAGE
FISCAL YEARS 2014-2021

	Actual	Budget	Forecast					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total revenues:								
Landing fee revenue	$ 35,749	$ 32,419	$ 35,829	$ 38,383	$ 40,358	$ 41,291	$ 43,227	$ 45,281
Signatory airline terminal rental revenue	44,897	46,608	51,954	52,941	57,838	60,615	68,150	75,856
Other terminal cost center airline revenues	10,618	10,567	11,425	11,611	12,393	12,858	14,013	15,263
Non-airline revenues	108,181	112,341	114,082	116,720	119,617	122,595	125,651	128,807
Interest income	961	535	961	961	961	961	961	961
Total revenues [1]	200,118	202,470	214,251	220,615	231,167	238,319	252,003	266,169
Less:								
O&M expenses	111,916	114,600	118,971	125,390	131,359	136,582	142,820	148,903
Net revenues [1]	88,202	87,870	95,280	95,226	99,808	101,467	109,183	117,266
Less:								
Total debt service requirement [2]	$ 46,985	$ 45,707	$ 50,603	$ 49,635	$ 52,787	$ 52,881	$ 58,439	$ 64,124
Net surplus/(deficit) [1]	$ 40,893	$ 42,163	$ 44,678	$ 45,591	$ 47,021	$ 48,586	$ 50,744	$ 53,141
Debt Service Coverage: [2]								
Net revenues	$ 88,202	$ 87,870	$ 95,280	$ 95,226	$ 99,808	$ 101,467	$ 109,183	$ 117,266
Total debt service requirement	46,985	45,707	50,603	49,635	52,787	52,881	58,439	64,124
Debt service coverage ratio	1.88x	1.92x	1.88x	1.92x	1.89x	1.92x	1.87x	1.83x
Debt service coverage ratio-requirement	1.30x	1.30x	1.30x	1.30x	1.30x	1.30x	1.30x	1.30x

[1] Totals do not always match because of rounding.
[2] Includes Series Nineteen Bonds and excludes Series Twenty-Three Bonds. As shown in Table 12, actual debt service requirements for the Series Twenty-Two Bonds, and thus total debt service requirements, are slightly less than the requirements assumed for those Bonds in the Report of the Airport Consultant and shown in this Table.
Source: The Port of Portland.

The Report of the Airport Consultant contains prospective financial information and other forward-looking statements. The 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. 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 included in 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 INVESTMENT CONSIDERATIONS

Investment in the Series Twenty-Three Bonds involves risks, some of which are described below, in Appendix A or elsewhere in this Official Statement. Prospective investors are advised to consider the following factors, among others, and other information in this Official Statement, including all of the Appendices, in evaluating whether to purchase Series Twenty-Three Bonds. The factors discussed below are not meant to be a comprehensive or exhaustive list of all of the risks that should be considered, and the order in which these investment risks are presented does not necessarily reflect their relative importance. Any one or more of the risks and other considerations discussed below, among others, could lead to a decrease in the market value and/or in the marketability or liquidity of the Series Twenty-Three Bonds, and no assurance can be given that other risk factors and investment considerations will not become material in the future.

Limited Obligations

SLBs, including the Series Twenty-Three Bonds, are payable solely from Revenues available for deposit to the Port's General Account after payment of Costs of Operation and Maintenance, from moneys held by the Trustee in the SLB Fund and from moneys held by the Port in the SLB Construction Account. No other moneys or property of the Port is pledged to pay debt service on the SLBs, including the Series Twenty-Three Bonds. SLBs are not a general obligation of the Port and are not secured by a pledge of and are not payable from any other revenues, including any tax revenues, of the Port or by the taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Uncertainties of Forecasts and Assumptions

The Report of the Airport Consultant contains certain assumptions and forecasts. Demonstration of compliance with certain of the covenants contained in the Airport Revenue Bond Ordinances, including certificates required as a condition to issuing additional SLBs, also may be based upon assumptions and forecasts. Management of the Airport reviewed the Report of the Airport Consultant, including the Airport Consultant's forecasts of air traffic activity at the Airport and the Port's revenue and expenditure forecasts and the assumptions upon which such forecasts were based, and determined that the forecasts and assumptions contained in the Report are reasonable. Actual results are likely to differ, however, perhaps materially, from the forecasts described in the Report of the Airport Consultant.

The assumptions, forecasts and projections contained in the Report of the Airport Consultant and that may be contained in certificates required under the Airport Revenue Bond Ordinances are not

necessarily indicative of future performance at the Airport, and neither the Port nor the Airport Consultant can be responsible if actual results differ from those forecast. In addition, certain assumptions with respect to future business and financing decisions of the Port, the airlines, rental car companies or any of the other parties are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the Series Twenty-Three Bonds are cautioned not to place undue reliance upon the forecasts in the Report of the Airport Consultant or upon any other forecasts or projections or requirements for forecasts or projections. If actual results are less favorable than the results forecast or projected or if the assumptions used in preparing such forecasts or projections prove to be incorrect, the Port's ability to make timely payment of the principal of and interest on all of its obligations, including the Series Twenty-Three Bonds, may be materially and adversely impaired.

Demand for Air Travel

The ability of the Port to generate Revenues sufficient to pay Costs of Operation and Maintenance, debt service on the SLBs (including the Series Twenty-Three Bonds) and other obligations depends upon demand for Airport facilities and services, which in part depends upon the financial health of the aviation industry in general and at the Airport. The Signatory Airlines assume most of the responsibility for costs, including debt service and debt service coverage, in connection with the Airfield and the Terminal and thus assume most of the risk of lower passenger and cargo traffic in connection with the Airline Cost Center, but lower passenger traffic would also mean lower parking and rental car concession revenues, which the Port depends upon to pay costs and debt service related to the Port Cost Center, for which the airlines have no responsibility. No assurance can be given that traffic at the Airport, despite a demonstrated level of airline service and operations and despite the Airport's being primarily an origin and destination airport, will continue to increase or that current traffic levels will continue. The continued presence of the airlines serving the Airport and the level of aviation activity and enplaned passenger and cargo traffic at the Airport depend upon a number of factors, most of which are not within the Port's control.

The Airport Consultant's forecasts do not assume a continuation of the Airport's more-than 5% annual growth of the last two fiscal years, but they do assume some growth based upon the slow but recovering economic outlook generally. No assurance can be given, however, that even such lower growth will materialize.

As described in Appendix A, some of the factors affecting aviation activity at the Airport include local, regional, national and international economic and political conditions, in particular the growth in the population and economy of the Air Service Area; the availability of alternatives to air travel, such as videoconferencing as a substitute for business travel or new train and bus routes as a substitute for short-haul flights; international hostilities such as those ongoing in the Middle East and Eastern Europe; world health concerns such as the 2002-2003 Severe Acute Respiratory Syndrome (or SARS) outbreak and recent outbreaks of Middle East Respiratory Syndrome ("MERS"), Ebola and most recently, measles; aviation security concerns and related costs; accidents involving commercial passenger aircraft; airline service and route decisions by individual airlines; hubbing competition from other airports and competition among airlines; airline airfares and added regulatory and airline charges; airline industry economics, including labor relations, fuel prices, costs of replacing aging and inefficient aircraft fleets and other factors; capacity of the national air traffic control and airport systems; and capacity of the Airport; reliability of air service; the availability of alternate transportation services; and the availability and convenience of service at the Airport, among other factors. Decreases in aviation activity and decreases in enplaned passenger and cargo traffic at the Airport and/or increases in costs of in accommodating aviation activity and passenger traffic at the Airport will result in reduced Net Revenues. A number of these factors are discussed in Appendix A.

Although the Airport is largely an origin and destination airport and is much less dependent upon hubbing activity than many other airports, factors not directly related to the health of the Air Service Area, including airline competition in other markets, the financial strength and stability of airlines serving the Airport, including individual airline decisions regarding levels of service at the Airport, are among the determinants of future airline traffic and may affect total enplanements. Alaska maintains local hubbing at the Airport. Hubbing represents only one-third of Alaska's traffic at the Airport, but if such hubbing were moved to another airport or otherwise were reduced or discontinued, the result could be lower enplanements at the Airport.

Financial Condition of the Airlines

Although underlying economic conditions of the Air Service Area likely will continue to be the most important factor driving passenger demand at the Airport, the ability of the Airport to generate Revenues from operations depends at least in part upon the financial health of the airline industry generally. The economic condition of the airline industry is volatile, and in recent years the industry has undergone significant changes, including mergers, acquisitions, bankruptcies and closures. Many of the airlines that serve the Airport reported profits in 2014, but between 2001 and 2013, the airline industry lost an estimated $40 billion.

The industry is cyclical and subject to intense competition and variable demand and is highly sensitive to a variety of factors, including (i) the cost and availability of labor, fuel, efficient aircraft and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints, (vii) governmental regulation, including security regulations and taxes and fees imposed upon airlines and passengers, (viii) increases in maintenance and environmental requirements and costs, (ix) passenger demand for air travel, (x) disruptions caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, (x) strikes and other union activities and (xi) political risk, including regulatory issues and federal funding and/or staffing shortfalls resulting from actions, or inaction, of Congress.

A number of airlines, including 10 airlines that have provided service at the Airport in the last 10 years, have acquired or been acquired by other airlines. Although such consolidation does not always have direct or long-term impacts at origin and destination airports such as the Airport, consolidation can have an impact on the number of gates and amount of other Terminal space used and paid for at the Airport and can increase the importance of the financial strength of the individual airlines serving the Airport.

Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future. Two airlines that previously operated at the Airport (Mexicana and Mesa) filed for bankruptcy and ceased operations. Other airlines that serve the Airport, including United, American, Delta, Frontier, US Airways and Hawaiian, filed for bankruptcy during the past 16 years but continue to operate. See "— Effect of Airline Bankruptcies."

The price of fuel is one of the most significant factors impacting the passenger and cargo airline industry, and for most airlines fuel expense represents a very large percentage of airline total operating expense. Although some airlines hedge fluctuations in fuel prices through the purchase of futures contracts and although fuel costs have dropped significantly in the last five months, the substantial increase in fuel prices over the past decade had a significant impact on profitability and airline aircraft and route decisions at the Airport, and future fuel price increases or sustained higher prices have affected and likely will continue to affect the financial condition of airlines, their capacity and route decisions and the level of service the airlines provide at the Airport.

Limitations on Enforceability

The rights of the owners of the Series Twenty-Three Bonds and the enforceability of the Port's obligation to make payments on the Series Twenty-Three Bonds may be subject to bankruptcy, insolvency, arrangement, fraudulent conveyances or transfer, reorganization, moratorium and other laws affecting creditors' rights under currently existing law or laws enacted in the future, and under certain circumstances also may be subject to the exercise of judicial discretion and to limitations on legal remedies against public entities in the State of Oregon. The opinion of Bond Counsel as to the enforceability of the Port's obligations to make payment on the Series Twenty-Three Bonds will be qualified as to bankruptcy and such other limitations. See "LEGAL MATTERS."

Effect of Airline Bankruptcies

In the past 16 years, six airlines that serve the Airport (representing approximately 33.4% of passenger enplanements during fiscal year 2014) filed for bankruptcy, and additional bankruptcies, liquidations or major restructurings of other airlines could occur in the future. A bankruptcy of a Signatory Airline (or of any other tenant or concessionaire at the Airport) can result in significant delays, significant additional expense and/or significant reductions in payments, or even in nonpayments, to the Port and consequently in a reduction in the amount of Net Revenues of the Airport.

Although with an O&D airport (like the Airport) that has residual ratemaking for most of the costs of the airfield and the terminal, expectations would be that the amounts other airlines would be required to pay would be sufficient to make up any shortfalls attributable to an airline in bankruptcy, but the other airlines likely would not be required to make up for unpaid post-bankruptcy usage and rental of terminal and concourse space and ramps and in any event, no assurances can be given that the other airlines would be able to pay such additional amounts when needed, particularly if the bankruptcy occurred during a period in which many of the Signatory Airlines were struggling.

Airline Leases and Executory Contracts. In the event a Signatory Airline seeks protection under the United States Bankruptcy Code (the "Bankruptcy Code"), the Signatory Airline or its bankruptcy trustee would be required to determine whether to assume or reject its Airline Agreement or any other lease from the Port of non-residential real property or an executory contract (such as a license) within 120 days or later, if ordered by the bankruptcy court. In the case of any other agreements with the Port, a debtor airline would not be required to assume or reject its agreement prior to the confirmation of a plan of reorganization.

If the agreement is assumed, the airline would be required to cure any prior defaults and to provide "adequate assurance" of future performance. What constitutes "adequate assurance" is up to the Bankruptcy Court and may not be adequate for the Port's purposes. Even if all such amounts ultimately are paid, the Port could experience long delays in collecting such amounts. If an agreement such as an unexpired lease is rejected, the Port would have an unsecured claim for damages, the amount of which would be limited to the amounts unpaid prior to the bankruptcy plus the greater of one year's rent or 15% of the total remaining lease payments, not to exceed three years. It is likely that the amount received following the rejection of a lease or of an executory contract would be materially less than the face amount of the claim. In addition, until the assumption or rejection of an agreement, a debtor airline would not be permitted, absent a court order, to make any payments on account of goods or services (including landing fees and accrued rent) provided prior to the bankruptcy. See "–Automatic Stay, Preference Claims and PFC Issues."

Financing Leases and Other Financing Contracts. Although the Port believes that most of its arrangements with the Signatory Airlines (and with its other tenants and concessionaires) are executory

contracts or leases of non-residential real property, a bankruptcy court could determine that a contract or lease instead is a financing device. If a lease or other agreement is treated as a financing device, the airline, tenant or concessionaire may keep and use the asset but debt service may be suspended in whole or in part during the course of the bankruptcy and in the end, the amount of the debt and the payment schedule and level may be reduced or extended as part of a reorganization plan. The determination by the court of the type of agreement and the nature of a transaction in many cases is a fact-intensive, laborious and time-consuming matter. It is not uncommon for a bankrupt tenant or customer to contend that a "lease" really is a financing device so that the tenant can decline to make periodic rental payments during the period the issue is being considered by the court.

Automatic Stay, Preference Claims and PFC Issues. Upon the filing of a bankruptcy proceeding, Section 362 of the Bankruptcy Code stays virtually all creditor actions to litigate to judgment or to collect on a debt, to remove a non-paying tenant from possession or to exercise any other remedies. This automatic stay can result in lengthy delays in a creditor's ability to exercise its rights. The Bankruptcy Code also provides that any payments made to the creditor within 90 days (365 days for "insiders") before the bankruptcy are subject to recovery by the debtor as a "preferential payment."

The PFC Act and FAA regulations provide that PFC revenue collected by the airlines (other than the handling fee and interest collected on unremitted proceeds) constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFC (the Port), and FAA regulations require the airlines to account for PFC collections separately and to disclose in financial statements the existence and amount regarded as trust funds. The airlines, however, are permitted to commingle PFC collections with other airline funds, and bankruptcy courts have not fully addressed such trust arrangements.

In connection with proceeds held by airlines in bankruptcy outside of the United States, the Port cannot predict what types of orders or relief could be issued by foreign tribunals or the extent of delays in connection with such proceedings or the extent to which such orders would be enforceable in the United States.

Regardless of any specific adverse determinations and delays in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding, particularly a bankruptcy of a Signatory Airline, could have a material adverse effect on the liquidity and value of the Series Twenty-Three Bonds.

Effect of Other Tenant or Concessionaire Bankruptcies

A bankruptcy of a non-airline tenant or concessionaire would raise challenges similar to those described above in connection with airline bankruptcies. Many of the major rental car companies operating at the Airport filed for bankruptcy during the last 10 years and it is possible that rental car companies will file for bankruptcy in the future. Although the Port's CFC ordinance and agreements with the rental car companies contain trust language similar to the language contained in the PFC Act and FAA regulations for PFCs, no statute protects CFCs, and it is not certain that courts would respect the intent of such arrangements for CFCs, particularly since rental car companies are permitted to commingle CFCs with their own funds.

Effect of a Port Bankruptcy

The Port may be able to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. Should the Port become a debtor in a bankruptcy case, the owners of the SLBs, including the Series Twenty-Three Bonds, may encounter significant payment delays and significant risks of nonpayment. Bond owners may not have a lien on Net Revenues unless a bankruptcy court determines that the Net Revenues are "special revenues" within the meaning of the Bankruptcy Code. No assurance can be given

that a court would make such a determination. Airport Revenues are held by the Port and applied to payment of Costs of Operation and Maintenance before being transferred to the Trustee. Even if a court determines that Revenues are "special revenues," no assurance can be given that the court would not permit the Port to use such Revenues to pay costs of operating the General Aviation Airports or even non-airport facilities before being transferred to pay debt service on SLBs. If Net Revenues are not "special revenues" or if Revenues are applied to pay operating costs of other Port facilities, there could be very significant delays or reductions in payments or nonpayment of the SLBs, including the Series Twenty-Three Bonds. A bankruptcy of the Port also would trigger cross defaults under many of the Port's other agreements, which also would lead to the possibility of additional delays and significant losses.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and terrorist attacks, influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences, costs 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 instituted by government agencies, airlines and airport operators have vastly increased costs, some of which have been or will be passed on to travelers and airlines. No assurance can be given that these precautions will be successful or that the increased costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material effect on air travel demand.

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 SOURCES OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account." If the providers of those surety bonds become insolvent, the Port may not be able to draw on their surety bonds in the event Net Revenues are insufficient to pay SLBs, including the Series Twenty-Three Bonds.

Series Eighteen Swaps and PFC Bond Swaps. The Port pays amounts calculated at fixed interest rates and receives amounts calculated at variable interest rates 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 PFC Bonds, respectively. Disruptions in the bond or swap markets, however, or a deterioration in the rating or financial strength of the banks whose letters of credit secure payments on the related bonds 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, 2014, the Series Eighteen Swaps and the PFC Bond Swaps had and are expected to continue to have a negative fair value, in part 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 likely will be required to pay substantial amounts if the Series Eighteen Swaps or the PFC Bond Swaps are 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 including events that are beyond the Port's control, such as adverse changes in the credit quality of the Port's counterparties, or because the Port chooses to or is required to refinance or change the interest rate mode of the Series Eighteen Bonds. See "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps" and Note 6 in Appendix B.

Series Eighteen Letters of Credit and Series Eighteen Swaps. Unless extended, each Series Eighteen Letter of Credit will terminate on January 13, 2017, subject to prior termination under certain conditions. The Port currently intends to keep the Series Eighteen Bonds outstanding as variable rate obligations until the Series Eighteen Bonds mature in 2026. If, however, the Port is unable to extend or replace a Series Eighteen Letter of Credit or to convert the interest rate mode of such Series Eighteen Bonds, the provider of that Series Eighteen Letter of Credit is obligated to purchase the outstanding Series Eighteen Bonds secured by that Series Eighteen Letter of Credit before that Series Eighteen Letter of Credit terminates. In that case, the Port would be obligated to repay all principal of those Series Eighteen Bonds out of the SLB Fund over a period of five years. See "OTHER AIRPORT OBLIGATIONS." In addition, if fees for extensions or replacements of a Series Eighteen Letter of Credit increase substantially or if such extensions or replacements otherwise cease to benefit the Port, the Port may seek to refund or convert the Series Eighteen Bonds secured by that Series Eighteen Letter of Credit with fixed rate bonds and terminate the applicable Series Eighteen Swap, which may increase debt service associated with those Series Eighteen Bonds above that currently projected by the Port and/or may require the Port to pay significant swap termination fees. Such Other Swap Obligations under the Series Eighteen Swaps would be payable from the JLO Fund, and the amount of such Other Swap Obligations could be significant.

PFC Bonds and PFC Swaps. As of February 1, 2015, $148.2 million aggregate principal amount of the Port's PFC Bonds were outstanding, together with $57.5 million notional amount of PFC swaps. Although the PFC Bonds and scheduled payments under the PFC Swaps are payable only from PFC revenue, termination payments, including, in the case of one swap, obligations to post collateral are payable from Net Revenues available for deposit to the TLO Fund held by the Port under the Airport Revenue Bond Ordinances. The Series 2012A PFC Bonds can be subject to mandatory tender or redemption upon the occurrence of certain events, including if the Series 2012A PFC Bonds are not remarketed on a mandatory tender date or must be redeemed of an event of taxability or a covenant default. If the Series 2012A PFC Bonds are redeemed, converted to a fixed rate or are refunded, termination payments on the PFC Swaps may become payable from the TLO Fund.

Delays and Cost Increases; Additional Indebtedness

The estimated costs of and schedules for the Port's CIP projects are subject to a number of uncertainties. The Port's ability to complete the CIP projects may be adversely affected by a number of factors, including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation, (xi) environmental and/or permitting issues and (xii) in the case of some cost overruns, requirements for additional Signatory Airline approvals. No assurance can be given that the Port CIP projects will not cost more than the current budgets for these projects. The Port expects to fund its CIP project costs with a combination of PFCs, available Net Revenues, State and federal grants, CFCs, investment income, proceeds received from the sale of the Series Twenty-Two Bonds and proceeds of Additional SLBs. In the event one or more of these funding sources is not available to the Port in the amount or on the schedule contemplated in the CIP, the implementation of some of the CIP projects may be delayed. Any schedule delays or cost increases could result in the need to issue Additional SLBs and may result in increased costs that cannot be recovered from the airlines.

Terrorism and Other Force Majeure Events

Although security measures at the Airport have increased substantially since September 11, 2001, additional acts of terrorism at U.S. airports have been attempted and may be attempted in the future, and even the fear that such an act could occur can result in decreases in travel and increases in security-related

costs. In addition, although the Port has been able to obtain insurance coverage for general property damage and other liabilities, no assurance can be given that acts of terror would be covered or that the Port will be able to obtain insurance coverage in the future.

The Airport's and the Port's ability to generate revenues also are at risk from other events of force majeure, such as extreme weather events and other natural occurrences such as earthquakes or eruptions of volcanos, or fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, or wars, blockades or riots. Earthquakes and volcanic eruptions are not at all uncommon in Western Oregon and in the Pacific Northwest, and no assurance can be given that such events will not occur again while the Series Twenty-Three Bonds are outstanding. Although the Port has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance, no assurance can be given that such insurance will always be available in in sufficient amounts at a reasonable cost or available at all or that insurers will pay claims in a timely manner, or at all.

Regulation

Operations and capital improvement at the Airport and the ability of the Port to generate Net Revenues sufficient to pay debt service on SLBs, including the Series Twenty-Three Bonds, and other obligations are subject to a number of federal, State and local government restrictions and regulations that can limit activities and development and increase costs at or to the Airport. Existing federal, State and City environmental regulations cover a wide variety of areas attributed to the Airport and result in significant costs to the Port and to the airlines and other users of Airport facilities, and additional environmental regulations are being developed, some of which would add or expand limitations on aircraft engine and other emissions and noise at and around the Airport.

FAA regulations govern a wide variety of activities at the Airport, including permitted uses of revenue and land at the Airport. Failure to comply with such regulations, even if unintentional, can result in loss of grant and/or PFC eligibility. In Oregon, state laws may be enacted by citizen initiative as well as by the Oregon Legislative Assembly, and such laws could limit, prohibit or increase the cost of activities at the Airport.

The United States Congress has proposed and could enact legislation making interest on the Series Twenty-Three Bonds includable in gross income, and the Oregon Legislative Assembly could enact legislation subjecting Series Twenty-Three Bond interest to State taxation. See "TAX MATTERS."

Federal Funding Considerations

The Port depends upon federal funding for the Airport not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, FIS, air traffic control and other FAA staffing and facilities. The FAA currently operates under the FAA Modernization and Reform Act of 2012, which is scheduled to expire in 2016. That statute was the first long-term FAA authorization since 2007 and ended a period of 23 short-term extensions of FAA authority, including a two-week, partial shutdown of all FAA facilities. Federal funding also is impacted by sequestration under the federal Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at the Airport and also nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but such fees have been controversial and no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements..

CONTINUING DISCLOSURE

In each of the past five years, the Port filed its Annual Reports on or before the required due date. In certain Annual Reports, the Port included financial or operating information that varied from the information specified in the continuing disclosure undertakings. Many of these variations related to undertakings made for the benefit of holders of bonds that are no longer outstanding. Some of the variations occurred when, rather than filing stand-alone annual reports, the Port filed official statements that provided essentially the same type of information but in more or less detail or in a different format than in the original official statements, and some variations occurred because information from third-party sources was not available before the filing deadline. In several Annual Reports, total amounts were provided instead of percentages. Likewise, in several Annual Reports, total cost-center allocations were provided instead of allocations by line-item and in one Annual Report during this period the number of aircraft movements (operations) was omitted.

In the Port's Annual Reports related to its Limited Tax Pension Obligations submitted before 2013, the Port inadvertently omitted one statistic, its remaining general obligation debt capacity.

In each of the past five years, the Port filed notices of enumerated events except that the Port did not file a notice of every rating change in respect of its credit and liquidity providers (letter of credit banks and bond insurers), and certain Annual Reports were filed but not linked to each of the applicable CUSIP numbers.

The Port reviewed these variations, CUSIP linking mechanics and enumerated event reporting requirements and in February 2013 developed a compliance policy and procedures, set forth in Policy No. 7.2.15, and a more standardized form of annual report. Also in 2013, the Port filed an amended Annual Report to include the Port's remaining general obligation debt capacity in FY 2012, and for the Limited Tax Pension Obligations posted a special disclosure notice with calculations of the remaining general obligation debt capacity for FY 2002 through 2011, correcting the omissions it discovered.

TAX MATTERS

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

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

should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series Twenty-Three Bonds. The Port has made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series Twenty-Three 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-Three Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series Twenty-Three 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-Three Bonds may adversely affect the value of, or the tax status of interest on, the Series Twenty-Three 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-Three 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-Three 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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series Twenty-Three 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. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series Twenty-Three Bonds to some extent for high-income individuals. 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-Three Bonds. Prospective purchasers of the Series Twenty-Three 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-Three Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Port, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Port has covenanted, however, to comply with the requirements of the Code.

Bond Counsel is not obligated to defend the Port or the Beneficial Owners regarding the tax exempt status of the Series Twenty-Three 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-Three 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-Three Bonds, and may cause the Port or the Beneficial Owners to incur significant expense.

APPROVAL OF LEGAL MATTERS

Issuance of the Series Twenty-Three 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-Three Bonds is included in this Official Statement as Appendix F. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time Orrick, Herrington & Sutcliffe LLP serves as counsel to the Underwriters on matters that do not relate to the Port or to the Series Twenty-Three Bonds.

Certain legal matters will be passed upon for the Port by Daniel Blaufus, Esq., General Counsel to the Port. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel to the Port and for the Underwriters by their counsel, Kutak Rock LLP, Denver, Colorado. Neither the Port's General Counsel nor Underwriters' Counsel is rendering an opinion as to the validity or tax status of the Series Twenty-Three Bonds. Any opinion of Underwriters' Counsel will be rendered solely to the Underwriters, and any opinion of Underwriters' Counsel, Port Counsel or Disclosure Counsel will be limited in scope and cannot be relied upon by investors.

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A., having an office in Seattle, Washington, serves as trustee, registrar and paying agent for the SLBs, including the Series Twenty-Three Bonds, and as escrow agent for the Series Nineteen Refunded Bonds. The corporate trust 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-Three Bond Certificate. The Trustee has not independently passed upon the validity of the Series Twenty-Three 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-Three Bonds or the investment quality of the Series Twenty-Three 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, 2014, with comparative totals for the year ended June 30, 2013, attached as Appendix B, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

FINANCIAL ADVISORS

Public Financial Management, Inc., and Backstrom McCarley Berry & Co., LLC, are acting as Financial Advisors to the Port with respect to the Series Twenty-Three Bonds. The Financial Advisors have assisted the Port in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series Twenty-Three Bonds. The Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Port, and make no guaranty, warranty or other representation relating to the accuracy or completeness of this Official Statement or any of the information contained herein.

Compensation to be received by the Financial Advisors from the Port for services provided in connection with the planning, structuring, execution and delivery of the Series Twenty-Three Bonds is contingent upon the sale and delivery of the Series Twenty-Three Bonds.

RATING

Standard & Poor's Ratings Services ("Standard & Poor's") has assigned its rating of "AA-" to the Series Twenty-Three Bonds. Such rating reflects only the views of Standard & Poor's, 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-Three Bonds.

UNDERWRITING

The Series Twenty-Three 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 $128,061,205.58 (representing the aggregate principal amount of the Series Twenty-Three Bonds ($109,440,000), plus original issue premium of $18,963,959.65 and less an underwriters' discount of $342,754.07). The Bond Purchase Agreement between the Port and the Underwriters provides that the Underwriters will purchase all of the Series Twenty-Three Bonds if any are purchased and that the purchase of the Series Twenty-Three Bonds is subject to the conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series Twenty-Three 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.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Port, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or

related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port.

RELATED PARTIES

Orrick, Herrington & Sutcliffe LLP, Bond Counsel and Disclosure Counsel to the Port, also represents the Underwriters on other matters. In addition, Orrick, Herrington & Sutcliffe LLP also represents Backstrom McCarley Berry & Co., LLC, one of the Port's financial advisors, in its capacity as an underwriter on other transactions.

Affiliates of the Underwriters are counterparties to certain of the Port's Series Eighteen and PFC Bond Swaps. Merrill Lynch, Pierce, Fenner & Smith Incorporated serves as Remarketing Agent for the Series Eighteen Bonds and for outstanding Horizon Special Obligation Bonds.

MISCELLANEOUS

The descriptions herein and in the appendices of the Airport Revenue Bond Ordinances, the Series Twenty-Three 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-Three Bonds.

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

THE PORT OF PORTLAND

By: /s/ Cynthia A. Nichol
Chief Financial Officer and
Director of Financial & Administrative Services

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APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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February 26, 2015

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

Re: Report of the Airport Consultant, The Port of Portland (Oregon), Portland International Airport Refunding Revenue Bonds, Series Twenty-Three

Dear Mr. Wyatt:

Trillion Av, LLC (Trillion Aviation), in association with Airmac LLC, AVK Consulting, Inc., and Partners for Economic Solutions, prepared the Report of the Airport Consultant, dated August 21, 2014, in conjunction with the issuance of The Port of Portland's Portland International Airport Revenue Bonds, Series Twenty-Two Bonds (herein this report is referred to as the "Series Twenty-Two Report"). The Series Twenty-Two Report was prepared on behalf of The Port of Portland (Port) to meet its obligations pursuant to various provisions in Port Ordinance Nos. 155, 323, and 454-B (herein referred to as the "Bond Ordinances"), and was included in the Official Statement for the Series Twenty-Two Bonds as Appendix A dated September 4, 2014.

This letter (herein referred to as the "Series Twenty-Three Letter") has been prepared by Trillion Aviation in conjunction with the proposed issuance of the Port's Portland International Airport Refunding Revenue Bonds, Series Twenty-Three (the "Series Twenty-Three Bonds"). The Series Twenty-Three Bonds are being issued to generate debt service savings through the refunding of a portion of the Port's outstanding Portland International Airport Revenue Bonds, Series Nineteen (the "Series Nineteen Bonds") and to pay associated costs of issuance. This Series Twenty-Three Letter and the Series Twenty-Two Report are intended to be included in the Official Statement (OS) for the Series Twenty-Three Bonds as Appendix A, Report of the Airport Consultant. All capitalized terms in this Series Twenty-Three Letter are used as defined in the OS or Bond Ordinances, except as otherwise defined herein.

The purpose of this Series Twenty-Three Letter is twofold. The first is to confirm that the assumptions and findings contained in the Series Twenty-Two Report, based on further review described later herein, are still materially valid at this time in regards to the Port's ability to satisfy Rate Covenant requirements and obligations established by the Bond Ordinances and to maintain reasonable levels of airline cost per enplaned passenger (CPE) throughout the forecast period. Secondly, this Series Twenty-Three Letter provides consent by Trillion Aviation on

behalf of Airmac LLC, AVK Consulting, Inc., and Partners for Economic Solutions to include the Series Twenty-Two Report as Appendix A in the OS for the Series Twenty-Three Bonds.

Background

The Series Twenty-Two Report was prepared in conjunction with the issuance of the Series Twenty-Two Bonds. Trillion Aviation prepared the aviation activity forecasts included in the Series Twenty-Two Report along with underlying assumptions. The Port prepared the financial forecasts contained in the Series Twenty-Two Report. Those forecasts were reviewed by Trillion Aviation, including underlying assumptions and methodologies, and determined to be reasonable for the purposes of the financial feasibility analysis. In the preparation of its findings and conclusions, Trillion Aviation relies upon the accuracy and completeness of financial and other data provided to it by the referenced sources, without independent verification.

The Series Twenty-Two Report should be read in its entirety to understand fully the assumptions and forecasts contained therein.

Projected Debt Service

The Series Twenty-Two Report assumed higher annual debt service costs than anticipated to be in place upon the proposed issuance of the Series Twenty-Three Bonds. The Series Twenty-Two Report incorporated all outstanding debt service, estimates of future debt service associated with the Series Twenty-Two Bonds, and estimates of future debt service anticipated to be issued by the Port over the forecast period of Fiscal Year (FY) 2015 through FY 2021.[1] At the time the Series Twenty-Two Report was issued, estimates of future annual debt service associated with the Series Twenty-Two Bonds were higher than the actual amounts. The higher estimates of annual debt service contained in the Series Twenty-Two Report as compared to the actual annual debt service on the Series Twenty-Two Bonds ranges from approximately $1.2 million to $1.5 million annually over the forecast period of FY 2015 to FY 2021. Additionally, at the time the Series Twenty-Two Report was prepared, it did not assume the proposed savings anticipated to be achieved through the refunding of a portion of the Series Nineteen Bonds. Therefore, the Series Twenty-Two Report contains higher annual debt service costs during the forecast period than anticipated to be in place upon the issuance of the Series Twenty-Three Bonds.

Capital Improvement Program

As of February 2015, project costs for the Port's Capital Improvement Program (CIP) are expected to total approximately $1,078.9 million over the forecast period of FY 2015 through FY 2021. **Table 1** below presents a summary of the Port's CIP. As shown, approximately $816.8 million of project costs are allocated to the Airline Cost Center. Approximately $262.0 million of project costs are allocable to the Port Cost Center.

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

Table 1

CAPITAL IMPROVEMENT PROGRAM – PLAN OF FINANCE (dollars in thousands) [1]

Project	Estimated Project Cost	Federal/State Grants	PFC Funds	Port Funds	Outstanding Bond Proceeds	Future Bond Proceeds
Airline Cost Center	$816,820	$86,915	$146,564	$107,699	$91,642	$384,000
Port Cost Center [2]	262,041	55,402	0	206,639	0	0
Total	$1,078,861	$142,317	$146,564	$314,338	$91,642	$384,000

Note: Amounts may not add due to rounding.

[1] Includes project costs for the period of FY 2015 through FY 2021.

[2] The Port is planning a future expansion of its Quick Turn Around (QTA) facility. This project is not included in the CIP and is anticipated to be funded solely from Customer Facility Charges (CFCs). It has an estimated project costs of approximately $60 million.

Source: Port of Portland airport management records, February 2015

Projects included within the Airline Cost Center include the following:

- Terminal projects funded with proceeds of the Port's Series Twenty-Two Bonds;
- Terminal core area redevelopment including ticket lobby refurbishment, relocation of the north security checkpoint and creation of new post-security concession areas, and relocation of the south security checkpoint and creation of new post-security concession areas;
- Terminal balancing of airline service between the north and south concourses including the extension of Concourse E and relocation of certain airline facilities;
- Other miscellaneous Terminal improvements and refurbishments;
- New remote commercial aircraft parking apron; and
- Taxiway and apron rehabilitation

Projects included within the Port Cost Center include the following:

- Airport access roads rehabilitation and maintenance;
- Bus fleet replacement;
- Economy parking lot rehabilitation and maintenance; and
- General Aviation Airport projects

Project costs for the Port's CIP have increased by approximately $183 million as compared to the costs presented in the Series Twenty-Two Report. Approximately $168 million of this increase is attributed to the Airline Cost Center and approximately $15 million to the Port Cost Center. The primary increases associated with the Port Cost Center include the Taxiway A reconstruction project and master plan at Hillsboro Airport, a General Aviation Airport of the Port.

A summary of the major changes to the CIP as compared to the Series Twenty-Two Report for the Airline Cost Center are presented below:

- An approximate $79 million increase to the terminal core and ticket lobby refurbishment projects described above. Cost increases are primarily attributable to the addition of scope to these projects and further refinement of project cost estimates.

- An approximate $33 million increase to the terminal balancing project described above. This project has been further developed from the conceptual stage to design, and cost increases are attributable to the addition of scope and refinement of project cost estimates.

- An approximate $40 million increase in project costs associated with the Terminal Cost Center. These include projects associated with vertical and other building circulation, common-use implementation, heated water upgrades, Concourse A building demolition, and other miscellaneous Terminal improvements and refurbishments.

- An approximate $16 million increase in project costs for the Airfield Cost Center and other cost centers allocated to the Airline Cost Center. These include project costs primarily associated with the rehabilitation of Runway 3-21 and runway safety area along with other miscellaneous infrastructure projects.

As shown in Table 1, the Port is currently anticipating the need to issue future bonds to generate approximately $384 million of proceeds to fund its CIP. This is an additional $161 million of proceeds as compared to the amount presented in the Series Twenty-Two Report. Given the currently planned timing of the CIP, the majority of the financial impact resulting from increased debt service is not forecast by the Port to be realized until after the forecast period of FY 2015 to FY 2021. Therefore, as presented below, there are no material impacts to the airline CPE or debt service coverage ratio forecasts as compared to the Series Twenty-Two Report.

It should be noted that the Port's current outstanding annual debt service costs beyond FY 2021 are scheduled to decrease. For example, in FY 2024 annual outstanding debt service is scheduled to be $34.1 million as compared to $44.7 million in FY 2021, or a $10.6 million decrease. Therefore, increases in annual debt service associated with future bond issuances are planned to occur as outstanding debt service levels are decreasing. Through FY 2024, the Port is forecasting its debt service coverage ratio to remain at or above 1.80x.

It should be noted that certain capital projects within the CIP potentially could be deferred or otherwise not undertaken by the Port during the forecast period (depending upon circumstances such as aviation demand levels, availability of project funding, etc.).

Review of Other Assumptions and Findings

Trillion Aviation performed a review of the assumptions and factors contained in the Series Twenty-Two Report to determine that its findings at this time are still materially valid in regards to the Port's ability to satisfy Rate Covenant requirements and obligations established

by the Bond Ordinances and to maintain reasonable levels of airline CPE throughout the forecast period. The following key determinations were reached as part of our review:

- Certain key socioeconomic data available since the publication of the Series Twenty-Two Report continue to suggest that the Portland International Airport (Airport) Air Service Area is capable of generating demand in line with, or better than, forecasts for air travel services during the forecast period.

- Aviation activity at the Airport continues to grow at a strong pace. For the first seven months of FY 2015 (i.e., July 2014 through January 2015), enplaned passengers have experienced growth of approximately 4.0 percent as compared with the same period in FY 2014. The Series Twenty-Two Report assumed growth in enplaned passengers of approximately 2.0 percent for FY 2015 as compared to FY 2014. Therefore, enplaned passenger growth is currently outpacing that forecast in the Series Twenty-Two Report.

- Operation and Maintenance (O&M) Expenses are currently forecast by the Port to increase at a compound annual growth rate (CAGR) of approximately 4.5 percent over the period of FY 2015 to FY 2021. The Port's forecast of O&M Expenses in the Series Twenty-Two Report had a CAGR of approximately 4.1 percent for this same period. As a result, total O&M Expenses are forecast to be approximately $3.3 million higher in FY 2021 as compared to the Series Twenty-Two Report. The causes for this increase are primarily associated with the Airfield Cost Center, and are as follows:

    - An approximate $2 million increase related to stormwater management fees. As discussed in the OS and the Series Twenty-Two Report, the Port is experiencing recent increases in stormwater management fees related to the City of Portland. The Port has revised its forecast to better reflect known impacts associated with these fees.

    - An approximate $1 million increase in costs related to the fire department. The Port has revised its forecast to better reflect the impact of increasing personnel service costs.

    - Primarily as a result of these increased O&M Expenses, the Port's Signatory Airline Landing Fee Rate is forecast to increase to $4.30 per thousand pounds by FY 2021. This is an increase of $0.36 per thousand pounds as compared to the forecast in the Series Twenty-Two Report

Table 2 below presents updated Port forecasts of debt service coverage and CPE. As presented, these forecasts do not vary materially from those contained in the Series Twenty-Two Report.

Table 2

DEBT SERVICE COVERAGE FORECAST AND PASSENGER AIRLINE CPE FORECASTS

Fiscal Year	Debt Service Coverage Ratio	Airline CPE
2015	1.92	$9.98
2016	1.88	$10.94
2017	1.92	$11.14
2018	1.89	$11.73
2019	1.92	$11.91
2020	1.87	$12.75
2021	1.83	$13.57

Source: Port of Portland, February 2015

The techniques and methodologies used in conducting this review are consistent with industry practices for similar studies in connection with airport revenue bond sales. Although Trillion Aviation believes that the approach and assumptions used are reasonable and provide an appropriate basis for the financial forecasts, any forecast is subject to uncertainties. Inevitably, some assumptions used to derive the forecast contained herein will not be realized, and unforeseeable events may occur. The actual financial results achieved will vary from those forecast, and such variations could be material. We have no responsibility to update this Series Twenty-Three Letter for events and/or circumstances occurring after the date of this Series Twenty-Three Letter.

Trillion Aviation appreciates this opportunity to serve as the Port's Airport Consultant for this proposed financing.

Sincerely,

Trillion Av, LLC

Trillion Av, LLC

Appendix A

REPORT OF THE AIRPORT CONSULTANT

for the planned issuance of

THE PORT OF PORTLAND (Oregon)
Portland International Airport Revenue Bonds
Series Twenty-Two

Prepared by:
Trillion Av, LLC
Austin, Texas

In association with:
Airmac LLC
AVK Consulting, Inc.
Partners for Economic Solutions

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August 21, 2014

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

Re: Report of the Airport Consultant, The Port of Portland (Oregon), Portland International Airport Revenue Bonds, Series Twenty-Two

Dear Mr. Wyatt:

Trillion Av, LLC (Trillion Aviation), in association with Airmac LLC, AVK Consulting, Inc., and Partners for Economic Solutions, is pleased to submit this Report of the Airport Consultant (Report) for the proposed issuance of The Port of Portland's, Portland International Airport Revenue Bonds, Series Twenty-Two Bonds (herein referred to as the Series Twenty-Two Bonds). This independent Report has been prepared on behalf of The Port of Portland (Port) to meet its obligations pursuant to various provisions in Port Ordinance Nos. 155, 323, and 454-B (herein referred to as the Bond Ordinances), and is intended to be included in the Official Statement for the Series Twenty-Two Bonds as Appendix A, Report of the Airport Consultant. All capitalized terms in this Report are used as defined in the Official Statement or Bond Ordinances, except as otherwise defined herein.

The Portland International Airport (Airport) is owned and operated by the Port. The Port was created by the Oregon Legislature in 1891 to dredge a shipping channel from Portland, Oregon to the Pacific Ocean. Today, the Port is charged with promoting aviation, maritime, and industrial interests. In addition to the Airport, the Port owns several maritime terminals, two general aviation airports (Hillsboro and Troutdale Airports), and business parks. The Port also owns and operates the dredge Oregon to help maintain on behalf of the U.S. Army Corps of Engineers the navigation channel on the lower Columbia and Willamette Rivers. The Port is governed by a nine-member Board of Commissioners that establishes and controls policies for the Port. Board members are appointed by the Governor of Oregon and confirmed by the Oregon State Senate.

The Series Twenty-Two Bonds

The Series Twenty-Two Bonds are being issued pursuant to the provisions of the Bond Ordinances. The Port is planning to issue the Series Twenty-Two Bonds to (1) fund a portion of the Port's capital improvement program (CIP) defined herein as the "Series Twenty-Two Projects", (2) fund capitalized interest, (3) fund a deposit to the debt service reserve account, and (4) pay associated costs of issuance. The Series Twenty-Two Bonds are being issued as

Subordinate Lien Bonds (SLBs) under the Bond Ordinances, and are payable solely from the Net Revenues of the Airport on a parity with the pledge of Net Revenues securing payment of the Port's outstanding 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. To avoid confusion, this Report uses the term "SLB" in place of Subordinate Lien Bonds.

Bond Ordinances

In the 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 Revenues, (2) the Net Revenues in each fiscal year (FY)[1] will be at least equal to 130 percent of the SLB Debt Service Requirement for such FY for all SLBs then outstanding, and (3) 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.

The Port also covenanted to 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 and to revise the same from time to time, whenever necessary and to collect the income, receipts and other moneys derived therefrom, so that the Net Revenues in each Fiscal Year will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As defined in the Bond Ordinances, "Excess Principal" means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular FY (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the extent the principal amount of such SLBs, which is so due and payable in such FY, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such FY (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to "Excess Principal" and to amend the definition of "SLB Debt Service Requirement."

Further, and pursuant to the Bond Ordinances, the Port is authorized to issue additional SLBs, subject to meeting certain conditions. The Port has covenanted not to issue any Airport Revenue Bonds or incur any obligations other than Costs of Operation and Maintenance (O&M) Expenses with a lien on Revenues superior to the lien associated with the SLBs.

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

To issue additional SLBs (such as the Port's proposed Series Twenty-Two 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 FYs beginning in the earlier of (A) the first FY 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 FY in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for 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 FY are equal to at least 130 percent of the SLB Debt Service Requirements on all SLBs schedule to occur during that FY 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 FY or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130 percent of the maximum SLB Debt Service Requirement on all Outstanding SLBs in any future FY and the series of SLBs proposed to be issued.

Airline Agreements

The Port is a party to two types of airline agreements, Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2010 and Affiliate Passenger Carrier Operating Agreements (together, the "2010 Signatory Passenger Airline Agreements") and Cargo Carrier Operating Agreements (the "2010 Signatory Cargo Airline Agreements" and together with the 2010 Signatory Passenger Airline Agreements, the "2010 Signatory Airline Agreements"). The 2010 Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. Airlines that have executed the 2010 Signatory Passenger Airline Agreements and their operating affiliates (together, the "2010 Signatory Airlines") account for more than 99 percent of enplaned passengers at the Airport in FY 2014, and all but two of the all-cargo carriers that currently operate at the Airport have signed the 2010 Signatory Cargo Airline Agreements.

The 2010 Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas and certain cargo and other facilities and permit the 2010 Signatory Airlines to lease Exclusive Space, Preferential Space and Shared Space. Exclusive space includes ticket counter space, office space,

operations space, airline club lounges, baggage makeup space and baggage service area space; and Preferential Space is Airport space, including aircraft loading bridges and/or other aircraft support equipment, leased to the 2010 Signatory Airline and to which the 2010 Signatory Airline has a higher and continuous priority of use over all other air carriers and concessionaires. Shared Space includes some baggage make-up areas, corridors and ticket offices; and Common Use Space includes Port-controlled ticket counter, ticket office, equipment, kiosks and gates the Port has not leased.

Passenger airlines and cargo carriers operating at the Airport that are not 2010 Signatory Airlines or affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the "Non-Signatory Ordinances"), which do not benefit from the revenue sharing described below and reflect a 25 percent premium over the rates and charges established in the 2010 Airline Agreements.

The 2010 Signatory Airline Agreements are scheduled to expire on June 30, 2015, but were amended and restated as of May 2014. The Amended and Restated Signatory Passenger Lease and Operating Agreements, which are binding upon signing and take effect on July 1, 2015 (the "2015 Signatory Airline Agreements" and together with the 2010 Airline Agreements, the "Airline Agreements"), were approved by the 2010 Signatory Airlines pursuant to the Majority In Interest amendment approval process.

The 2010 Signatory Airlines and airlines that sign the 2015 Signatory Airline Agreement are referred collectively in this Report and the Official Statement as the "Signatory Airlines." As was the case with the 2010 Signatory Agreements, the Signatory Airlines have no right to terminate their 2015 Airline Agreements, but each does have a right as of July 1, 2015 and again on July 1, 2020, with six months' notice, to reduce its Exclusive Space, Preferential Space and/or Shared Space (as defined in the Airline Agreement) by up to 25 percent (but in the case of a reduction in 2015, so long as the Signatory Airline continues to lease at least 100 square feet of Exclusive Space for the entire term of the 2015 Agreement and gives notice of such a reduction by January 1, 2015).

As of August 1, 2014, the Port had received executed Airline Agreements from passenger airlines accounting for approximately 57.1 percent of enplaned passengers at the Airport in FY 2014. As of August 1, 2014, the Port had received executed Airline Agreements from cargo carriers accounting for approximately 83.5 percent of cargo landed weight at the Airport in FY 2014.

Report of the Airport Consultant

In our preparation of this independent Report, we evaluated the ability of the Airport to generate Revenues sufficient to meet the funding requirements and obligations established by the Bond Ordinances during the forecast period of FY 2015 through FY 2021. The following provides an overview of the primary findings and conclusions contained in the Report.

Role of the Airport and Economic Base for Air Traffic

Based on preliminary data for calendar year (CY) 2013, the Airport was classified by the Federal Aviation Administration (FAA) as a Large Hub facility based upon its share of nationwide enplaned passengers.[2] Based on preliminary data from the FAA, approximately 7.5 million enplaned passengers boarded aircraft at the Airport in CY 2013, which ranks 30th in the U.S. as the smallest Large Hub.[3] This was an increase of approximately 4.4 percent as compared to CY 2012, which was the 8th fastest growing airport based on FAA data for the largest 50 U.S. airports in terms of enplaned passengers. The Airport has a diverse, stable base of air carriers. All the major network airlines along with several low-cost carriers (LCCs) operate at the Airport. Alaska Air Group is the parent company to both Alaska Airlines (Alaska) and Horizon Air (Horizon). When combining enplaned passenger market share for both Alaska and Horizon, the carriers comprise approximately 40.5 percent of enplaned passengers at the Airport.

The Airport is the primary commercial air service facility serving the Portland metropolitan area and the surrounding region, and is essentially isolated from other airport competition. The geographical region that serves as an airport's primary air service catchment area can be referred to as its "air service area". For the purposes of this Report, the Airport's "Air Service Area" is defined as the Portland-Vancouver-Beaverton, OR-WA Metropolitan Statistical Area (MSA) and includes the seven Counties of Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in the State of Oregon; and Clark and Skamania Counties in the State of Washington. The Portland-Vancouver-Beaverton MSA is the 24th most populated MSA in the U.S., with approximately 2.3 million people. The Air Service Area is relatively isolated from competing airport facilities and, hence, the Airport has limited competition for air service.

The Airport is primarily an origin-destination (O&D) airport. In CY 2013, approximately 84 percent of the Airport's enplaned passengers were O&D passengers. The remaining 16 percent of the Airport's passengers were connecting passengers. The vast majority of the Airport's connecting passengers were carried on Alaska and Horizon.

The Air Service Area's economic strength is evaluated in Chapter 1 of this Report. Growth expectations for population, employment, and household income are projected to have relatively stronger growth rates in the Air Service Area as compared to the overall U.S.; thus, indicating the ongoing capacity of the Air Service Area to continue to generate demand for air travel services during the forecast period.

Air Service and Air Traffic Analysis

Between FY 2004 and FY 2014, enplaned passengers at the Airport increased from approximately 6.3 million to approximately 7.8 million, an overall compound annual growth

[2] The FAA classifies Large Hub airports as those serving at least 1.0 percent of annual U.S. passenger boardings.
[3] FAA hub classification is currently based on preliminary CY 2013 enplaned passengers. The Airport's hub status will be reevaluated by the FAA based on final CY 2013 enplaned passengers available later in CY 2014.

rate (CAGR) of 2.05 percent for this period. Over the past ten years, enplaned passengers at the Airport increased during eight of those years, and annual growth averaged over four percent during years of increase as evidenced by the CAGRs for the periods of 2004 through 2008 and 2010 through 2013. The Airport did experience decreases in FYs 2009 and 2010 as the U.S. was in a period of economic recession. During the past two FYs, the Airport has been experiencing relatively rapid growth in enplaned passengers as FY 2013 increased by approximately 5.6 percent over prior FY levels, and FY 2014 was approximately 5.8 percent higher than FY 2013. Enplaned passenger levels for FY 2014 are the highest recorded at the Airport as reported on a FY basis.

As compared to the overall U.S. activity, enplaned passenger growth at the Airport has outpaced the U.S. for the period of 2004 through 2014 as the CAGR at the Airport was approximately 2.05 percent compared to 0.79 percent for the U.S. In further comparing trends, the Airport has generally experienced higher increases during periods of growth; however, it did experience a larger decrease during the recessionary period. Despite this larger decrease, the Airport has recovered to pre-recessionary enplaned passenger levels; while the U.S. has not yet recovered.

In addition, air service at the Airport for its primary passenger airlines appears more profitable (as demonstrated in Chapter 2 of the Report) and, hence, more stable than it was during the last enplaned passenger peak experienced in the 2007-2008 period. Therefore, passenger air service at the Airport is much better positioned, currently, than it was prior to the last economic recession.

Trillion Aviation prepared the aviation activity forecasts included in this Report. The underlying economic conditions of the Air Service Area are expected to be the primary driver for passenger demand at the Airport, especially as it relates to O&D traffic. In addition, several other assumptions are also incorporated into the long-term forecast including the following:

- The Airport will continue serving primarily O&D passengers and will be a hub for Alaska Air Group.

- The other primary airlines currently serving the Airport (i.e, Southwest, Delta, and United) will continue to provide air service to support local demand primarily through larger aircraft and to longer-haul markets.

- Delta will continue to provide trans-oceanic service to both Tokyo and Amsterdam. Other international service will be provided as demand dictates including seasonal service to leisure markets in Mexico.

- LCC service will continue to operate at the Airport to serve the demand for such services.

- Long-term nationwide growth in air travel is expected to occur over the forecast period.

- Economic disturbances are likely to occur over the forecast period; however, the Airport's current air service appears more profitable and, hence, more stable than it was during the last peak experienced in the 2007-2008 period. Year-over-year variations likely to occur from these disturbances are, therefore, expected to be shorter in duration than experienced prior to the recessionary period.

Table 1 below presents historical enplaned passengers for FYs 2010 through 2014, and forecast enplaned passenger levels for the Airport for the period of FY 2015 through FY 2021.

Table 1

ENPLANED PASSENGER FORECAST

Fiscal Year	Enplaned Passengers	% Change
2010	6,477,286	-
2011	6,750,420	4.2%
2012	6,946,300	2.9%
2013	7,335,638	5.6%
2014	7,762,027	5.8%
Forecast		
2015	7,915,387	2.0%
2016	8,025,293	1.4%
2017	8,196,887	2.1%
2018	8,372,879	2.2%
2019	8,553,271	2.2%
2020	8,738,156	2.2%
2021	8,927,520	2.2%
CAGR [1]		
2010-14	4.6%	
2014-16	1.7%	
2016-21	2.2%	
2014-21	2.0%	

[1] CAGR = Compound annual growth rate

Source: Port of Portland (historical); Trillion Aviation (forecast)

Capital Improvement Program

For purposes of this Report, the Airport's current CIP is organized into the following two categories:

- **The Series Twenty-Two Projects.** These include capital projects to be funded, in part, with Series Twenty-Two Bond proceeds. The capital and operating costs associated with the Series Twenty-Two Projects have been included in the financial analysis and are further described in Chapter 4.
- **Other Capital Projects.** These are the other Airport capital projects that are currently anticipated by the Port to be undertaken over the forecast period or from FY 2015 through FY 2021, and are referred to in this Report as the Other Capital Projects. The estimated capital funding and operating costs (if any) and estimated revenue impacts (if any), associated with the Other Capital Projects also have been included in the financial analysis.

The Series Twenty-Two Projects include various terminal rehabilitation, infrastructure, systems, and security improvements, as described in Chapter 3 of this Report. The Series Twenty-Two Projects are estimated to cost approximately $107.9 million (including design, engineering, construction, escalation for inflation, and contingency amounts). Sources of funding for the Series Twenty-Two Projects are presented in **Exhibit A** at the end of this Report. Project costs associated with the Series Twenty-Two Projects are primarily allocated to the Terminal Cost Center within the Airline Cost Center. All costs funded by the Series Twenty-Two Bond proceeds are only allocable to the Airline Cost Center. For additional information on the Airport's cost center structure, please refer to Section 4.3.1 of the Report.

Other Capital Projects currently anticipated by the Port to be undertaken and/or completed during the forecast period are also shown in Exhibit A. Preliminary cost estimates for the Other Capital Projects total approximately $787.5 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 forecast period (depending on circumstances such as aviation demand levels, availability of project funding, etc.).

Financial Analysis

The Port prepared the financial forecasts contained in the Report. These forecasts were reviewed by Trillion Aviation, including underlying assumptions and methodologies, and determined to be reasonable for the purposes of this financial feasibility analysis.

Trillion Aviation evaluated the ability of the Airport to generate Revenues sufficient to meet the funding requirements and obligations established by the Bond Ordinances during the forecast period of FY 2015 through FY 2021. Per our analyses, and as required pursuant to 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 each FY for all outstanding and forecast SLBs.

The Port is able to meet its requirements and obligations established by the Bond Ordinances and maintain reasonable levels of airline cost per enplaned passenger (CPE) throughout the

forecast period. **Table 2** below presents debt service coverage ratios and airline CPE throughout the forecast period.

Table 2

DEBT SERVICE COVERAGE FORECAST AND PASSENGER AIRLINE CPE FORECASTS

Fiscal Year	Debt Service Coverage Ratio	Airline CPE
2015	1.92	$9.98
2016	1.84	$11.14
2017	1.88	$11.26
2018	1.89	$11.32
2019	1.92	$11.59
2020	1.86	$12.69
2021	1.81	$13.88

Trillion Aviation prepared the aviation activity forecasts included in this Report along with underlying assumptions. The financial forecasts presented herein have been prepared by the Port along with all underlying assumptions. In preparing our findings and conclusions, Trillion Aviation has relied upon the accuracy and completeness of financial and other data provided to it by the referenced sources, without independent verification.

The techniques and methodologies used in preparing this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. Although Trillion Aviation believes that the approach and assumptions used are reasonable and provide an appropriate basis for the financial forecasts, any forecast is subject to uncertainties. Inevitably, some assumptions used to derive the forecast contained herein will not be realized, and unforeseeable events may occur. The actual financial results achieved will vary from those forecast, and such variations could be material. We have no responsibility to update this Report for events and/or circumstances occurring after the date of this Report.

Trillion Aviation appreciates this opportunity to serve as the Port's Airport Consultant for this proposed financing.

Sincerely,

Trillion Av, LLC

Trillion Av, LLC

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1 Role of the Airport and Economic Base for Air Traffic

This chapter introduces the Portland International Airport (Airport) and summarizes the role the Airport serves in accommodating air traffic for the nation and the region, and as a key hub for Alaska Air Group. This chapter also describes the Portland region's economic base and its ability to continue to support demand for air transportation.

1.1 Role of the Airport

The Airport is owned and operated by the Port of Portland (the Port). The Port was created by the Oregon Legislature in 1891 to dredge a shipping channel from Portland, Oregon to the Pacific Ocean. Today, the Port is charged with owning and operating marine, aviation, and other transportation and real estate assets, and with promoting aviation, maritime, and industrial interests. In addition to the Airport, the Port owns several maritime terminals, two general aviation airports (Hillsboro and Troutdale Airports), business and industrial parks, and other properties. The Port also owns and operates the dredge Oregon to help maintain on behalf of the U.S. Army Corps of Engineers the navigation channel on the lower Columbia and Willamette Rivers. As further described in Section 4.3.2, Airport revenue bonds are not a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Bond Ordinances (defined herein in Section 4.3.2 of this Report).

1.1.1 National Role

The Airport is classified by the Federal Aviation Administration (FAA) as a Large Hub facility based upon its share of nationwide enplaned passengers.[4] Based on preliminary data from the FAA, approximately 7.5 million enplaned passengers boarded aircraft at the Airport in calendar year (CY) 2013 as it ranked 30th in the U.S as the smallest Large Hub.[5] This was an increase of approximately 4.4 percent as compared to CY 2012, which was the 8th fastest growing airport based on FAA data for the largest 50 U.S. airports in terms of enplaned passengers. **Table 1-1** below presents rankings of U.S. airports in terms of total enplaned passengers per the FAA.

The Airport has a diverse, stable base of air carriers. All the major network airlines along with several low-cost carriers (LCCs) operate at the Airport. Alaska Air Group is the parent company to both Alaska Airlines (Alaska) and Horizon Air (Horizon). When combining enplaned passenger market share for both Alaska and Horizon, the carriers comprise over 40 percent of enplaned passengers at the Airport. **Figure 1-1** below presents the Airport's enplaned passenger market share for Fiscal Year (FY) 2014.[6]

[4] The FAA classifies Large Hub airports as those serving at least 1.0% of annual U.S. passenger boardings.
[5] FAA hub classification is currently based on preliminary CY 2013 enplaned passengers. The Airport's hub status will be reevaluated by the FAA based on final CY 2013 enplaned passengers available later in CY 2014.
[6] The Port's FY is the 12-month period ending June 30.

Table 1-1

U.S. AIRPORT ENPLANED PASSENGER RANKINGS (TOP 35) – CY 2013 (PRELIMINARY)

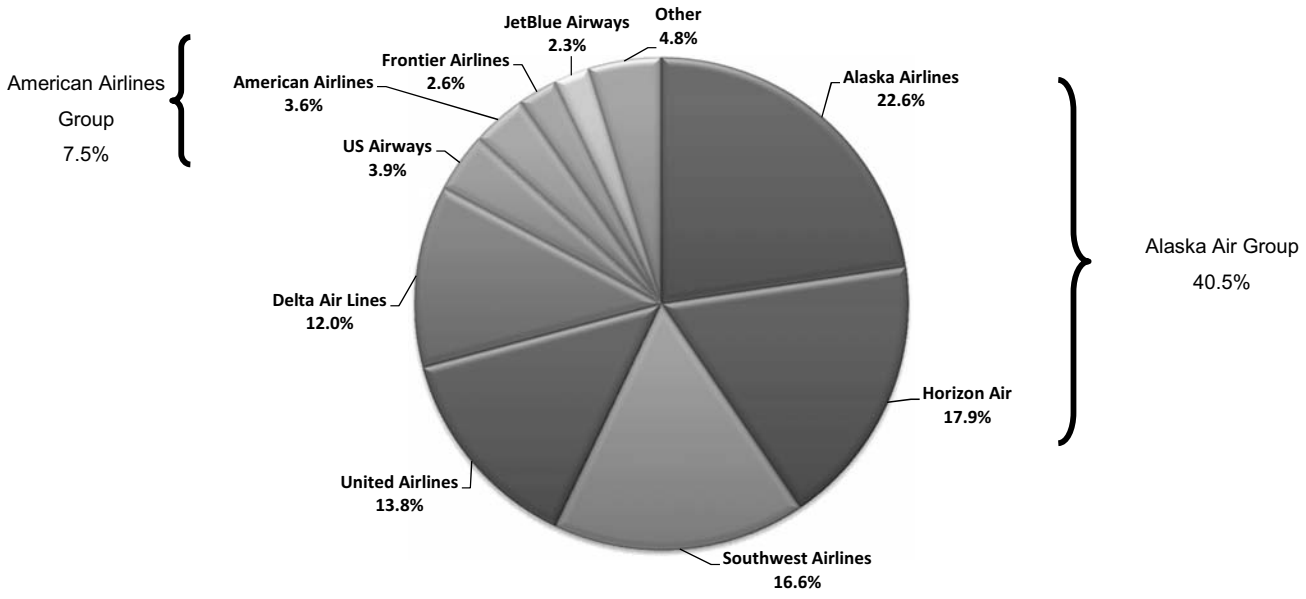
Rank	City	Airport	Code	FAA Hub Size	Enplaned Passengers
1	Atlanta GA	Hartsfield-Jackson Atlanta International Airport	ATL	Large	45,308,685
2	Los Angeles CA	Los Angeles International Airport	LAX	Large	32,427,115
3	Chicago IL	O'Hare International Airport	ORD	Large	32,278,906
4	Dallas/Fort Worth TX	Dallas/Ft Worth International Airport	DFW	Large	29,018,883
5	Denver CO	Denver International Airport	DEN	Large	25,497,348
6	New York NY	John F. Kennedy International Airport	JFK	Large	25,036,855
7	San Francisco CA	San Francisco International Airport	SFO	Large	21,706,567
8	Charlotte NC	Charlotte Douglas International Airport	CLT	Large	21,347,428
9	Las Vegas NV	McCarran International Airport	LAS	Large	19,923,594
10	Phoenix AZ	Sky Harbor International Airport	PHX	Large	19,525,829
11	Miami FL	Miami International Airport	MIA	Large	19,422,275
12	Houston TX	George Bush Intercontinental Airport	IAH	Large	18,953,519
13	Newark NJ	Newark Liberty International Airport	EWR	Large	17,514,139
14	Orlando FL	Orlando International Airport	MCO	Large	16,885,160
15	Seattle WA	Seattle-Tacoma International Airport	SEA	Large	16,690,295
16	Minneapolis MN	Minneapolis/St Paul International Airport	MSP	Large	16,282,038
17	Detroit MI	Detroit Metropolitan Wayne County Airport	DTW	Large	15,683,787
18	Boston MA	Logan International Airport	BOS	Large	14,721,693
19	Philadelphia	Philadelphia International Airport	PHL	Large	14,705,014
20	New York NY	LaGuardia Airport	LGA	Large	13,353,365
21	Fort Lauderdale FL	Ft Lauderdale-Hollywood International Airport	FLL	Large	11,509,361
22	Baltimore MD	Baltimore/Washington International Thurgood Marshall Airport	BWI	Large	11,134,130
23	Washington, DC	Washington Dulles International Airport	IAD	Large	10,575,366
24	Chicago IL	Midway International Airport	MDW	Large	9,919,985
25	Washington DC	Ronald Reagan Washington National Airport	DCA	Large	9,811,796
26	Salt Lake City UT	Salt Lake City International Airport	SLC	Large	9,669,234
27	Honolulu HI	Honolulu International Airport	HNL	Large	9,466,995
28	San Diego CA	San Diego International Airport	SAN	Large	8,876,777
29	Tampa FL	Tampa International Airport	TPA	Large	8,268,207
30	**Portland OR**	**Portland International Airport**	**PDX**	**Large**	**7,453,098**
31	St Louis MO	Lambert-St Louis International Airport	STL	Medium	6,213,972
32	Houston TX	W. P. Hobby Airport	HOU	Medium	5,379,782
33	Nashville TN	Nashville International Airport	BNA	Medium	5,052,066
34	Austin TX	Austin-Bergstrom International Airport	AUS	Medium	4,902,080
35	Kansas City MO	Kansas City International Airport	MCI	Medium	4,836,221

Source: Federal Aviation Administration, Air Carrier Activity Information System, Preliminary CY 2013, June 20, 2014 (accessed July 2014)

Compiled by Trillion Aviation

Figure 1-1

ENPLANED PASSENGER MARKET SHARE AT THE AIRPORT – FY 2014



Notes:

1. SkyWest Airlines operates as a regional affiliate for Alaska, Delta Air Lines, and United Airlines. SkyWest Airlines passengers have been included with their appropriate mainline partner.
2. Continental Airlines passengers have been included with United Airlines.
3. On December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating affiliates.
4. Amounts may not add due to rounding.

Source: Port of Portland airport management records, July 2014

The Airport also has a significant cargo operations presence. Approximately 199,000 metric tonnes of freight and mail were loaded and unloaded on and off aircraft in CY 2013. The Airport was ranked the 24th busiest cargo airport in the U.S per Airports Council International-North America (ACI-NA) preliminary data for this period. Also in CY 2013, preliminary ACI-NA data indicates the Airport had just under 210,000 aircraft movements or operations in CY 2013. As such, it ranked 35th in the U.S. **Table 1-2** below presents ACI-NA's rankings for cargo and aircraft movements.

Table 1-2

U.S. AIRPORT CARGO AND AIRCRAFT MOVEMENT RANKINGS (TOP 35) – CY 2013 (PRELIMINARY)

Rank	City	Code	Metric Tonnes
1	Memphis TN	MEM	4,137,938
2	Anchorage AK	ANC	2,418,762
3	Louisville KY	SDF	2,216,079
4	Miami FL	MIA	1,945,013
5	Los Angeles CA	LAX	1,744,101
6	Chicago IL	ORD	1,527,655
7	New York NY	JFK	1,286,561
8	Indianapolis IN	IND	991,953
9	Newark NJ	EWR	649,421
10	Atlanta GA	ATL	617,714
11	Cincinnati OH	CVG	594,520
12	Dallas/Fort Worth TX	DFW	589,320
13	Oakland CA	OAK	503,917
14	Houston TX	IAH	426,384
15	Ontario CA	ONT	418,666
16	Philadelphia PA	PHL	380,143
17	San Francisco CA	SFO	363,795
18	Seattle WA	SEA	293,210
19	Phoenix AZ	PHX	277,009
20	Washington, DC	IAD	252,483
21	Boston MA	BOS	252,132
22	Denver CO	DEN	226,275
23	Detroit MI	DTW	214,577
24	**Portland OR**	**PDX**	199,204
25	Minneapolis MN	MSP	198,452
26	Orlando FL	MCO	169,657
27	Salt Lake City UT	SLC	165,848
28	San Diego CA	SAN	145,778
29	Charlotte NC	CLT	127,897
30	Hartford CT	BDL	119,619
31	Baltimore MD	BWI	107,618
32	San Antonio TX	SAT	105,136
33	Kansas City MO	MCI	98,822
34	Las Vegas NV	LAS	93,600
35	Greensboro NC	GSO	87,668

Rank	City	Code	Aircraft Movements
1	Atlanta GA	ATL	911,074
2	Chicago IL	ORD	883,287
3	Dallas/Fort Worth TX	DFW	678,029
4	Los Angeles CA	LAX	614,917
5	Denver CO	DEN	582,653
6	Charlotte NC	CLT	557,948
7	Las Vegas NV	LAS	520,992
8	Houston TX	IAH	506,298
9	Phoenix AZ	PHX	435,887
10	Philadelphia PA	PHL	432,884
11	Minneapolis MN	MSP	432,592
12	Detroit MI	DTW	425,732
13	San Francisco CA	SFO	421,400
14	Newark NJ	EWR	413,581
15	New York NY	JFK	406,419
16	Miami FL	MIA	399,140
17	New York NY	LGA	374,658
18	Boston MA	BOS	361,339
19	Phoenix AZ	DVT	354,995
20	Salt Lake City UT	SLC	330,350
21	Seattle WA	SEA	317,183
22	Washington, DC	IAD	307,748
23	Long Beach CA	LGB	293,506
24	Daytona Beach FL	DAB	292,291
25	Washington DC	DCA	292,193
26	Orlando FL	MCO	291,652
27	Sanford FL	SFB	269,708
28	Los Angeles CA	VNY	268,531
29	Anchorage AK	ANC	264,258
30	Baltimore MD	BWI	259,793
31	Fort Lauderdale, FL	FLL	255,406
32	Chicago IL	MDW	252,126
33	Santa Ana, CA	SNA	248,225
34	Memphis TN	MEM	233,404
35	**Portland OR**	**PDX**	**209,909**

Source: Airports Council International-North America, http://www.aci-na.org/content/airport-traffic-reports (accessed June 2014)

Compiled by Trillion Aviation

The Airport predominately serves domestic traffic, which comprised approximately 97 percent of the Airport's passenger traffic in FY 2014; therefore, international traffic is a relatively small component at approximately three percent. However, the Airport does serve as an international gateway for Delta Air Lines (Delta) to both Asia and Europe, as it has nonstop service to Tokyo's Narita Airport (NRT) and Amsterdam's Schiphol Airport (AMS). The Airport is among the smallest U.S. cities to serve both trans-Pacific and trans-Atlantic markets nonstop. The Airport is also among the smallest origin-destination (O&D) markets to NRT from the U.S. west coast and is Delta's 8th largest O&D market that serves NRT. O&D passengers either begin or end their trips at the Airport, whether they reside, work, commute for work, or are visiting Portland or the surrounding area. Given the size of its local market, the Airport has significant competition from other U.S. west coast cities as an international gateway. More information regarding the Airport's international traffic is presented later in Chapter 2 of this Report.

1.1.2 Role as a Hub for Alaska Air Group

Alaska and Horizon are the Airport's largest carriers in terms of passenger market share, and operate at the Airport as a hub. Alaska Air Group operates at the Airport somewhat different than most other traditional airline hubs. For example, at a traditional airline hub airport, the "hubbing" airline's passenger traffic is largely connecting (at least 50 percent if not more), with the remaining component comprised of the local O&D market. At the Airport, Alaska Air Group's mix of passenger traffic is weighted towards O&D passenger traffic. For example, in CY 2013 approximately 34 percent of Alaska Air Group's traffic was connecting, and, therefore, approximately 66 percent was local O&D traffic. This is generally considered the opposite passenger mix as compared with a traditional airline hub. Alaska and Horizon enplaned approximately 3.1 million passengers in FY 2013 for a 40.5 percent market share. Alaska and Horizon's traffic impact will be further analyzed in Chapter 2 of this Report.

1.1.3 Regional Role

The Airport is primarily an O&D airport. In terms of O&D passenger volume, the Airport had approximately 6.3 million enplaned O&D passengers for CY 2013, making it the 26th largest O&D market in the U.S. In CY 2013, approximately 84 percent of the Airport's enplaned passengers were O&D passengers. The remaining 16 percent of the Airport's passengers were connecting passengers. The vast majority of the Airport's connecting passengers were carried on Alaska and Horizon.

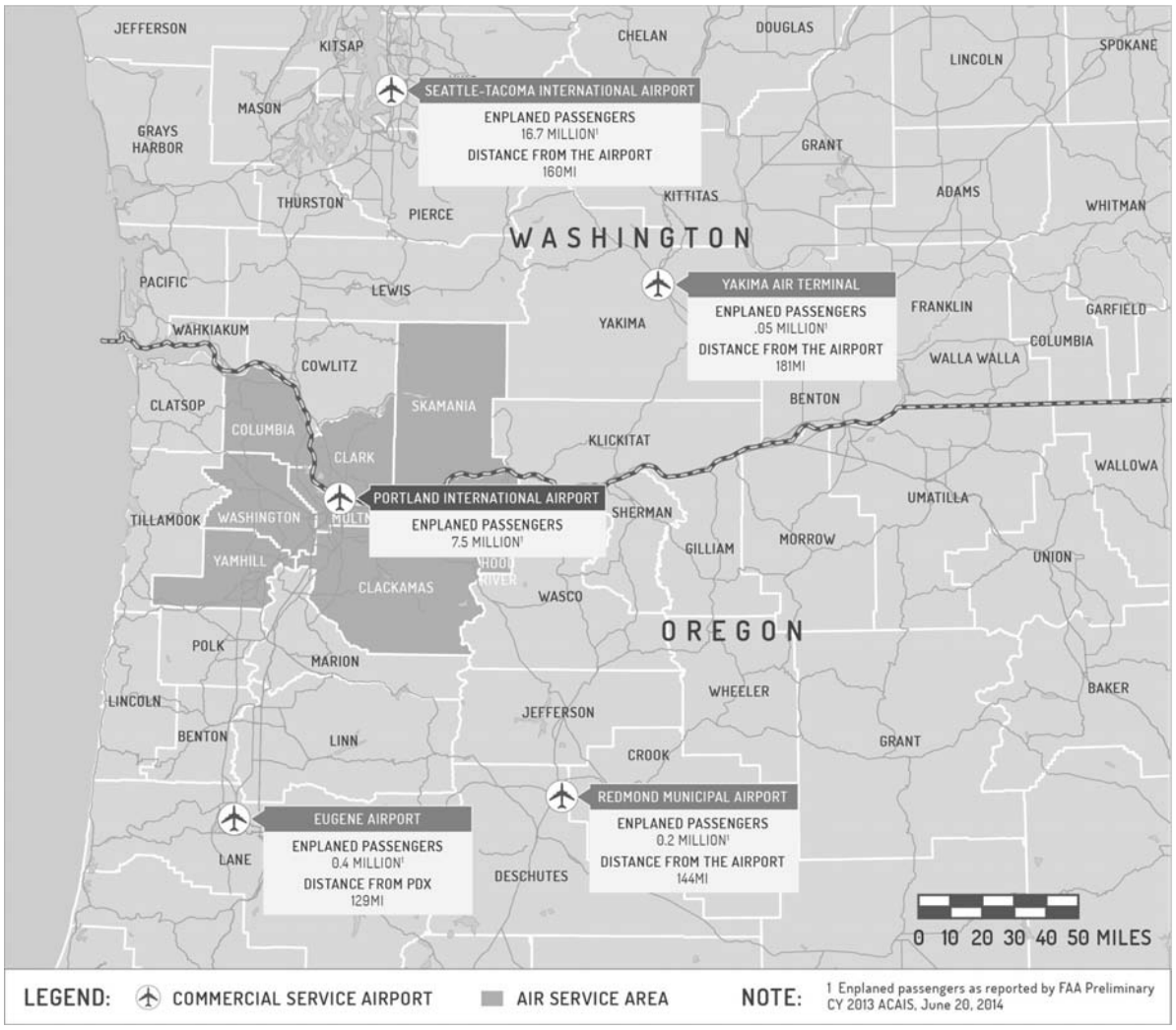
The Airport is the primary commercial air service facility serving the Portland metropolitan area and the surrounding region, and is essentially isolated from other airport competition in the region. The geographical region that serves as an airport's primary air service catchment area can be referred to as its "air service area". For the purposes of this Report, the Airport's "Air Service Area" is defined as the Portland-Vancouver-Beaverton, OR-WA Metropolitan Statistical Area (MSA) and includes the seven Counties of Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in the State of Oregon; and Clark and Skamania Counties in the State of Washington. The Portland-Vancouver-Beaverton MSA is the 24th most populated MSA in the U.S., with approximately 2.3 million people. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports; however, it is generally the

economic strength of the primary MSA that provides the principal demand for supporting O&D air travel.

As indicated above, the Air Service Area is largely isolated from competing airport facilities and, hence, the Airport has limited competition for air service. Seattle-Tacoma International Airport (SEA) is the closest comparable airport, about 160 (driving) miles from the Airport. **Figure 1-2** illustrates the Air Service Area and other commercial service airports in the general vicinity. As shown, other commercial service airports in the region are smaller facilities all over 100 miles from the Airport. There are no other comparable facilities to the Airport within the State of Oregon in terms of air service.

Figure 1-2

AIR SERVICE AREA



1.2 Economic Base for Air Traffic

Air travel demand is largely correlated with the demographic and economic characteristics of the surrounding region. The economic strength of the Air Service Area has a major impact on the aviation activity at the Airport since most of the Airport's passenger demand is O&D activity. The next sections review current economic trends and conditions of the Airport's Air Service Area, and present data indicative of the Air Service Area's capability to generate a growing demand for air transportation throughout the next several years.

1.2.1 Socio-Economic Trends

Data for population, age distribution, educational attainment, income, and gross regional product for the Air Service Area are discussed below and are presented in Tables 1-3 through 1-11. Parallel data for Oregon and the United States are also shown to provide a basis of comparison for trends in the Air Service Area. Where available, historical data will be presented for the 2003-2013 period, which is representative of a longer-term trend. Also, where available, projected data will be presented through 2021 to be consistent with air traffic and financial forecasts presented later in this Report.

Historical and Projected Population

Population is a significant source of demand for air travel. **Table 1-3** includes 2003 and 2013[7] population data and provides population trends in the Air Service Area, Oregon, and the U.S. during this period. Data projections for 2021 are also included. Data in Table 1-3 show that between 2003 and 2013, the population in the Air Service Area increased by 15.3 percent from 2,024,115 to 2,334,159. During the same period, Oregon's population increased by 11.8 percent and the U.S. population increased by 9.5 percent.

The Air Service Area added approximately 310,000 to its population between 2003 and 2013 (or approximately 31,000 per year). The Air Service Area's population between 2003 and 2013 increased at a compound annual growth rate (CAGR) of 1.4 percent—higher than that of Oregon's population (1.1 percent), and that of the U.S. (0.9 percent). In 2013, the Air Service Area accounted for approximately 59 percent of Oregon's population.

The Air Service Area's projected population increase for the period 2013 to 2021 reflects a CAGR of 1.6 percent and is higher than the projected CAGR for both Oregon and the U.S. during the same period (1.2 percent and 1.0 percent, respectively). The increase in new residents in the Air Service Area (approximately 308,000 between 2013 and 2021) is expected to generate additional demand for air service at the Airport.

[7] Latest data available.

Table 1-3

HISTORICAL AND PROJECTED POPULATION (2003-2021)

Area	Historical Population 2003	Historical Population 2013	Projected Population 2021	Percent Change 2003-13	CAGR[1/] 2003-2013	CAGR[1/] 2013-2021
Clackamas County, OR	352,032	392,659	466,199	11.5%	1.1%	1.6%
Columbia County, OR	45,636	50,833	59,148	11.4%	1.1%	1.9%
Multnomah County, OR	679,348	757,513	807,338	11.5%	1.1%	0.6%
Washington County, OR	474,336	563,726	707,203	18.8%	1.7%	2.1%
Yamhill County, OR	88,619	102,903	119,774	16.1%	1.5%	1.9%
Clark County, WA	374,098	455,139	592,277	21.7%	2.0%	2.4%
Skamania County, WA	10,046	11,386	12,789	13.3%	1.3%	1.1%
Air Service Area	**2,024,115**	**2,334,159**	**2,764,728**	**15.3%**	**1.4%**	**1.6%**
Oregon	3,547,376	3,965,582	4,511,046	11.8%	1.1%	1.2%
United States	290,107,933	317,790,897	353,869,971	9.5%	0.9%	1.0%

Note:

1/ Compound annual growth rate.

Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.

Compiled by Partners for Economic Solutions, July 2014

Age Distribution

Table 1-4 includes 2013[8] age data for the Air Service Area, Oregon, and the U.S. The median age in the Air Service Area is 37.3 years, compared to 38.9 years in Oregon and 37.6 years in the U.S. overall. Demand for air travel varies by age group. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, U.S. persons 55 years and over account for 40 percent of airline fare expenditures.[9] Persons between the ages of 35 and 54 account for 45 percent of expenditures on airline fares, while persons between 25 and 34 years account for 12 percent.

Table 1-4 shows that in 2013, residents in the Air Service Area aged 35 to 54 made up 27.9 percent of the population, compared with 26.1 percent of the population in Oregon, and 26.7 percent in the U.S. This is the age group that generates the most expenditure on airline fares and it is represented in the Air Service Area in a higher proportion than in both Oregon and the U.S.

[8] Latest data available.

[9] *Who's Buying for Travel*, 9th Edition, 2013, New Strategist Publications. Data in *Who's Buying for Travel* are based on the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey, an ongoing nationwide survey of household spending.

Table 1-4

AGE DISTRIBUTION (2013)

	Air Service Area	Oregon	United States
Total Population	2,334,159	3,965,582	317,790,897
Age Range			
19 and under	25.5%	24.6%	26.1%
20 to 24 years	6.6%	6.8%	7.2%
25 to 34 years	14.7%	13.6%	13.5%
35 to 44 years	**14.1%**	**12.8%**	**12.8%**
45 to 54 years	**13.8%**	**13.3%**	**13.9%**
55 to 64	12.8%	13.8%	12.6%
65 and above	12.5%	15.1%	13.9%
Total	100.0%	100.0%	100.0%
Median Age	37.3 years	38.9 years	37.6 years

Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014; Esri Market Profile and Age Profile, June 2014.
Compiled by Partners for Economic Solutions, July 2014.

Educational Attainment

Table 1-5 includes 2013[10] educational attainment data for the Air Service Area, Oregon, and the U.S. The Air Service Area is home to a substantial number of educated adults. According to data shown in Table 1-5, more than 664,000 people, or nearly 42 percent of the Air Service Area's population over the age of 25, have a post-secondary degree (associate, bachelor's, graduate or professional). This percentage is higher than that of both Oregon and the U.S. where, respectively, 37.2 percent and 36.0 percent of the population over the age of 25 have a post-secondary degree.

According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, persons with a college degree generate a high percentage of expenditures on air travel.[11] Data indicate that 67 percent of airline fares are purchased by college graduates, while 16 percent of airline fares are purchased by consumers who have had some college. Seventeen percent of airline fares are purchased by consumers who never attended college.

[10] Latest data available.
[11] *Who's Buying for Travel*, 9th Edition, 2013, New Strategist Publications.

Table 1-5

EDUCATIONAL ATTAINMENT (2013)

	Air Service Area	Oregon	United States
Population 25 years and over	1,584,894	2,720,389	211,966,528
Less than 9th Grade	3.8%	4.1%	6.1%
9th - 12th Grade, No Diploma	6.0%	6.9%	8.4%
High School Graduate	22.5%	25.2%	28.5%
Some College, No Degree	25.8%	26.6%	21.0%
Post-Secondary Degree	41.9%	37.2%	36.0%
Associate Degree	*8.0%*	*8.1%*	*7.6%*
Bachelor's Degree	*21.7%*	*18.4%*	*17.9%*
Master's Degree or Doctorate	*12.2%*	*10.7%*	*10.5%*
Total	100.0%	100.0%	100.0%

Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014; Esri Market Profile and Age Profile, June 2014.
Compiled by Partners for Economic Solutions, July 2014.

Household Income

Table 1-6 includes 2013 and 2018[12] median household income data for the Air Service Area, Oregon, and the U.S. The Air Service Area's estimated 2013 median household income was higher than that of Oregon and that of the U.S. Table 1-6 shows that in 2013, the Air Service Area's median household income of $53,931 was 12.5 percent above Oregon's ($47,951) and 5.1 percent higher than that of the U.S. ($51,314). Forecasts for 2018 show that this trend is expected to continue as the Air Service Area is expected to reach a median household income level of $66,701, compared to $57,703 in Oregon and $59,580 in the U.S.

The percentage of higher income households (defined as those earning $75,000 or more annually) within the Air Service Area is another key indicator of potential demand for air travel services. In 2013, approximately 311,000 Air Service Area households had an income of $75,000 or more. This is equal to approximately 35 percent of all Air Service Area households. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, 65 percent of airline fare expenditures are made by households with annual income of $75,000 or more. Data in **Table 1-7** show that between 2013 and 2018, the number of households with income greater than $75,000 in the Air Service Area is projected to increase by approximately 115,000.

[12] Latest data available.

Table 1-6

MEDIAN HOUSEHOLD INCOME AND INCOME DISTRIBUTION (2013-2018)

	Air Service Area	Oregon	United States
2013 Median Household Income	$53,931	$47,951	$51,314
2018 Median Household Income	$66,701	$57,703	$59,580

	Household Income Distribution (Percent)		
2013 Household Income	**Air Service Area**	**Oregon**	**United States**
Less than $24,999	21.4%	25.3%	24.0%
$25,000 to $49,999	24.3%	26.2%	24.5%
$50,000 - $74,999	19.4%	19.8%	18.4%
$75,000 - $99,999	12.5%	11.5%	11.8%
$100,000 - $199,999	18.5%	14.3%	17.1%
$200,000 or more	3.9%	2.9%	4.2%
Total	**100.0%**	**100.0%**	**100.0%**
2018 Household Income			
Less than $24,999	18.0%	21.4%	20.5%
$25,000 to $49,999	18.5%	20.5%	21.1%
$50,000 - $74,999	18.1%	20.2%	17.5%
$75,000 - $99,999	17.9%	16.7%	15.0%
$100,000 - $199,999	23.1%	17.9%	21.1%
$200,000 or more	4.4%	3.3%	4.8%
Total	**100.0%**	**100.0%**	**100.0%**

1/ Amounts are shown in current dollars, i.e., 2013 data are shown in 2013 dollars and 2018 data are shown in 2018 dollars.
Source: Esri Market Profile, June 2014.
Compiled by Partners for Economic Solutions, July 2014.

Table 1-7

HOUSEHOLDS WITH INCOME OF $75,000 AND ABOVE (2013-2018)

	Air Service Area	Oregon	United States
Total Households			
2013 estimate	890,630	18,146,918	118,208,713
2018 forecast	937,996	18,444,534	122,665,498
Increase in households	47,366	297,616	4,456,785
CAGR 2013-2018[1/]	1.0%	0.3%	0.7%
Households with Income of $75,000 and Above[2/]			
2013 estimate	310,830	5,208,165	39,127,084
2018 forecast	425,850	6,990,478	50,170,189
Increase in households with income of $75,000 and above	115,020	1,782,313	11,043,105
CAGR 2013-2018	6.5%	6.1%	5.1%
% of Households with Income of $75,000 and Above[2/]			
2013 estimate	34.9%	28.7%	31.5%
2018 forecast	45.4%	34.4%	40.9%

Notes:
1/ CAGR = Compound annual growth rate.
2/ In current dollars.
Source: Esri Market Profile, June 2014.
Compiled by Partners for Economic Solutions, July 2014.

Per Capita Personal Income

Personal income is a key indicator of a region's demand for air travel and includes 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. Per capita personal income is a measure of the relative affluence of a region's residents and, consequently, of their ability to afford air travel.

Table 1-8 includes annual per capita income data from 2003 through 2013[13] for the Air Service Area, Oregon, and the U.S. Data in Table 1-8 show per capita personal income between 2003 and 2013 for the Air Service Area, Oregon, and the U.S. From 2003 and 2013, per capita personal income in the Air Service Area was higher than that of Oregon by an average of ten percent. Between 2003 and 2013, per capita personal income in the Air Service Area was above that of the U.S. by an average of two percent from 2003 through 2008, and slightly below the U.S. level from 2009 through 2013.

Per capita personal income for the Air Service Area increased at a CAGR of 0.5 percent between 2003 and 2013, equal to the CAGR for Oregon and below the CAGR of 1.0 percent for the U.S. during the same period.

[13] Latest data available.

Table 1-8

HISTORICAL AND PROJECTED PER CAPITA PERSONAL INCOME (2003-2021)

	Per Capita Personal Income (in 2013 dollars)		
Year	**Air Service Area**	**Oregon**	**U.S.**
2003	$41,284	$37,460	$39,557
2004	$41,589	$37,846	$40,548
2005	$42,038	$37,852	$41,218
2006	$43,500	$39,301	$42,718
2007	$44,081	$39,715	$43,643
2008	$44,391	$40,100	$43,894
2009	$41,367	$37,714	$41,444
2010	$41,558	$37,889	$41,988
2011	$42,563	$38,674	$42,830
2012	$42,868	$38,948	$43,186
2013	$43,244	$39,286	$43,597
Projected			
2021	$47,622	$43,310	$48,307
CAGR[1/]			
2003-2013	0.5%	0.5%	1.0%
2013-2021	1.2%	1.2%	1.3%

Note:
1/ CAGR = Compound annual growth rate.
Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.
Compiled by Partners for Economic Solutions, July 2014.

Per Capita Gross Regional Product / Gross Domestic Product

Per capita gross domestic product (national level) and per capita gross regional product (state- and county-level) are measures of the value of all final goods and services produced within a geographic area, divided by the total population. These per capita measures are general indicators of the economic health of a geographic area and, consequently, of the area's potential demand for air transportation services.

Table 1-9 includes annual per capita gross regional product and gross domestic product data from 2003 through 2013[14] for the Air Service Area, Oregon, and the U.S. Data in Table 1-9 show the per capita gross regional product for the Air Service Area and Oregon, and per capita gross domestic product data for the U.S. from 2003 to 2013. Table 1-9 shows that the Air Service Area's per capita gross regional product increased from $49,041 in 2003 to $58,670 in 2013. Table 1-9 also indicates that per capita gross regional product for the Air Service Area increased at a CAGR of 1.8 percent between 2003 and 2013, equal to that of Oregon and higher than the CAGR for the U.S. during the same period (0.8 percent).

[14] Latest data available.

Projections for 2021 in Table 1-9 show that per capita gross regional product for the Air Service Area is projected to increase from $58,670 in 2013 to $62,998 in 2021. This increase represents a CAGR of 0.9 percent for the Air Service Area and is lower than the CAGR for Oregon and the U.S. between 2013 and 2021.

Table 1-9

HISTORICAL AND PROJECTED PER CAPITA GROSS REGIONAL AND GROSS DOMESTIC PRODUCT (2003-2021)

	Per Capita Gross Regional & Gross Domestic Product (in 2013 dollars)		
Year	**Air Service Area**	**Oregon**	**U.S.**
2003	$49,041	$43,011	$46,729
2004	$52,150	$45,993	$48,085
2005	$52,963	$46,152	$49,332
2006	$56,381	$49,324	$50,432
2007	$56,966	$49,587	$51,108
2008	$56,930	$49,774	$50,033
2009	$55,162	$48,311	$48,496
2010	$56,862	$49,903	$49,084
2011	$57,653	$50,300	$49,477
2012	$58,162	$50,809	$50,087
2013	$58,670	$51,320	$50,700
Projected			
2021	$62,998	$55,680	$55,962
CAGR[1/]			
2003-2013	1.8%	1.8%	0.8%
2013-2021	0.9%	1.0%	1.2%

Note:
1/ CAGR = Compound annual growth rate.
Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.
Compiled by Partners for Economic Solutions, July 2014.

1.2.2 Labor Market Trends

Civilian labor force data, unemployment rates, and employment by industry data for the Air Service Area are discussed below and are presented in **Table 1-10** and **Table 1-11**. Parallel data for Oregon and the U.S. are also shown to provide a basis of comparison for trends in the Air Service Area.

2003 – 2013 Labor Force and Unemployment Trends

Table 1-10 includes annual civilian labor force and unemployment data from 2003 through 2013[15] for the Air Service Area, Oregon, and the U.S. Data in Table 1-10 show that between 2003 and 2013, the Air Service Area labor force grew at a CAGR of 0.7 percent—above the

[15] Latest data available.

labor force CAGR in both Oregon (0.4 percent), and the U.S. (0.6 percent). In absolute terms, the labor force in the Air Service Area increased by approximately 78,000 workers between 2003 and 2013.

The annual unemployment rate in the Air Service Area exceeded that of the U.S. from 2003 through 2012. During the December 2007 through June 2009 recession, job losses in the Air Service Area's[16] construction, manufacturing, and finance/insurance/real estate industries contributed to unemployment in a proportion that was similar to the U.S. overall. However, the proportion of the Air Service Area's job losses in wholesale and retail trade, and in professional and business services, was greater than in the U.S. The proportion of job losses in transportation/utilities and information in the Air Service Area was comparable to that of the U.S. during the December 2007 through June 2009 recession.

The Air Service Area's annual unemployment rate was higher than Oregon's in 2003 and then fell below the State's from 2004 through 2013. The annual unemployment rate in the Air Service Area was higher than in the U.S. from 2003 through 2012 and was slightly below that of the U.S. in 2013. Table 1-10 shows that in July 2014, the unemployment rate in the Air Service Area was 6.3 percent (non-seasonally adjusted)[17]. The Air Service Area's July 2014 unemployment rate was lower than the non-seasonally adjusted rate in the U.S. (6.5 percent) and in Oregon (7.0 percent).[18]

Employment by Industry

Table 1-11 includes employment by industry data for 2003 and 2013[19] for the Air Service Area, Oregon, and the U.S. Data in Table 1-11 show the number of jobs by major industry divisions in the Air Service Area, Oregon, and the U.S. in 2003 and 2013. Non-agricultural employment in the Air Service Area increased from approximately 1,185,000 workers in 2003 to approximately 1,353,000 workers in 2013. This increase represents a 1.3 percent CAGR during this period and is higher than the CAGR for non-agricultural employment in both Oregon (1.0 percent) and the U.S. (0.9 percent).

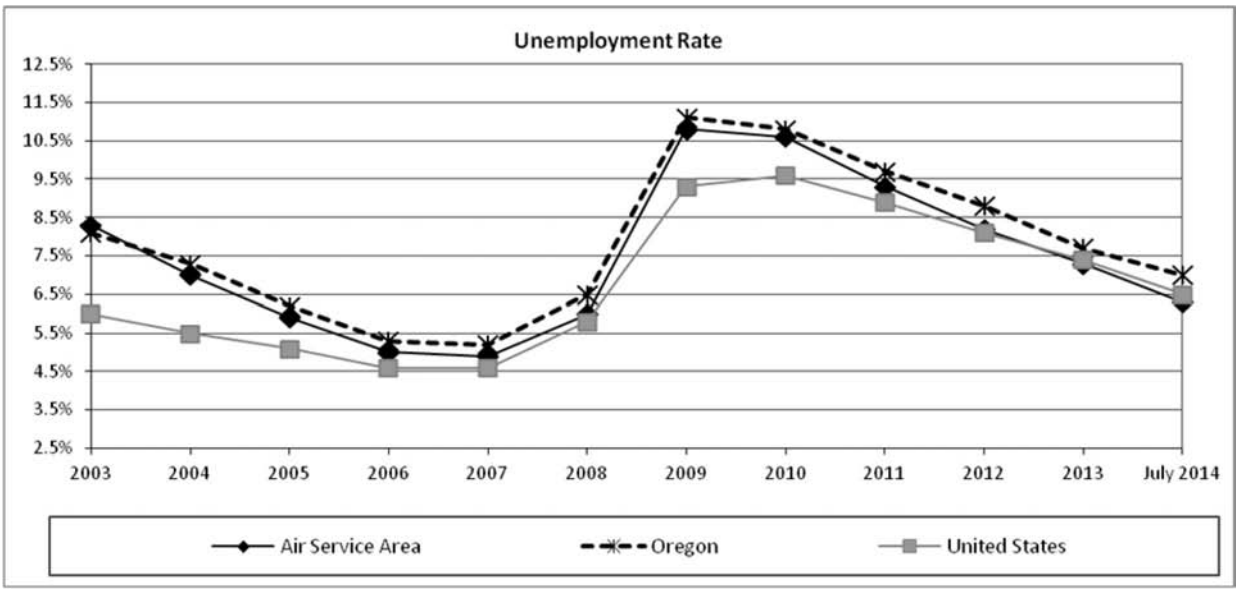
In 2013, employment by industry in the Air Service Area had a higher percentage of jobs in manufacturing, wholesale/retail trade, information, and services compared to the U.S. In all other sectors (construction, transportation/utilities, finance/insurance/real estate, and government, the Air Service Area had a lower proportion of employment compared to the U.S. (see bar chart in Table 1-11).

Data in Table 1-11 indicate that the Air Service Area has a diversified employment base that is expected to provide the region with a foundation for recovery following periodic downturns in the business cycle.

[16] Unemployment by industry data are not available for the Air Service Area.
[17] Monthly civilian labor force data published for the Air Service Area are not seasonally adjusted.
[18] In July 2014 the seasonally adjusted unemployment rate was 6.9 percent in Oregon and 6.2 percent in the U.S.
[19] Latest data available.

Table 1-10

CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATE (2003-July 2014)



	Civilian Labor Force				Unemployment Rate		
Year	Air Service Area	Oregon	United States	Year	Air Service Area	Oregon	United States
2003	1,090,119	1,850,024	146,510,000	2003	8.3%	8.1%	6.0%
2004	1,089,204	1,849,720	147,401,000	2004	7.0%	7.3%	5.5%
2005	1,097,592	1,856,062	149,320,000	2005	5.9%	6.2%	5.1%
2006	1,121,350	1,893,267	151,428,000	2006	5.0%	5.3%	4.6%
2007	1,142,372	1,921,081	153,124,000	2007	4.9%	5.2%	4.6%
2008	1,168,849	1,954,125	154,287,000	2008	6.0%	6.5%	5.8%
2009	1,178,824	1,969,769	154,142,000	2009	10.8%	11.1%	9.3%
2010	1,180,289	1,968,730	153,889,000	2010	10.6%	10.8%	9.6%
2011	1,182,760	1,967,299	153,617,000	2011	9.3%	9.7%	8.9%
2012	1,180,093	1,949,285	154,975,000	2012	8.2%	8.8%	8.1%
2013	1,168,547	1,924,604	155,389,000	2013	7.3%	7.7%	7.4%
July 2014[1/]	1,188,733	1,965,255	157,573,000	July 2014[1/]	6.3%	7.0%	6.5%
CAGR[2/]							
2003 – 2013	0.7%	0.4%	0.6%				

Notes:

1/ July 2014 data are not seasonally adjusted. In July 2014 the seasonally adjusted unemployment rate was 6.9% in Oregon and 6.2% in the U.S. Seasonally adjusted civilian labor force data are not available for the Air Service Area.

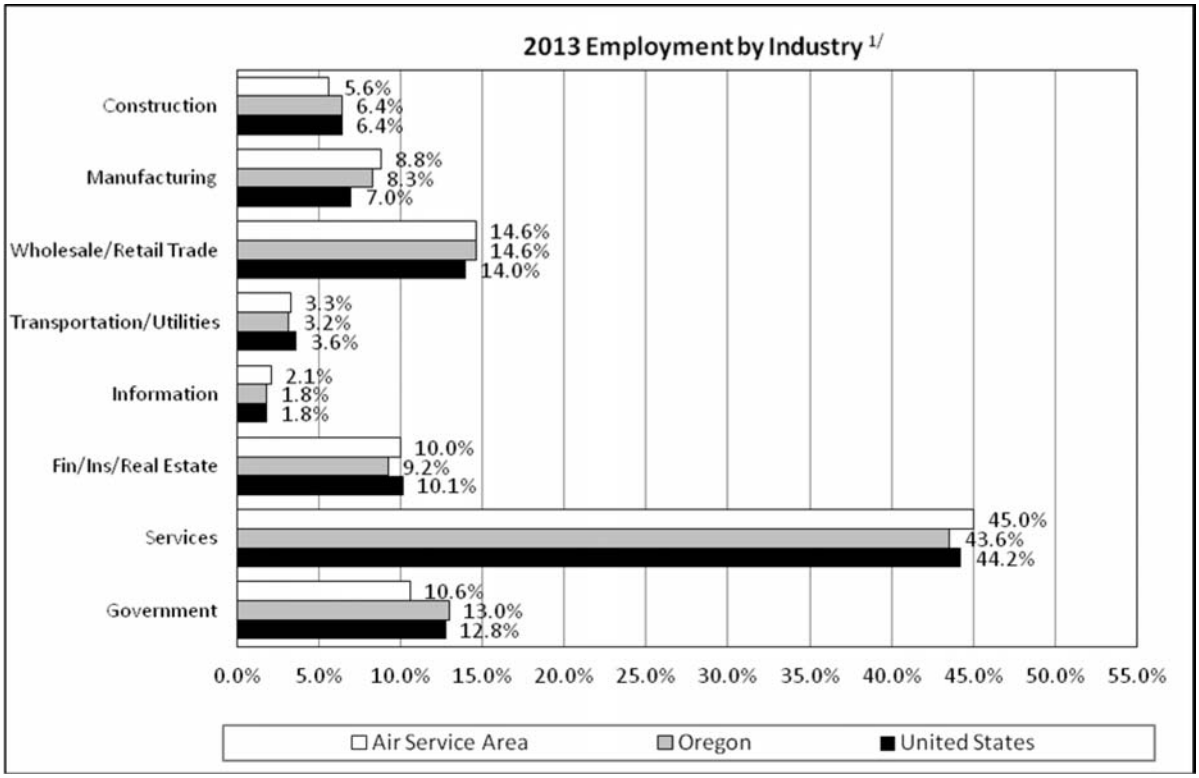
2/ CAGR = Compound annual growth rate.

Source: Oregon Labor Market Information System, Oregon Employment Department; Bureau of Labor Statistics, U.S. Department of Labor; August 2014.

Compiled by Partners for Economic Solutions, August 2014.

Table 1-11

HISTORICAL AND PROJECTED EMPLOYMENT BY INDUSTRY (2003-2021)



	Air Service Area			Oregon			United States		
Industry[1/]	**2003**	**2013**	**CAGR[2/]**	**2003**	**2013**	**CAGR**	**2003**	**2013**	**CAGR**
Construction[3/]	76,008	76,169	0.0%	146,645	140,751	-0.4%	11,488,036	11,288,453	-0.2%
Manufacturing	123,253	118,675	-0.4%	205,241	181,988	-1.2%	14,973,854	12,266,985	-2.0%
Wholesale/Retail Trade	186,967	197,666	0.6%	312,665	321,739	0.3%	24,298,929	24,593,941	0.1%
Transportation/Utilities	42,991	44,640	0.4%	67,895	69,609	0.2%	5,896,031	6,364,860	0.8%
Information	27,220	28,453	0.4%	39,577	39,856	0.1%	3,590,205	3,249,733	-1.0%
Fin/Ins/Real Estate	108,821	135,504	2.2%	161,274	202,764	2.3%	13,967,954	17,843,492	2.5%
Services	491,777	609,060	2.2%	803,787	958,737	1.8%	65,276,471	77,781,975	1.8%
Total	1,184,997	1,353,305	1.3%	2,002,275	2,201,047	1.0%	161,071,471	175,862,050	0.9%

Projected	**Air Service Area**	**Oregon**	**United States**
2021 Employment	1,540,582	2,460,184	196,231,583
CAGR 2003-2021	1.6%	1.4%	1.4%

Notes:

1/ Non-agricultural employment only.

2/ CAGR = Compound annual growth rate.

3/ Includes mining and forestry employment.

Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.

Compiled by Partners for Economic Solutions, July 2014.

1.2.3 Regional Economic Profile

This section discusses the Air Service Area's business climate, major employers, and business attraction and retention initiatives. An overview of major industry sectors is also presented below.

Business Climate

The positive business climate in the Air Service Area is supported by a skilled workforce, a community college system with customized workforce training, and workers' compensation insurance reforms. The Air Service Area also has a favorable tax structure with no taxes levied on sales, inventory, or motor vehicles (in Oregon), no state income tax (in Washington), and tax incentive programs in both states to encourage investment.[20] Cost data indicate that average operating expenses in the Air Service Area are 10 percent to 30 percent lower compared to other states in the Western U.S., depending on business size.[21]

In addition to these factors, quality-of-life issues are viewed as increasingly important to site selection decisions by businesses in the U.S. Because young, educated, and skilled workers often have a high degree of mobility, they frequently seek a desirable place in which to live as well as to work.[22] With light rail, street cars, and convenient transportation options, along with temperate weather, urban amenities, and easy access to outdoor recreation, the Air Service Area's superior quality of life is frequently mentioned by business location consultants as an effective tool in both site selection and employee recruitment.[23]

Major Employers

Fortune magazine publishes a yearly list of the top 1,000 publicly traded companies in the U.S., ranked by annual revenue. **Table 1-12** shows that four Fortune 1000 corporations are headquartered in the Air Service Area: Nike (ranked 115th); Precision Castparts (ranked 322nd); StanCorp Financial Group (ranked 755th); and Schnitzer Steel Industries (ranked 803rd). These four companies have combined revenue of approximately $40 billion annually.

Other major private sector employers in the Air Service Area are shown in **Table 1-13**. The companies presented in this table are the for-profit companies listed under "Largest Employers" and "Largest Locally Based Public Companies" in the 2014 Book of Lists from the Portland Business Journal and under "Largest Employers" in the 2014 Book of Lists from the Vancouver Business Journal.[24] These firms represent a variety of industries including: semiconductors and silicon wafers (Intel and Lattice Semiconductor); food products (Andersen Dairy, Craft Brewers Alliance); athletic apparel and equipment (Nike, Columbia Sportswear); transportation equipment (Daimler Trucks); laser equipment (nLight); paper products (Georgia-Pacific); and

[20] Business Oregon, http://www.oregon4biz.com; CREDC Services, http://www.credc.org/services; accessed July 2014.
[21] Business Cost Comparisons, Business Oregon, http://www.oregon4biz.com/The-Oregon-Advantage/Costs/comp.php, accessed July 2014.
[22] 28th Annual Survey of Corporate Executives, *Area Development*, Q1 2014, http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2014/28th-Corporate-Executive-RE-survey-results-6574981.shtml, accessed July 2014.
[23] About Relocating, Portland Business Alliance, http://portlandalliance.com/about/relocating.html; accessed July 2014.
[24] Employment data are not readily available.

exercise equipment (Nautilus). In addition to contributing to the Air Service Area's diverse economic base, these companies depend on air passenger and freight service for the continued health and expansion of their business enterprises.

Business Attraction and Retention

Business attraction and retention initiatives by Air Service Area economic development agencies include location services, property feasibility study assistance, Enterprise Zone property tax exemptions, start-up assistance, and other programs. Combined efforts by local and state economic development agencies, coordinated under the auspices of Greater Portland, Inc., have resulted in numerous successful efforts to attract and retain employers in the Air Service Area. Since 2012, prominent firms that have moved to or expanded in the Air Service Area include Daimler Trucks, Ebay, Salesforce.com, Islabikes, and Far West Steel.[25]

The Portland-Vancouver metro area was selected in a competitive bidding process as one of four metro areas nationally[26] to take part in the Brookings Institution's Metropolitan Export Initiative pilot program. The goal of the Export Initiative is to double regional exports in the Air Service Area over the next five years. To achieve this, the Export Initiative has outlined four key objectives, two of which directly support demand for air travel and air cargo. Leverage Primary Exporters in the Computer and Electronics Industry calls for increasing the local share of the computer and electronic manufacturing supply chain and addressing regional policy issues to enhance the long-term competitiveness of the industry. We Build Green Cities calls for building on an existing industry with high export potential in order to maximize the region's visibility in the international marketplace though international branding and marketing.[27]

Table 1-12

AIR TRADE AREA FORTUNE 1000 COMPANY HEADQUARTERS (2014)[1/]

Company	Fortune 1000 Rank	2013 Revenue ($ billions)	Industry	Location
Nike	115	$25.8	Athletic Apparel and Equipment	Beaverton
Precision Castparts	322	$8.5	Industrial Equipment	Portland
StanCorp Financial Group	755	$2.8	Financial Services	Portland
Schnitzer Steel Industries	803	$2.6	Steel Manufacturing	Portland

Note:

1/ Based on 2013 revenue.

Source: Fortune.com, June 2014; "2014 Fortune 500," *Fortune*, June 16, 2014.

Compiled by: Partners for Economic Solutions, July 2014.

[25] Business Programs, Portland Development Commission, http://www.pdc.us/for-businesses/business-programs.aspx; CREDC 2013 Annual Report, http://www.credc.org/about/about-us; Business Oregon News Room, http://www.oregon4 biz.com/news.php; accessed July 2014.

[26] Los Angeles, Minneapolis-St. Paul and Syracuse.

[27] Greather Portland Export Initiative, http://www.greaterportlandinc.com/export_init_pages/5#faq1, accessed August 2014.

Table 1-13

MAJOR PRIVATE SECTOR EMPLOYERS[1/]

Company	Location	Industry
ABM Janitorial Services	Vancouver, WA	Janitorial Services
Albina Community Bancorp	Portland	Financial Services
Andersen Dairy	Battle Ground, WA	Food Products
Barrett Business Services	Vancouver, WA	Human Resources Management
Blount International	Portland	Industrial Equipment
BNSF Railway	Vancouver, WA	Transportation
Burgerville	Vancouver, WA	Restaurant
CarePayment Technologies	Lake Oswego	Financial Services
Cascade Microtech	Beaverton	Industrial Equipment
Charter Communications	Vancouver, WA	Telecommunications
Columbia Commercial Bancorp	Hillsboro	Financial Services
Columbia Machine	Vancouver, WA	Industrial Equipment
Columbia Sportswear	Beaverton	Athletic Apparel
Costco	Camas, WA	Retail
Craft Brewers Alliance	Portland	Food Products
CUI Global	Tualatin	Industrial Equipment
Daimler Trucks	Portland	Truck Manufacturing
Dick Hannah Dealerships	Vancouver, WA	Automobile Dealerships
Digimarc	Beaverton	Digital Waterworking
Earthlink Business	Vancouver, WA	Information Technology Services
Electro Scientific Industries	Beaverton	Laser Equipment
FEI	Hillsboro	Electronic Equipment
Fisher Investments	Camas, WA	Financial Services
FLIR Systems	Wilsonville	Electronic Equipment
Fred Meyer Stores	Portland	Retail
Georgia-Pacific	Camas, WA	Paper Products
Intel	Hillsboro	Semiconductors
Jewett-Cameron Trading Co.	North Plains	Building Materials
Keller Williams Realty	Vancouver, WA	Real Estate Broker
Kurcher North America	Camas, WA	Industrial Equipment
Lattice Semiconductor	Hillsboro	Semiconductors
Linear Technology	Camas, WA	Semiconductors
Mentor Graphics	Wilsonville	Software
Nautilus	Vancouver, WA	Fitness Equipment
New Seasons Market	Portland	Retail
Nike	Beaverton	Athletic Apparel and Equipment
nLight	Vancouver, WA	Laser Equipment
Northwest Natural Gas	Portland	Utility
Northwest Pipe	Vancouver, WA	Metal Processing
Paulson Capital Corp.	Portland	Financial Services

Table 1-13 (continued)

MAJOR PRIVATE SECTOR EMPLOYERS[1/]

Company	Location	Industry
Planar Systems	Hillsboro	Electronic Equipment
Portland General Electric	Portland	Utility
Powin Corp.	Tualatin	Contract Manufacturing
Precision Castparts	Portland	Industrial Equipment
Radisys	Hillsboro	Electronic Equipment
Rentrak	Portland	Media Services
Riverview Community Bank	Vancouver, WA	Financial Services
Schmitt Industries	Portland	Industrial Equipment
Schnitzer Steel Industries	Portland	Steel Manufacturing
SEH America	Vancouver, WA	Silicon Wafer Manufacturing
StanCorp Financial Group	Portland	Financial Services
The Green Brier Cos.	Lake Oswego	Railcar and Barge Manufacturing
The New Phoenix & Last Frontier Casinos	Vancouver, WA	Gaming
The Standard	Portland	Insurance
Thompson Metal Fab	Vancouver, WA	Steel Manufacturing
TriQuint Semiconductor	Hillsboro	Semiconductors
U.S. Bank	Portland	Financial Services
Umpqua Bank	Portland	Financial Services
WaferTech	Camas, WA	Silicon Wafer Manufacturing
Waste Connections	Vancouver, WA	Solid Waste Services
Wells Fargo	Portland; Vancouver WA	Financial Services
Xzeres	Wilsonville	Industrial Equipment

Note:
1/ For profit businesses only.
Sources: "Largest Employers" and "Largest Locally Based Public Companies" *2014 Book of Lists*, Portland Business Journal; "Largest Employers" *2014 Book of Lists*, Vancouver Business Journal.
Compiled by Partners for Economic Solutions, August 2014.

Industry Sectors

Brief profiles of the Air Service Area's major industries, ranked by two-digit NAICS[28] code, are provided below.

Construction

In 2013, approximately 76,000 workers were employed in the Air Service Area's construction industry, accounting for 5.6 percent of total non-agricultural jobs. Large commercial contractors based in the Air Service Area include Hoffman Construction Co., Fortis

[28] The North American Industry Classification System, established by the Office of Management and Budget (OMB), is the standard for categorizing business establishments in the U.S. economy according to industry sector. Two-digit NAICS codes include: construction (21); manufacturing (31-33); wholesale/retail trade (42, 44-45); transportation/ utilities (48-49, 22); information (51); finance/insurance/real estate (52-53); services (54-56, 61-62, 71-82, 81); government (92).

Construction Inc., and Andersen Construction.[29] Major projects that are in planning or under construction in the Air Service Area include highway facilities, waterfront revitalization, and a new convention center hotel:

Vancouver Waterfront Revitalization. This $1.5 billion, 32-acre project is located along the Columbia River and is the largest commercial development in Vancouver's history. It will include 3,300 residential units, 1.2 million square feet of office space, 250,000 square feet of retail space, 10 acres of parks, and a 200-room hotel. Infrastructure connections between downtown Vancouver and the waterfront have been underway since 2013 and have brought new trails and park access, and new access points for commercial and residential rail. The first phase of development is scheduled to break ground in late 2014 and the project is expected to take from 10 to 15 years to complete.[30]

Oregon Department of Transportation STIP Projects. Under its Statewide Transportation Improvement Program (STIP), the Oregon Department of Transportation is currently constructing approximately 20 highway and transportation improvement projects in the Air Services Area with a combined budget of $375 million. These projects focus on new interchanges, bridge and viaduct replacement, safety improvements, bridge rehabilitation, seismic retrofit projects[31] and include improvements to the I-205/Airport Way interchange, enhancing ease of access to and from the airport for passengers and cargo.

Oregon Convention Center Hotel. This 600 room, $212 million development is located adjacent to the Oregon Convention Center in downtown Portland. It is on Portland's light rail line, providing guests and delegates direct access to the Airport and other destinations in the metro area. The hotel will be owned and operated by Hyatt Hotels and will offer substantial meeting space, food service, and retail space. The project is expected to open in 2017.[32]

Manufacturing

The manufacturing sector accounted for approximately 118,700 employees in the Air Service Area in 2013 and represented 8.8 percent of total non-agricultural employment.

Manufacturing companies in the Air Service Area include production across many subsectors, including semiconductors, aerospace, transportation equipment, and food processing. Leading manufacturing companies in the Air Service Area include: Intel; Nike; Daimler Trucks; Blount International; TriQuint Semiconductor; and SEH America.

[29] "Top Oregon Private Cos.," *2014 Book of Lists*, Portland Business Journal.

[30] Waterfront Development Project, http://www.cityofvancouver.us/ced/page/waterfront-development-project, accessed July 2014; Vancouver Waterfront, http://gramor.com/development/waterfront-vancouver, accessed July 2014; Vancouver's Waterfront Project Gets Detailed in New Rendering, http://gramor.com/wp-content/uploads/2014/06/Vancouver-Business-Journal-Vancouvers-waterfront-project-gets-detailed-in-new-rendering-6-12-14.pdf, accessed July 2014.

[31] Oregon Department of Transportation STIP Projects, http://www.oregon.gov/ODOT/TD/STIP/Pages/default.aspx, accessed July 2014.

[32] Metro, Hyatt Agree on Convention Center Hotel for Portland, *Statesman Journal*, June 13, 2014, http://www.statesmanjournal.com/story/money/business/2014/06/13/metro-hyatt-agree-convention-center-hotel-portland/10409485; Oregon Convention Center Hotel, http://www.mortenson.com/portland/projects/oregon-convention-center-hotel; accessed July 2014.

Intel is currently expanding its facilities in Hillsboro and plans an additional $500 million investment in its D1X research fabrication plant where it expects to add 500 workers. Intel has 16,700 workers in Oregon and since 1974 has invested a total of $25 billion in its Oregon facilities.[33]

Wholesale and Retail Trade

Wholesale and retail trade in the Air Service Area employed approximately 198,000 workers in 2013, equating to 14.6 percent of total non-agricultural employment. Approximately 67 percent of the Air Service Area's trade employees, or 133,000 workers, were engaged in retail trade. In 2013, approximately 65,000 Air Service Area workers were engaged in wholesale trade.

Companies in the Air Service Area with links to the global economy provide a source of demand for air passenger and air freight services. For example many Air Service Area firms depend on offshore plants, suppliers, or business process outsourcing services for raw materials, manufacturing, or personnel requirements. Oregon has a total of 825 U.S.-based firms with operations in foreign countries. Of this number, 385, or 47 percent, are located within a 25-mile radius of the Airport. In addition, there are 790 foreign-based firms with operations in Oregon and 240 (30 percent) are located within 25 miles of the Airport.

Transportation and Utilities

Transportation and utilities employment in the Air Service Area accounted for approximately 45,000 employees in 2013, or 3.3 percent of total non-agricultural employment. Major private sector transportation and utilities employers include BNSF Railway, Union Pacific, Portland General Electric, and Northwest Natural Gas.

The Air Service Area is served by an extensive transportation system that includes the Airport, the largest deep water port in the State of Oregon, interstate freeways, the Columbia/Snake river barge system, as well as transcontinental rail service by Union Pacific and BNSF Railway.[34] More than 1,000 businesses in Oregon and Washington use the Port's four marine terminals which handle a diversified mix of cargo including wheat, soda ash, potash, soybeans, cement/aggregates, steel, automobiles, and fertilizer.[35]

Information

The information industry includes jobs in software, data processing, web search, internet services, telecommunications, media, publishing, broadcasting, and motion picture and sound recording. In 2013, approximately 28,000 workers in the Air Service Area were employed in the

[33] "Intel Wins Nike-Style Tax Deal, Just Ahead of the Deadline," *The Oregonian*, December 6, 2013, http://www.oregonlive.com/silicon-forest/index.ssf/2013/12/intel_lands_nike-style_tax_dea.html, accessed August 2014; Intel in Oregon, http://www.intel.com/content/www/us/en/corporate-responsibility/intel-in-oregon.html, accessed August 2014.

[34] http://www.portofportland.com/FastFacts_Profile.aspx; http://www.portofportland.com/PDFPOP/Newsroom_Marine_Media_Guide.pdf, accessed July 2014.

[35] http://www.portofportland.com/FastFacts_Profile.aspx, accessed July 2014.

information industry, accounting for 2.1 percent of total nonagricultural employment. This percentage was higher than the level in both Oregon and the U.S. (1.8 percent).

Prominent firms in the information industry in the Air Service Area include Mentor Graphics, Earthlink Business, XO Communications, T5 Data Centers, Consumer Cellular, NAVEX Global, WebTrends, and Smarsh.[36] In addition, the Air Service Area is home to numerous information start-ups and university spinoffs including Fire Track, On Line Labs, ParaTools, and Strands.[37]

Film and video production in the Air Service Area is a growing subsector of the information industry and is supported by 11 post-production facilities, eight sound recording studios and numerous film service, digital effects and animation companies.[38] The State of Oregon provides tax incentives to encourage film production such as a 20 percent cash rebate for in-state expenditures and a cash payment of up to 16.2 percent of wages paid to production personnel. Since 2003, the Air Service Area has hosted more than 100 television and film productions as well as numerous music videos, television commercials, and internet video ads.[39] Recent television shows filmed in Portland include Leverage and Grimm.[40]

Filming in the Vancouver area is similarly rewarded with incentives from the State of Washington which provides funding assistance to filmmakers. The Washington Filmworks incentives program gives a 30 percent cash rebate to productions with minimum in-state expenditures of $300,000 (for an episodic series) to $500,000 (for a motion picture). In addition, Washington Filmworks provides assistance with location scouting, permits, accommodations, and production resources.[41]

Finance/Insurance/Real Estate

In 2013, the finance/insurance/real estate sector employed approximately 135,000 workers in the Air Service Area, accounting for 10 percent of total non-agricultural employment. Major banks headquartered in the Air Service Area are Umpqua Bank ($11.5 billion in assets), West Coast Bank ($2.4 billion), and Pacific Continental Bank ($1.3 billion).

Services

In 2013 approximately 45 percent of the Air Service Area's jobs were in the service sector, employing approximately 609,000 workers.

Services employment is the largest job sector in the Air Service Area and it includes various subsectors of differing size. In 2013, an estimated 25.5 percent of the Air Service Area's service workers were employed in health care; 21.1 percent were employed in leisure and hospitality;

[36] "Top Technology and Software Companies," *2014 Book of Lists*, Portland Business Journal; "Technology Support & Service," *2014 Book of Lists*, Vancouver Business Journal.
[37] "Fastest-Growing Private 100 Companies." *2014 Book of Lists*, Portland Business Journal.
[38] Oregon film production resources, http://www.sourceoregon.com/directory, accessed July 2014.
[39] Oregon film production incentives, http://www.oregonfilm.org/incentives, accessed July 2014.
[40] "Portland: Coming to a Small Screen Near You," *Portland Monthly*, July 14, 2014, http://www.portland monthlymag.com/web-exclusives/articles/portland-coming-to-a-small-screen-near-you-july-2014, accessed August 2014.
[41] Washington film production incentives, http://www.washingtonfilmworks.org/index.php/Incentive/StandardGC/, accessed July 2014.

and 17.1 percent were employed in professional and technical services. Other service sector categories include: administration and support services (13.1 percent of service workers); education (7.4 percent); management of enterprises (4.1 percent); and other services (11.8 percent).[42]

Educational Services and Colleges and Universities

In 2013, educational services provided an estimated 44,849 jobs in the Air Service Area, accounting for 7.4 percent of service sector jobs.[43] Numerous public and private colleges and universities are located in the Air Service Area including: Portland State University; Oregon State University; Oregon Institute of Technology; Oregon Health and Science University; University of Portland; Lewis & Clark College; and Reed College.

The 18 colleges, community colleges, and universities shown in **Table 1-14** enroll approximately 122,000 students. These institutions generate air travel demand through academic meetings and conferences, visiting professorships, study-abroad programs, and individual student and faculty travel.

Table 1-14

AIR SERVICE AREA COLLEGE AND UNIVERSITY ENROLLMENT (2013)

	Institution	Location	Enrollment
1	Portland State University	Portland	29,490
2	Portland Community College	Portland	24,500
3	Clark College	Vancouver	14,000
4	Mount Hood Community College	Gresham	9,580
5	Oregon State University - Portland Campus	Portland	7,500
6	Concordia University	Portland	5,400
7	Oregon Institute of Technology	Wilsonville; Beaverton	4,000
8	Oregon Health and Science University	Portland	3,900
9	University of Portland	Portland	3,540
10	Lewis & Clark College	Portland	3,520
11	Pacific University	Forest Grove	3,400
12	George Fox University	Newberg	3,390
13	Washington State University – Vancouver Campus	Vancouver	3,100
14	Art Institute of Portland	Portland	2,005
15	Reed College	Portland	1,440
16	Warner Pacific College	Portland	1,330
17	Pioneer Pacific College	Wilsonville	1,290
18	University of Oregon - Portland Campus	Portland	900
	Total		122,285

Source: Institution web sites, July 2014.
Compiled by Partners for Economic Solutions, July 2014.

[42] Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA*, January 2014.
[43] Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA*, January 2014.

Health Care

In 2013, health care services accounted for an estimated 155,218 jobs in the Air Service Area, accounting for 25.5 percent of service sector jobs.[44] The Air Service Area is served by 14 community hospitals including Oregon Health & Science University Hospital, Providence St. Vincent Medical Center, Legacy Emanuel Medical Center, and Kaiser Sunnyside Medical Center. These 14 facilities have a total of 3,293 staffed hospital beds and had 174,989 inpatient visits and 4,811,581 outpatient visits in 2012 (latest data available).[45] According to the Oregon Association of Hospitals & Health Systems, the Air Service Area's community hospitals provide over 26,000 direct jobs and directly contribute $104 million to state and local tax revenue.[46]

Government

Government jobs represented 10.6 percent of non-agricultural employment in the Air Service Area in 2013, or approximately 143,000 workers.[47] These included municipal, county, and state workers as well as employees of federal departments and agencies such as the Department of Defense Information Systems Agency (DISA), the Bureau of Land Management, the U.S. Army Corps of Engineers Northwest Division, the U.S. Forest Service, the Veterans Administration, Federal Bureau of Investigation, FAA, and the U.S. Postal Service. In 2013, the federal government employed approximately 18,000 civilian workers within the Air Service Area. Other significant government sector employers in the Air Service Area include: the City of Portland (9,300); the State of Oregon (7,600); Evergreen School District (Vancouver, WA 6,500); Portland School District (6,500); Multnomah County (4,400); Beaverton School District (4,000); Portland State University (3,700); Portland Community College (3,400); Vancouver School District (3,200).[48]

Air Service Area Tourism Industry

Tourism in the Air Service Area generates demand for air travel and employs a significant number of workers. Leisure and hospitality employment in the Air Service Area was approximately 128,500 in 2013, accounting for 21 percent of service sector jobs.[49] An estimated 12 million visitors traveled to the Air Service Area in 2013 and generated an estimated $5.1 billion in direct spending and $154 million in state and local tax revenue.[50]

Visitor Attractions

With a temperate climate, proximity to natural scenery, cosmopolitan urban zones, and a dynamic arts community, the Air Service Area offers visitors an appealing selection of

[44] Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA*, January 2014.
[45] "Contribution to Oregon Economy," 2013 Oregon Community Hospital Report, http://apprisehealthinsights.com/public-reports/oregon-community-hospital-report, accessed August 2014.
[46] Economic Impact, Oregon Association of Hospitals & Health Systems, http://www.oahhs.org/oregon-hospitals/economic-impact, accessed August 2014.
[47] Includes civilian government employees only. Employees of public schools and public colleges and universities are included in government employment.
[48] *2014 Book of Lists*, Portland Business Journal, December 2013.
[49] Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.
[50] Portland visitor statistics, http://www.travelportland.com/about-us/visitor-statistics-research; Vancouver tourism industry impact, http://www.visitvancouverusa.com/about-us/industry-impact; Washington County visitor statistics, http://www.oregons washingtoncounty.com/Media-Press/Facts-Figures; accessed July 2014

attractions. Its live music venues, micro-breweries, farm-to-table dining options, and frequent festivals are a magnet for both tourists and business travelers.

As the largest convention center in the Pacific Northwest, the Oregon Convention Center (OCC) provides delegates with 50 meeting rooms, two ballrooms, 255,000 square feet of contiguous exhibition space, and 30,000 square feet of multiuse outdoor space.[51] Travel Portland, the Air Service Area's primary tourism organization, works closely with OCC staff to provide extensive exhibitor services for conventions, conferences, and events. Promotion efforts by Travel Portland and the OCC highlight the Air Service Area's affordability, especially with respect to food and lodging, compared with alternative convention destinations such as Denver, Salt Lake City, San Diego, San Jose, and Seattle. Other features that make the Air Service Area a delegate-friendly venue are tax-free shopping and light rail access from the downtown hotel core to the Airport.[52]

Sightseeing destinations in the Air Service Area include the Portland Art Museum, Oregon Museum of Science and Industry, Clark County Historical Museum, Oregon Zoo, Fort Vancouver National Historic Site, Portland Japanese Garden, and the International Rose Test Garden. The Air Service Area's performing arts offerings include the Oregon Ballet Theatre, Vancouver Symphony Orchestra, Portland Opera, Artists Repertory Theatre and Portland Center Stage. Tourists, business travelers, and convention delegates may also explore the Air Service Area's many outdoor attractions such as the Willamette Valley, Mt. Hood, Multnomah Falls, the Oregon Coast, or the Columbia River Gorge.

In terms of spectator sports, the Air Service Area is home for National Basketball Association and Major League Soccer teams: the Portland Trail Blazers and the Portland Timbers, respectively. In addition, the Portland Thorns FC is the defending National Women's Soccer League champion, the Hillsboro Hops is a Minor League Baseball team, the Portland Thunder is an Arena Football league team, and the Portland Winterhawks are a major junior ice hockey team in the Western Hockey League located in the Air Service Area.

Travel and Tourism Awards

The Air Service Area's popularity as a destination for leisure and business travel is reflected in the list of tourism awards shown in **Table 1-15**. Publications and web sites ranging from *Travel + Leisure World*, *Conde Nast Traveler*, *Rough Guides*, *Forbes*, VirtualTourist.com, TripAdvisor.com, and CNN.com named Portland a top destination from 2010 to 2014. The Air Service Area has also been cited as a top location for its art, restaurants, bicycling, sustainability, and safety by *Site Selection* magazine, *Business Insider*, *Sperling's Best Places*, *Kiplinger* magazine, *Money Journal*, and Livability.com. Travel Portland, the Air Service Area's primary convention and tourism organization, has been a 16-time winner of the Pinnacle Award from *Successful Meetings* magazine in recognition of its meeting planning services.[53] It

[51] Oregon Convention Center, http://meetings.travelportland.com/venue/oregon-convention-center, accessed July 2014.
[52] Portland meetings, http://meetings.travelportland.com, accessed July 2014.
[53] Pinnacle Awards, http://www.successfulmeetings.com/pinnacle-awards-convention-visitor-bureaus-2010/ accessed July 2014.

Table 1-15

TRAVEL AWARDS AND ACCOLADES (2010-2014)

Recipient	Award
City of Portland	2014 Top 10 Cities Worldwide — Rough Guides
	2013 Top 10 Notable Cities for Restaurants and Dining — Saveur Culinary Travel Awards
	2013 #1 America's Best Cities — Movoto.com
	2013 #1 Best Beer Towns in America — CNN Travel
	2013 #1 Most Cycle-Friendly City — The Toronto Sun
	2013 #1 Most Liked U.S. Cities — Money Journal
	2013 #1 Top 10 Most Bikable Large U.S. Cities — Walk Score
	2013 #2 Top U.S. City for Energy Efficiency — American Council for an Energy Efficient Economy
	2013 #3 Spring Break Destination for Families — Livability.com
	2013 #3 Best Cities for Hipsters — Travel + Leisure Magazine
	2013 #4 Top Urban Bike Paths — USA Today
	2012 Top 50 Meeting Destinations in the U.S. — Cvent Event Planning Survey
	2012 Top 5 Best Places to Live in the World — Guardian Newspaper (UK)
	2012 #1 America's Greenest Cities — Travel + Leisure Magazine
	2012 #3 Top Cycling Destinations — VirtualTourist.com/Reuters
	2012 #4 Top Techiest Cities — Travel + Leisure Magazine
	2012 #12 Top 25 Big Cities for Art — American Style Magazine
	2011 #1 Best Town Ever — Outside Magazine
	2011 #1 World's Best Street Food — U.S. News Travel
	2011 #2 Best City to Live in Car-Free — 24/7WallSt.com
	2011 #5 Best Cities for Public Transportation — U.S. News & World Report
	2011 #5 Best Cities for Tourist Taxes — CNN.com
	2010 #1 America's Best Cities for Summer Travel — Travel + Leisure Magazine
	2010 #1 Top 3 Green Destinations — Corporate Meetings & Incentives
	2010 #2 Top 10 Safest U.S. Cities — Forbes Magazine
	2010 #4 Top 10 Farmers' Markets for Travelers — CNN Travel
	2010 #5 Best Food City in America — Budget Travel Readers' Choice Awards
Portland-Vancouver-Beaverton MSA	2014 #4 The West's Best Places to Live — Sunset Magazine
	2014 #15 Top 25 Destinations in the U.S.— TripAdvisor.com Readers' Choice Award
	2014 #15 Travelers' Choice U.S. Top 25 Destinations — CNN Travel Web Site
	2013 Top 10 Places for Affordable Spring Breaks — USA Today
	2013 Best Destinations for Wine Lovers — Flipkey.com
	2013 #2 America's Best Cities for Foodies — Sperling's Best Places
	2013 #2 Top 10 Cities for Families — Parents Magazine
	2011 #2 America's Top Foodie Cities — CNBC.com
	2011 #2 Top 5 Potential Economic Powerhouses of Tomorrow — Kiplinger Magazine
	2011 #2 Top Sustainable U.S. Metro Areas — Site Selection Magazine
	2011 #4 Healthiest Cities in America — Business Insider
	2011 #8 Top 25 Cities for Seniors — Sperling's Best Places
	2010 #2 Top Sustainable U.S. Metros — Site Selection Magazine

Table 1-15 (continued)

TRAVEL AWARDS AND ACCOLADES (2010-2014)

Recipient	Award
Portland International Airport	2014 #1 America's Best Airport — Travel + Leisure World's Best Awards Survey
	2013 #1 America's Best Airport — Travel + Leisure World's Best Awards Survey
	2013 #2 Best Airports for Traveling with Kids — Huffington Post
	2013 #7 World's Best Airports for Shopping Fanatics — Huffington Post
	2010 #1 Top U.S. Airport — Zagat Airline Survey
Travel Portland	2013 Gold Service Award — Meetings & Conventions Magazine (11-time winner)
	2013 Pinnacle Award — Successful Meetings Magazine (16-time winner)
Heathman Hotel	2014 #4 Best Hotel in Portland — U.S. News Travel
	2013 Best Small Hotel in Oregon — Northwest Meetings & Events Magazine
	2013 #8 Top 20 Hotels in the Pacific Northwest — Conde Nast Traveler Readers' Choice Award
Allison Inn & Spa	2014 #1 Best Hotel in Portland — U.S. News Travel
	2013 Best Resort in Oregon — Northwest Meetings & Events Magazine
	2013 #1 Top 20 Hotels in the Pacific Northwest — Conde Nast Traveler Readers' Choice Award
	2012 Best Wine Country Hotel — The Oregonian Newspaper Best of 2012 Awards
RiverPlace Hotel	2014 #3 Best Hotel in Portland — U.S. News Travel
	2014 #17 Top 25 Hotels in the U.S.— TripAdvisor.com Readers' Choice Award
The Nines	2014 #2 Best Hotel in Portland — U.S. News Travel
	2013 Best Large Hotel in Oregon — Northwest Meetings & Events Magazine
	2013 #9 Top 20 Hotels in the Pacific Northwest — Conde Nast Traveler Readers' Choice Award
Hotel Modera	2014 #8 Best Hotel in Portland — U.S. News Travel
	2013 #18 Top 20 Hotels in the Pacific Northwest — Conde Nast Traveler Readers' Choice Award
Skamania Lodge	2013 #3 Top 10 Resorts in the Pacific Northwest — Conde Nast Traveler Readers' Choice Award
Roe	2014 #3 Top 25 Best New Restaurants in America — GQ Magazine
Sweedeedee	2014 #21 Top 25 Best New Restaurants in America — GQ Magazine
Ave Gene	2013 #5 Best New Restaurant in America — Bon Appetit Magazine
The Woodsman Tavern	2013 #1 Best Bars in America — Esquire Magazine
Luce	2012 #4 Best New Restaurant in America — Bon Appetit Magazine

Sources: TravelPortland.com; TravelOregon.com; concierge.com; publication web sites; July 2014.
Compiled by Partners for Economic Solutions, July 2014.

is also an 11-time recipient of *Meetings & Conventions* magazine's Gold Service Award from 2003 through 2013.[54]

[54] Travel Portland, http://meetings.travelportland.com/about-us/, accessed July 2014.

1.2.4 Economic Outlook

The U.S. economy continues to expand at a steady pace although challenges remain. Employment growth in the U.S. is now above 200,000 per month and in May 2014 the economy finally had replaced all of the 8.7 million jobs that were lost during the 2007-2009 recession.[55] In spite of improvements in the U.S. labor market, however, rates for unemployment and underemployment remain high and are not expected to return to pre-recession levels within the next year. Nevertheless, consumer spending is projected to increase and inflationary expectations remain low.

The most recently published forecast by business economists from the National Association for Business Economics (NABE) indicates consensus for real GDP growth of 2.5 percent in 2014 and 3.1 percent in 2015. The NABE forecast estimates that the average annual U.S. unemployment rate will be 6.2 percent in 2014 and 5.9 percent in 2015.[56] Similarly, the Oregon Economic Forum recently noted continued growth in the State's economy resulting from positive contributions from manufacturing and services employment and improved consumer sentiment.[57] For the Air Service Area, the Oregon Economic Forum found general improvement in the region because of positive employment indicators and a declining level of initial jobless claims.[58]

Data from the Manpower Employment Survey Outlook indicate that 20 percent of employers in the Air Service Area plan to increase hiring in the third quarter of 2014. Another 71 percent plan to maintain their current workforce levels, four percent expect to reduce staff, and five percent are not certain of their hiring plans. According to the Manpower survey, job prospects in the Air Service Area appear positive in nearly all industry sectors—construction, manufacturing, transportation and utilities, information, and services. Wholesale and retail trade employment is expected to remain unchanged.[59]

Data in **Table 1-16** show 2013 and 2021 economic variables for the Air Service Area and for the U.S. including population, personal income, and gross regional and domestic product. Growth expectations for these variables are generally higher in the Air Service Area than in the U.S. Notably, population, employment, and household income are projected to have relatively stronger growth rates in the Air Service Area, thus indicating the ongoing capacity of the Air Service Area to continue to generate demand for air travel services during the forecast period.

[55] NABE Outlook, June 2014, National Association for Business Economics; "Moody's Analytics: U.S. Macro Outlook: Labor Market Revs Up, but Unemployment Still High," June 11, 2014, https://www.economy.com/about/press-releases, accessed July 2014.
[56] *NABE Outlook*, June 2014, National Association for Business Economics.
[57] State of Oregon Economic Indicators, April 2014, http://econforum.uoregon.edu/ accessed July 2014.
[58] Oregon Regional Economic Indexes, March 2014, http://econforum.uoregon.edu/ accessed July 2014.
[59] Manpower Press Home, June 10, 2014, http://press.manpower.com/reports/2014/solid-job-market-expected-for-portland-vancouver-beaverton-or-wa-msa-3/, accessed July 2014.

Table 1-16

PASSENGER DEMAND FORECAST VARIABLES (2013-2021)

Variable[1/]	2013	2021	CAGR[2/] 2013-2021
Air Service Area Population	2,334,159	2,642,324	1.6%
U.S. Population	317,790,897	343,879,018	1.0%
Air Service Area Total Employment	1,353,305	1,540,582	1.6%
U.S. Total Employment	175,862,050	196,231,583	1.4%
Air Service Area Total Personal Income ($ billion)	$100.9	$125.8	2.8%
U.S. Total Personal Income ($ billion)	$13,854.7	$16,611.7	2.3%
Air Service Area Per Capita Personal Income	$43,244	$47,622	1.2%
U.S. Per Capita Personal Income	$43,597	$48,307	1.3%
Air Service Area Gross Regional Product ($ billion)	$136.9	$166.5	2.5%
U.S. Gross Domestic Product ($ billion)	$16,111.9	$19,244.1	2.2%
Air Service Area Per Capita GRP	$58,670	$62,998	0.9%
U.S. Per Capita GDP	$50,700	$55,962	1.2%

Notes:

1/ All dollar amounts are in 2013 dollars.

2/ CAGR = Compound annual growth rate.

Source: Woods & Poole Economics, Inc., *2014 Data Pamphlet for Portland MSA, Oregon, and USA*, January 2014.

Compiled by Partners for Economic Solutions, July 2014.

2 Air Service and Traffic Analysis

This chapter evaluates and describes the current state of air service at the Airport, analyzes historical trends in air traffic, identifies key factors that generally affect demand for air travel, and provides forecasts of air traffic activity.

2.1 Air Service at the Airport

The following sections will evaluate current air service capacity and operating performance for the primary passenger airlines serving the Airport. Airline performance will be evaluated from an economic perspective, by evaluating carrier revenue, yield and load factor results in total from the Airport and, in some cases, at the route level to generally ascertain current airline profitability. The Airport's overall O&D market will also be assessed at the market level, comparing current performance with prior.

2.1.1 Airlines Operating at the Airport

The Airport has been supported by a portfolio of stable air service from the largest airlines in the industry. As of July 2014, the Airport had scheduled passenger service by 15 U.S. airlines and one foreign flag carrier. In addition, cargo service is provided by eight all-cargo airlines. **Table 2-1** below lists the scheduled passenger and all-cargo airlines that served the Airport as of July 2014.

Table 2-1

AIRLINES SERVING THE AIRPORT (as of July 2014)

U.S. Scheduled Airlines (15)	Foreign Flag Airlines (1)
Alaska Airlines	Jazz Aviation [5]
American Airlines [1]	
Compass Airlines [2]	**All-Cargo Airlines (8)**
Delta Air Lines	ABX Air, Inc.
Frontier Airlines	Air Transport International, Inc.
Hawaiian Airlines	Airpac Airlines, Inc.
Horizon Air [3]	Ameriflight, LLC
JetBlue Airways	Empire Airlines
SeaPort Airlines	FedEx
SkyWest Airlines [4]	MartinAire Aviation, LLC
Southwest Airlines	United Parcel Service
Spirit Airlines	
United Airlines	
US Airways [1]	
Virgin America	

[1] On December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating affiliates.
[2] Doing business as Delta Connection
[3] Doing business as Alaska Airlines pursuant to a capacity purchase agreement with Alaska Airlines. Alaska Airlines and Horizon Air are separately certified airlines owned by Alaska Air Group, Inc.
[4] Doing business as Alaska Airlines, Delta Connection, and United Express
[5] Pursuant to a capacity purchase agreement with Air Canada, Jazz Aviation LP operates in the United States and Canada under the brand name, Air Canada Express
Source: Port of Portland airport management records and airline websites, accessed August 2014

To illustrate airline specific trends since the end of the latest recessionary period, **Table 2-2** presents enplaned passenger market share at the Airport from FY 2010 through FY 2014. Factoring in airline mergers, 11 of the top 13 airlines currently serving the Airport have been operating there for at least the past five years. Both Spirit Airlines and Virgin America started service at the Airport in FY 2012. The top five passenger airlines serving the Airport, which currently comprise approximately 82.8 percent of the Airport's enplaned passenger market share, are Alaska Air Group (i.e., Alaska and Horizon), Southwest Airlines (Southwest), United Airlines (United), and Delta Air Lines (Delta). **Table 2-3** below compares key airline revenue metrics for each of these airlines specific to their performance at the Airport for CY 2013 versus CY 2007. This comparison period was chosen because CY 2013 is the latest full year for which data are available, and CY 2007 is the latest full CY representative of the prior peak before the U.S. economic recession. Additional discussion of these airlines, their respective operation at the Airport, and their revenue performance at the Airport is contained in the following sections.

Table 2-2

AIRPORT ENPLANED PASSENGER MARKET SHARE

Airline	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%
Alaska Airlines [1]	956,724	14.8%	1,151,563	17.1%	1,364,442	19.6%	1,493,077	20.4%	1,752,199	22.6%
Horizon Air	1,282,825	19.8%	1,291,328	19.1%	1,212,332	17.5%	1,320,578	18.0%	1,392,274	17.9%
Southwest Airlines	1,237,598	19.1%	1,275,700	18.9%	1,303,200	18.8%	1,356,910	18.5%	1,285,341	16.6%
United Airlines [1,2]	1,193,145	18.4%	1,144,407	17.0%	1,124,198	16.2%	1,080,708	14.7%	1,069,165	13.8%
Delta Air Lines [1]	821,696	12.7%	807,901	12.0%	786,807	11.3%	804,637	11.0%	929,585	12.0%
US Airways [3]	257,588	4.0%	272,377	4.0%	276,384	4.0%	288,848	3.9%	301,446	3.9%
American Airlines [3]	211,265	3.3%	198,712	2.9%	200,663	2.9%	196,783	2.7%	279,618	3.6%
Frontier Airlines	173,985	2.7%	213,741	3.2%	227,359	3.3%	215,317	2.9%	199,652	2.6%
JetBlue Airways	103,658	1.6%	137,915	2.0%	160,012	2.3%	186,457	2.5%	181,324	2.3%
Spirit Airlines	0	0.0%	0	0.0%	67,083	1.0%	118,731	1.6%	112,159	1.4%
Hawaiian Airlines	165,498	2.6%	169,334	2.5%	133,717	1.9%	92,644	1.3%	96,944	1.2%
Virgin America	0	0.0%	0	0.0%	7,858	0.1%	110,942	1.5%	90,005	1.2%
Jazz Aviation	54,421	0.8%	50,694	0.8%	53,430	0.8%	47,640	0.6%	60,246	0.8%
Other	18,883	0.3%	36,748	0.5%	28,815	0.4%	22,366	0.3%	12,069	0.2%
Total	**6,477,286**	**100.0%**	**6,750,420**	**100.0%**	**6,946,300**	**100.0%**	**7,335,638**	**100.0%**	**7,762,027**	**100.0%**

Note: Percents may not add due to rounding.

[1] SkyWest Airlines passengers are included with appropriate mainline partner (e.g., Alaska Airlines, Delta Air Lines, United Airlines).

[2] Former Continental Airlines enplaned passengers have been included with United Airlines.

[3] On December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating affiliates.

Source: Port of Portland airport management records, July 2014

Compiled by Trillion Aviation

Table 2-3

KEY AIRLINE REVENUE METRICS AT THE AIRPORT – CY 2013 VS. CY 2007 [1]

Airline	RASM [2] 2013 (cents)	RASM [2] 2007 (cents)	% Change	Load Factor 2013	Load Factor 2007	Change (pts.)	Yield 2013 (cents)	Yield 2007 (cents)	% Change
Alaska Air Group	12.9	11.8	9.2%	84.7%	74.3%	10.4	15.2	15.9	(4.2%)
Southwest Airlines	11.2	8.9	25.9%	81.2%	71.1%	10.1	13.8	12.5	10.2%
United Airlines [3]	11.0	9.1	21.3%	89.6%	85.6%	4.1	12.2	10.6	15.8%
Delta Air Lines	11.0	8.3	31.8%	88.6%	87.6%	1.0	12.4	9.5	30.3%

Note: Amounts may not add due to rounding.

[1] Data include regional affiliates, as applicable, and do not include airline ancillary fees such as charges for checked baggage, etc.

[2] RASM = Revenue per available seat mile

[3] Includes former Continental Airlines

Source: Diio, US DOT Reports DB1A and T100, accessed June 2014

Compiled by Trillion Aviation

Key airline revenue metrics described in this section include revenue per available seat mile (RASM), load factor, and yield. As some background in evaluating revenue, RASM is the unit metric used by airlines, as expressed in cents, to measure revenue received for each available seat mile (ASM). ASMs are measured by airlines for the purpose of determining capacity, and an ASM unit is one seat flying one mile. For example, an aircraft with 100 seats operating on a route of 1,000 miles would equate to 100,000 ASMs. For the purposes of this analysis, RASM only measures passenger revenue and does not include other operating revenue received by airlines such as baggage fees. Load Factor measures how an airline is performing on a specific route or in aggregate in terms of filling available capacity. Load Factor is calculated as total revenue passenger miles (RPMs) divided by ASMs. RPMs are the general airline metric for traffic. For example, a revenue passenger flying one mile equates to one RPM. The last measure is airline yield or revenue per passenger mile. While RASM measures revenue on an ASM basis, yield measures it on an RPM basis. In other words, yield measures revenue for each unit sold, whereas, RASM measures revenue for each unit available to be sold. Yield is the industry measurement for "price", while load factor is a volume-related measurement. RASM factors in both and is considered the key revenue metric.

An important point to note regarding RASM and yield is that these measures tend to decrease as stage length increases. In theory, the higher the RASM or yield, the more profitable an airline should be. However, this assumes that costs per ASM or "CASM" remain constant. Therefore, if an airline increases its overall stage length, it could be expected that RASM and yield would decrease, as would its CASM. This is discussed more in the sections below.

Alaska Air Group

Alaska Air Group is the parent company to both Alaska and Horizon. The Airport serves as a hub for these airlines. Alaska Air Group operated at a system-wide operating profit margin of 16.3 percent in 2013 – the highest among network airlines.[60] In general, Alaska serves the

[60] 2013 SEC 10-K filing for Alaska Air Group, United, Delta, American and Southwest

longer-haul, larger markets from the Airport; whereas, Horizon typically serves smaller markets and closer-in large/high-frequency markets such as Seattle.

For FY 2014, Alaska and Horizon had a combined market share of approximately 40.5 percent of the Airport's total enplaned passengers. The Airport is Alaska Air Group's second largest market in terms of seats, second only to Seattle. Based upon published flight schedules for the month of June 2014, Alaska and Horizon operated nonstop to 41 markets from the Airport, with 115 daily departures.[61] Since FY 2010, Alaska Air Group carriers have experienced an increase in enplanements of more than 40 percent at the Airport, and their market share has increased by approximately 5.9 percentage points. This has been accomplished primarily through the addition of longer-haul routes using larger aircraft.

Given Alaska Air Group's level of service, its recent growth at the Airport, and relative importance to overall passenger traffic at the Airport, an assessment of Alaska Air Group's performance on each route was performed. **Table 2-4** below (which includes all Alaska marketed flights, including Horizon and SkyWest, as applicable) compares Alaska Air Group's capacity at the Airport by market for the month of June 2014 versus the month of June 2010, a period in which Alaska Air Group has grown substantially at the Airport. Data for Alaska Air Group has been sorted based on June 2014 departing seats from most to fewest to indicate relative importance of markets. Table 2.4 below shows that the top market served by Alaska is Seattle, which is the airline's largest hub operation and of major strategic importance. The top 19 markets are all markets that have been served by Alaska Air Group over this period and generally represent strong O&D markets (as presented in Section 2.1.2) Also, note that during this time Alaska and Horizon, combined, added nonstop service to 15 new cities. New markets added over this period generally include longer haul routes on larger aircraft to the eastern and central U.S., and also to Hawaii. Additionally, Alaska Air Group has added service to smaller western U.S. markets. As shown, departing seats from the Airport have increased by more than 36 percent, while departures grew by approximately 26 percent. ASMs (not shown) grew by almost 50 percent. The addition of longer-haul routes to the eastern half of the U.S. primarily accounted for these changes. In summary, Alaska Air Group has increased its presence and diversified its route network at the Airport. It should also be noted that Alaska has announced it will discontinue Atlanta service from the Airport in September 2014 and its service to Long Beach from the Airport in late August 2014. However, Delta has added additional capacity into the Atlanta market from the Airport and JetBlue Airways offers service to Long Beach from the Airport.

Although seat capacity and the number of nonstop markets have increased in recent years for Alaska Air Group at the Airport, relative route profitability is a key factor to assess when evaluating an airline's performance at an airport. Unit revenue or RASM was analyzed for each of the Airport's nonstop routes served by Alaska Air Group given its overall importance to the Airport. In conjunction with this, load factors and yield performance at the Airport were also assessed.

[61] Based on data from Innovata, accessed June 2014.

Table 2-4

ALASKA AIR GROUP MONTHLY CAPACITY BY MARKET AT THE AIRPORT – JUNE 2014 VS. JUNE 2010

Market	Code	June 2014 Depts.	June 2014 Seats	June 2014 Seats/Dep.	June 2010 Depts.	June 2010 Seats	June 2010 Seats/Dep.	% Variance Seats
Seattle	SEA	667	50,692	76	604	45,292	75	11.9%
Los Angeles	LAX	177	27,958	158	142	21,585	152	29.5%
San Francisco	SFO	144	18,654	130	168	11,760	70	58.6%
San Jose	SJC	141	17,120	121	142	13,276	93	29.0%
Spokane	GEG	223	16,948	76	143	10,868	76	55.9%
San Diego	SAN	103	16,488	160	90	12,990	144	26.9%
Boise	BOI	193	14,626	76	116	8,456	73	73.0%
Anchorage	ANC	97	14,608	151	85	12,866	151	13.5%
Las Vegas	LAS	94	14,218	151	90	12,150	135	17.0%
Medford	MFR	168	12,768	76	90	6,840	76	86.7%
Orange County	SNA	85	11,380	134	116	14,384	124	(20.9%)
Redmond	RDM	115	8,740	76	86	6,536	76	33.7%
Sacramento	SMF	115	8,740	76	142	9,970	70	(12.3%)
Eugene	EUG	114	8,664	76	86	6,536	76	32.6%
Maui	OGG	42	6,804	162	30	4,710	157	44.5%
Oakland	OAK	86	6,536	76	116	8,120	70	(19.5%)
Vancouver	YVR	80	6,080	76	60	4,560	76	33.3%
Burbank	BUR	86	6,020	70	107	7,490	70	(19.6%)
Ontario	ONT	84	5,880	70	107	7,490	70	(21.5%)
Atlanta [1]	ATL	30	5,349	178	0	0	0	New Market
Honolulu	HNL	30	5,262	175	0	0	0	New Market
Dallas	DFW	30	5,136	171	0	0	0	New Market
Boston	BOS	30	4,926	164	30	4,710	157	4.6%
Wash. DC	DCA	30	4,890	163	0	0	0	New Market
Salt Lake City	SLC	43	4,780	111	0	0	0	New Market
Phoenix	PHX	30	4,725	158	62	8,447	136	(44.1%)
Chicago	ORD	30	4,560	152	30	3,885	130	17.4%
Reno	RNO	53	4,028	76	0	0	0	New Market
Fairbanks	FAI	24	2,976	124	0	0	0	New Market
Billings	BIL	30	2,280	76	0	0	0	New Market
Bellingham	BLI	30	2,280	76	11	770	70	196.1%
Fresno	FAT	30	2,280	76	30	2,100	70	8.6%
Missoula	MSO	30	2,280	76	0	0	0	New Market
Pasco	PSC	30	2,280	76	0	0	0	New Market
Sonoma	STS	30	2,280	76	30	2,280	76	0.0%
Santa Barbara	SBA	30	2,100	70	0	0	0	New Market
Tucson	TUS	30	2,100	70	0	0	0	New Market
Long Beach [2]	LGB	27	1,890	70	0	0	0	New Market
Bozeman	BZN	23	1,748	76	0	0	0	New Market
Kalispell	FCA	22	1,672	76	0	0	0	New Market
Palm Springs	PSP	7	1,267	181	5	785	157	61.4%
Denver	DEN	0	0	0	30	3,786	126	(100.0%)
Total		**3,463**	**344,013**	**99**	**2,748**	**252,642**	**92**	**36.2%**

[1] Will be discontinued in September 2014.

[2] Will be discontinued in late August 2014.

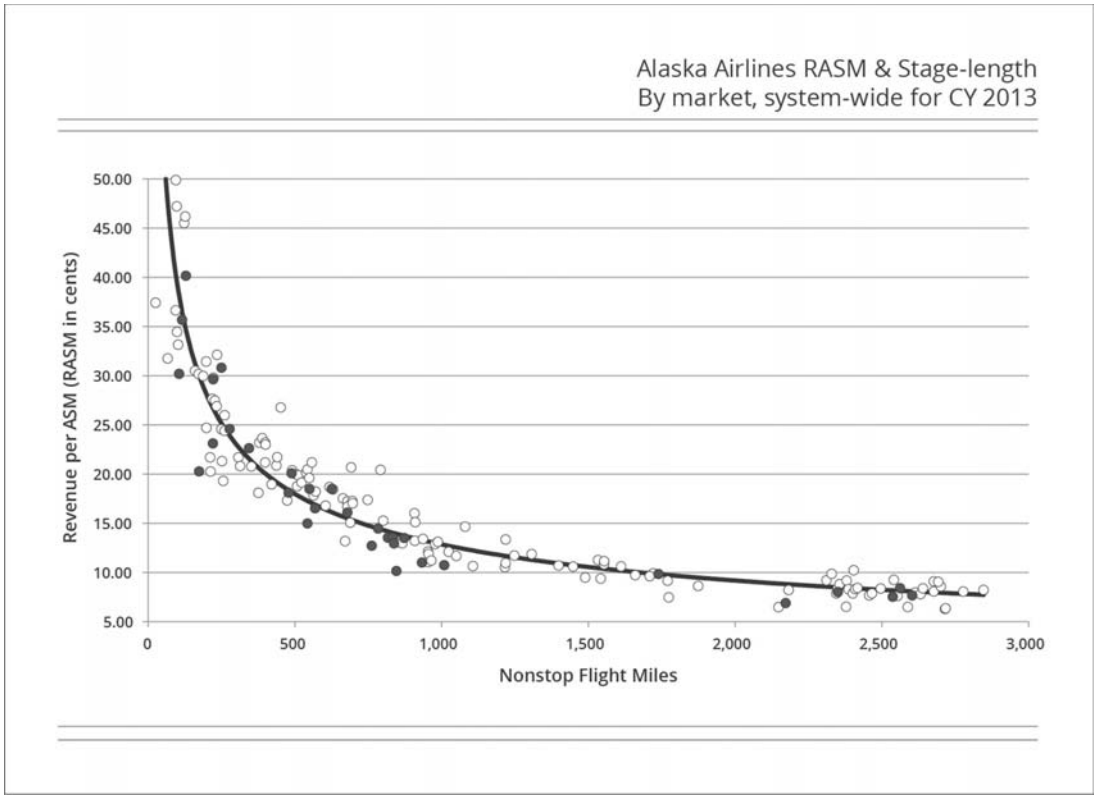
Source: Innovata, accessed June 2014

Compiled by Trillion Aviation

Figure 2-1 below graphically presents "mileage-adjusted" RASM for system-wide (i.e., not just for the Airport) Alaska Air Group nonstop markets for CY 2013. The black trend line or curve represents the calculated average RASM for Alaska Air Group based on stage length (or nonstop flight miles). Because RASM tends to decrease as the stage length increases, it is critical to consider stage length when assessing RASM or yield. The trend line presented on Figure 2-1 represents a typical RASM exponential curve with RASM decreasing as stage length increases. Markets for the Airport are depicted as the darker dots.

Figure 2-1

ALASKA AIR GROUP RASM AND STAGE LENGTH COMPARISON – CY 2013



Note: Airport markets are represented by the darker dots.

Source: Diio, US DOT Reports DB1a and T100, accessed June 2014

Compiled by Trillion Aviation

In general, most of the Airport's routes operated by Alaska Air Group are close to their average profitability. As noted earlier, Alaska Air Group has grown traffic significantly at the Airport since 2010, with most of this growth to longer-haul markets where Alaska Air Group has had little historical presence. Of the 41 nonstop markets operated by Alaska and Horizon from the Airport during CY 2013, 33 operated at load factors in excess of 80 percent. On itineraries of more than 1,500 miles, average load factors were typically more than 85 percent. As presented on Table 2-3, overall load factor for Alaska Air Group at the Airport has increased by over ten percentage points to approximately 84.7 percent for CY 2013. Yields are down somewhat at the Airport; however, as with RASM, this is due in large part to the significant increase in stage

length experienced by Alaska Air Group from the Airport. In summary, Alaska Air Group has, generally, been able to increase capacity at the Airport while maintaining system-wide average profitability and effective utilization of capacity.

Alaska Air Group has 69 aircraft on order (commitments) through 2024. It has indicated that approximately two-thirds of those aircraft will be used to replace older aircraft in its fleet. The other one-third will be used for "modest growth." The new aircraft will be larger than the aircraft that Alaska Air Group will be retiring. For example, of the 69 aircraft, 32 are Boeing 737-900ERs. These aircraft will be configured for 181 seats, which is almost 15 percent more capacity than their current largest aircraft.[62]

In summary, Alaska Air Group's performance at the Airport appears to be relatively in line with that for its system. Taking into consideration its future fleet plans along with its performance, it appears relatively likely that Alaska Air Group would continue its operation of the Airport as a hub into the foreseeable future and continue to increase its presence in concert with local demand for air service.

Southwest Airlines

After the Alaska Air Group carriers, Southwest has the next largest enplaned passenger market share at the Airport at approximately 16.6 percent for FY 2014. As presented in Table 2-2, Southwest has been steadily losing market share at the Airport over the past five years – dropping by about 2.5 percentage points and with the majority of this occurring over the past FY. However, prior to FY 2014, enplaned passengers had been increasing at the Airport despite the loss of market share. Over the past five years, Southwest enplaned passengers peaked in FY 2013 at approximately 1.36 million. Southwest enplaned passengers were down year-over-year by approximately 5.3 percent when comparing FY 2014 to FY 2013. This was primarily due to Southwest eliminating under-performing routes: Boise, Spokane and Reno. Boise service ceased in April 2013, Spokane service in January 2013 and Reno service in June 2014. As of August 8, 2014, Southwest discontinued Salt Lake City service. It should be noted that both Alaska and Delta have recently added capacity into this market.

In June 2014, Southwest operated nonstop service to 14 markets from the Airport, with 36 daily departures. Southwest has reduced its flight count at the Airport by approximately 9.5 percent since 2010; however, departing seat capacity was down by only approximately 3.2 percent. ASMs have increased substantially over this time period, by approximately 25 percent. Despite the aforementioned flight reduction, Southwest's enplaned passenger activity for FY 2013 increased by approximately 9.6 percent as compared to FY 2010. Southwest accomplished this primarily through eliminating lower performing, shorter-haul routes and adding longer-haul flying (e.g., Houston, Baltimore and San Diego, in addition to Austin, which started in 2012 and has been operated seasonally). It should also be noted that recent Southwest capacity additions generally were into markets such as Houston and Baltimore, where Southwest exhibits market strength.

[62] 2013 10K SEC filing for Alaska Air Group

As presented on Table 2-3, Southwest has improved its RASM, load factors, and yield at the Airport for the period of CY 2013 versus CY 2007. In terms of RASM, Southwest has improved performance by over 25 percent with CY 2013 being at 11.2 cents. Load factors have also improved by more than 10 percentage points during this period to a level of 81.2 percent for CY 2013. CY 2013 yield was at 13.8 cents for an improvement of over 10 percent as compared to CY 2007 levels.

Southwest's recent actions at the Airport are generally consistent with those throughout its system (i.e., constant evaluation of under-performing routes, adding longer-haul service and service to markets where Southwest has relative strength). In general, the net effect has been relatively little change or slight declines in seat capacity combined with stronger traffic growth. This typically results in improvement to load factors, better revenue production, and overall, more stable/profitable air service.

From an aircraft perspective, Southwest can increase capacity starting in 2015, after essentially no growth in 2013 and 2014. It has 24 aircraft on order for 2015, followed by 31 firm orders and 12 options in 2016, and 29 firm orders and 12 options in 2017. Additionally, in 2015, it will regain additional capacity by converting former AirTran Boeing 737s that were out of service in 2014 to the Southwest brand. In general, these additional aircraft will be larger than what Southwest operates today. For example, most of new Southwest aircraft will be 175-seat Boeing 737-800s. The vast majority of Southwest service to the Airport today is done with Boeing 737-700 and 737-300 aircraft, which seat between 137-143 passengers. It is not certain as to whether any of these aircraft will be used for operations at the Airport, however.

In summary, it appears relatively likely that Southwest will continue to follow recent trends of evaluating and potentially eliminating under-performing markets, while adding larger aircraft on longer-haul routes to markets where Southwest has a relatively strong presence. Southwest has a relatively strong presence at the Airport, and it would appear likely that Southwest would continue to perform generally in concert with its overall system. It is important to note that Southwest will be restructuring its route network out of its home airport of Dallas Love Field in October 2014 as restrictions associated with the Wright Amendment are removed.

United Airlines

United's share of enplaned passengers at the Airport was approximately 13.8 percent for FY 2014. United-brand operations from the Airport include both United mainline along with its regional affiliate SkyWest Airlines. United, at one time, was one of the Airport's largest airlines. However, as shown in Table 2-2, United has been steadily losing market share at the Airport over the past five years – dropping by about 4.6 percentage points. United also has been experiencing a decrease in Airport enplaned passengers since 2010, as total enplaned passengers at the Airport have declined from approximately 1.2 million to approximately 1.1 million in FY 2014.

In June 2014, United operated nonstop flights to 11 markets with 36 average daily departures. This is a decrease as compared to June 2010 when it operated 14 nonstop markets with

approximately 53 average daily departures.[63] United's operation at the Airport has generally maintained somewhat stable capacity to its hubs of Chicago O'Hare International (ORD), Denver International (DEN), and Washington Dulles International (IAD) Airports, while substantially increasing operations to San Francisco International Airport (SFO). From the Airport, United has decreased capacity substantially to its Houston Intercontinental (IAH) and Los Angeles International (LAX) Airport hubs. It has also decreased capacity somewhat to its Newark Liberty International Airport (EWR) hub from the Airport. Some of the capacity reductions to these hub airports are likely due to the integration of former Continental Airlines as a result of the merger of the two airlines in 2010. Additional United reductions have been in shorter-haul markets operated for United by SkyWest Airlines. Additional SkyWest capacity reductions in short-haul markets from the Airport are anticipated starting in fall 2014 include service to Eugene, LAX, Klamath Falls, Redmond, and SEA.[64] SkyWest enplaned passenger volumes in these markets approximate 125,000 annually and generally appear to be of minimal strategic importance to United.

As presented on Table 2-3, United has improved its RASM, load factors, and yield at the Airport for the period of CY 2013 versus CY 2007. In terms of RASM, United has improved performance by more than 20 percent with CY 2013 being at 11.0 cents. Load factors have also improved by over four percentage points during this period to a level of 89.6 percent for CY 2013. CY 2013 yield was at 12.2 cents for an improvement in excess of 15 percent as compared to CY 2007 levels.

With regard to its domestic mainline fleet of aircraft, United is following the industry trend of ordering larger, single aisle aircraft. United has orders and options for 148 Boeing 737 (NG) aircraft and 117 Boeing 737 (Max) aircraft. These are the largest Boeing 737s in both the NG and Max families of aircraft, with the largest of these aircraft potentially configured to seat up to 220 passengers, much larger than the aircraft that will be replaced, such as A319 and A320 aircraft. It is uncertain as to whether any of these aircraft will be used for operations at the Airport.

In summary, it appears relatively likely that United would continue to adjust its operations system-wide as well as at the Airport. It is expected that United will continue to evaluate and potentially reduce less profitable shorter-haul markets at the Airport (although after this fall, this appears to be primarily completed), while at the same time maintaining and possibly growing longer-haul capacity to its hub airports as it adds larger aircraft to its fleet, and because there appears to be additional demand in the Air Service Area.

Delta Air Lines

Delta enplaned approximately 12.0 percent of the Airport's passengers in FY 2014 including applicable passengers from its regional affiliate SkyWest Airlines. Delta market share at the Airport has dropped slightly over the past five years, Delta has generally maintained stable enplanement levels at around 800,000 per year since FY 2013. Delta had significant growth in enplaned passengers at the Airport of approximately 15.5 percent for FY 2014 as compared to

[63] Innovata, accessed June 2014

[64] Currently other airlines also offer service to Eugene, LAX, Redmond, and SEA from the Airport.

FY 2013, reaching approximately 930,000. In June 2014, Delta operated eight nonstop markets with approximately 54 average daily flights. This is a significant increase over June 2010 when it operated approximately 44 average daily flights to seven markets. Over this period, Delta added Los Angeles service from the Airport. In recent months, Delta and Alaska have been competing aggressively, especially for market share in Seattle. Delta started service from the Airport to SEA in August 2014.[65]

As shown in Table 2-3, Delta has improved its RASM, load factors, and yield at the Airport for the period of CY 2013 versus CY 2007. In terms of RASM, Delta has improved performance by more than 30 percent with CY 2013 being at 11.0 cents. Load factors have also improved by approximately one percentage point over this period to a level of 88.6 percent for CY 2013. CY 2013 yield was at 12.4 cents for an improvement in excess of 30 percent as compared to CY 2007 levels.

Delta operates the only overseas service from the Airport, to NRT and AMS. Delta continues to announce new service from the Airport in 2014, and its seat capacity since June 2010 has increased by almost 50 percent.[66] Delta's growth continues the general theme for the Airport - longer-haul flights on generally larger aircraft. However, it also exemplifies Delta's focus upon feeding their trans-pacific service by linking the Airport to its primary trans-pacific gateways at Seattle (SEA) and Los Angeles (LAX).

When evaluating yield and RASM for domestic markets, Delta, in general, is achieving strong performance. In particular, the longer-haul routes to the Midwestern and Eastern U.S. (Minneapolis-St. Paul [MSP], Detroit [DTW], Atlanta [ATL], and New York [JFK]) appear to be performing above average in terms of RASM, and load factors are in excess of 90 percent. Salt Lake City (SLC) is performing at or just under system averages in terms of RASM.[67]

As announced, Delta's fleet plan is, generally, to add larger aircraft and reduce smaller aircraft. Specifically, Delta plans to add 192-seat Airbus A321 aircraft for its longer-haul domestic routes to replace current smaller aircraft such as Airbus A320s and Boeing 757-200s.[68] Given Delta's relatively strong performance at the Airport, it could be expected that Delta will continue to grow the Airport in concert with its overall system and replace existing aircraft with larger aircraft on longer-haul routes as they become available.

Delta operates the Airport's only trans-oceanic services: AMS and NRT. Delta began serving both of these markets after its merger with Northwest Airlines. Delta had operated numerous trans-pacific markets nonstop from the Airport in the 1990s and into the early 2000s before discontinuing service in the early 2000s. Northwest Airlines started NRT service after Delta ended service, and started AMS service in April 2008.

Table 2-5 below presents key revenue metrics for all Delta overseas operations from the Continental U.S. to NRT and AMS sorted by RASM in descending order. Relative NRT

[65] Innovata, accessed June 2014
[66] Innovata, accessed June 2014
[67] Diio and US DOT Reports DB1a and T100, accessed June 2014
[68] 2013 10K SEC filing for Delta Air Lines

comparisons are presented in the top part of the table, and AMS comparisons are in the lower section.

Delta's NRT service from the Airport appears to be exhibiting strong performance. Of the eight U.S. markets in the Continental U.S. that Delta serves nonstop to NRT, only JFK and LAX have more favorable RASMs than RASMs from the Airport. The Airport's results are largely a function of relatively higher yields. The Airport is Delta's eighth largest O&D (revenue) market from the Continental U.S to NRT.

Delta's AMS results from the Airport are generally comparable to other cities that Delta serves to AMS. The Airport's AMS RASM is almost identical to SEA and EWR to AMS. Delta currently operates all AMS markets with A330 aircraft; although, in 2013 they used a variety of aircraft. The Airport is Delta's eighth largest AMS O&D market, ranking behind all other Delta nonstop-served markets. It should be noted that AMS is a relatively small O&D market and is operated primarily as a connecting hub by both Delta and KLM Royal Dutch Airlines.

Table 2-5

DELTA AIR LINES TOKYO AND AMSTERDAM OPERATIONS FROM THE CONTINENTIAL U.S. – CY 2013

Origin	Destination	Miles	RASM (cents)	Seats/Dept.	Load Factor	Yield (cents)
Tokyo	Los Angeles	5,451	14.4	267	94.2	15.3
Tokyo	New York JFK	6,745	13.0	376	88.5	14.7
Tokyo	**Portland**	**4,822**	**12.4**	**223**	**86.2**	**14.3**
Tokyo	Seattle	4,769	12.4	315	88.6	14.0
Tokyo	San Francisco	5,124	11.8	222	85.1	13.9
Tokyo	Detroit	6,397	11.1	368	90.0	12.3
Tokyo	Atlanta	6,850	10.6	376	89.7	11.8
Tokyo	Minneapolis	5,950	10.1	268	89.7	11.3
Amsterdam	Boston	3,457	11.0	275	83.3	13.2
Amsterdam	Detroit	3,940	10.3	286	85.6	12.0
Amsterdam	Atlanta	4,401	10.1	263	91.0	11.1
Amsterdam	Minneapolis	4,166	10.0	276	88.1	11.3
Amsterdam	New York JFK	3,644	9.8	238	87.7	11.2
Amsterdam	**Portland**	**5,004**	**9.6**	**275**	**85.7**	**11.2**
Amsterdam	Seattle	4,886	9.6	292	87.9	10.9
Amsterdam	Newark	3,657	9.6	210	87.1	11.1

Source: Diio; US DOT Reports DB1A and T100, accessed June 2014

Compiled by Trillion Aviation

2.1.2 O&D Markets

Approximately 84 percent of the Airport's enplaned passenger activity consisted of O&D passengers for CY 2013 (the most recent year for which data are available). **Table 2-6** below presents the Airport's Top 20 O&D markets, including passenger activity and the average one-

way fare paid (net of taxes/fees) for CY 2013. The table also presents daily departures and daily non-stop seats for each market. Nonstop flights operate on all 20 of the Airport's top 20 O&D markets.

Table 2-6

TOP 20 O&D MARKETS – CY 2013

Rank	Market	Miles	Avg. Daily O&D Pass.	Avg. Fare	Avg. Daily Depts.	Avg. Daily Seats
1	Los Angeles [1]	834	1,906	$125	21.6	2,293
2	SF Bay Area [2]	550	1,206	$113	24.3	2,747
3	Las Vegas	762	797	$106	8.2	1,190
4	Phoenix	1,009	639	$161	9.7	1,430
5	Denver	992	622	$136	11.3	1,565
6	San Diego	933	577	$113	4.1	629
7	New York [3]	2,454	516	$247	3.7	575
8	Sacramento	479	509	$104	9.0	1,033
9	San Jose	569	503	$125	8.1	995
10	Chicago [4]	1,739	476	$220	8.1	1,243
11	Seattle	129	373	$106	27.8	1,827
12	Salt Lake City	630	364	$143	6.6	1,008
13	Wash. DC [5]	2,350	311	$240	2.0	311
14	Dallas [6]	1,616	285	$205	4.7	654
15	Boston	2,537	274	$217	1.6	247
16	Boise	344	273	$100	6.0	490
17	Honolulu	2,603	263	$239	2.0	445
18	Minneapolis	1,426	247	$234	3.8	614
19	Atlanta	2,172	242	$253	3.4	595
20	Spokane	278	235	$106	7.0	536
Total/Average for all Markets		**1,525**	**17,217**	**$201**	**223.5**	**24,829**

[1] Includes Los Angeles International (LAX), LA/Ontario International (ONT), John Wayne-Orange County (SNA), Long Beach (LGB), and Bob Hope (BUR) Airports

[2] Includes Metropolitan Oakland International (OAK) and San Francisco International (SFO)

[3] Includes La Guardia (LGA), John F Kennedy International (JFK), and Newark Liberty International (EWR) Airports

[4] Includes Chicago O'Hare International (ORD) and Chicago Midway International (MDW) Airports

[5] Includes Ronald Reagan Washington National (DCA) and Washington Dulles International (IAD) Airports

[6] Includes Dallas/Fort Worth International (DFW)

[7] Includes George Bush Intercontinental (IAH) and William P Hobby (HOU) Airports

Source: Diio; US DOT Reports DB1A, accessed August 2014

Compiled by Trillion Aviation

The Airport's top O&D markets reflect travel demand from the region, and consequently, where airline capacity is allocated. The Airport, as with most markets on the west coast, has a large share of demand to cities in the western U.S. There is also demand for the Airport to most major cities in the eastern half of the U.S. This has resulted in an average passenger haul from

the Airport of 1,525 miles. This is a relatively long haul as compared to the average U.S. airport of 1,126 miles,[69] and is due to the nature of the Airport's passenger demand and geographical location in the U.S. Pacific Northwest.

Most of the top markets are generating more than 50 local O&D passengers per trip (example: Las Vegas McCarran International Airport (LAS) generates 795 O&D passengers daily and there are 8.2 daily nonstop flights, which equates to 97 local LAS passengers per trip). This is indicative of the Airport's high percentage of local traffic and contributes to the airline's economic success at the Airport.

Table 2-7 below presents the change in the Airport's top O&D markets for CY 2013 (the most recent full year for which data is available) versus CY 2007. This analysis helps illustrate how the Airport's air travel demand has changed since pre-recessionary levels. Capacity from the Airport has shifted away somewhat from the western U.S. to more central and eastern parts of the U.S. Also, note that in the majority of the markets, the average fare paid has increased, indicating that airline yields have improved at the Airport. Finally, for individual markets, changes in passengers, fares and revenues can be a result of airline competition on these routes. For example, if capacity is increased in a market, fares could decrease and revenues may not increase proportionately with passenger volume. On the other hand, if an airline increases its market share in a particular market, it may gain control of pricing and be able to increase both fares and revenues. As shown for the Airport in total, daily passengers have increased by two percent, and fares and revenues have increased by 20 percent and 23 percent, respectively, suggesting significantly improved revenue performance for CY 2013 as compared to CY 2007.

2.2 Air Traffic Activity and Trends

This section analyzes historical trends in air traffic activity at the Airport including enplaned passengers, aircraft operations, and landed weight. It also discusses the primary factors affecting these trends.

2.2.1 Enplaned Passengers

Passenger activity at an airport drives numerous revenues and financial measures including such items as non-airline revenues (e.g., parking, rental car terminal concessions, etc.), Passenger Facility Charge (PFC) revenues and FAA Airport Improvement Program (AIP) entitlement grant distributions. Enplaned passengers are also the denominator for airline costs per enplaned passenger (CPE). The relationship of enplaned passengers to the financial analysis is discussed in more detail in Chapter 4 of this Report. **Table 2-8** below presents historical enplaned passenger trends at the Airport between

[69] US DOT Report DB1A for CY 2013

Table 2-7

TOP 20 O&D MARKETS – CY 2013 VS. CY 2007

Rank	Market	Daily O&D Pass. Change	Avg. Fare Change	Change in Revenue
1	Los Angeles [1]	12%	(3%)	8%
2	SF Bay Area [2]	(25%)	14%	(14%)
3	Las Vegas	10%	(5%)	4%
4	Phoenix	(11%)	31%	16%
5	Denver	21%	1%	23%
6	San Diego	22%	(14%)	5%
7	New York [3]	4%	21%	26%
8	Sacramento	(23%)	34%	3%
9	San Jose	(9%)	30%	17%
10	Chicago [4]	6%	141%	155%
11	Seattle	2%	3%	5%
12	Salt Lake City	0%	12%	12%
13	Wash. DC [5]	10%	60%	76%
14	Dallas [6]	14%	8%	24%
15	Boston	47%	12%	65%
16	Boise	(32%)	44%	(2%)
17	Honolulu	(5%)	18%	12%
18	Minneapolis	16%	10%	27%
19	Atlanta	27%	0%	27%
20	Spokane	(36%)	56%	0%
	Total	**2%**	**20%**	**23%**

[1] Includes Los Angeles International (LAX), LA/Ontario International (ONT), John Wayne-Orange County (SNA), Long Beach (LGB), and Bob Hope (BUR) Airports

[2] Includes Metropolitan Oakland International (OAK) and San Francisco International (SFO)

[3] Includes La Guardia (LGA), John F Kennedy International (JFK), and Newark Liberty International (EWR) Airports

[4] Includes Chicago O'Hare International (ORD) and Chicago Midway International (MDW) Airports

[5] Includes Ronald Reagan Washington National (DCA) and Washington Dulles International (IAD) Airports

[6] Includes Dallas/Fort Worth International (DFW)

[7] Includes George Bush Intercontinental (IAH) and William P Hobby (HOU) Airports

Source: Diio; US DOT Reports DB1A, accessed June 2014

Compiled by Trillion Aviation

FY 2004 and FY 2014. It also presents enplaned passenger activity for overall U.S. activity on a federal fiscal year basis (years ended September 30) for 2004 through 2014. Similar to the analysis of socioeconomic factors, the most recent eleven-year period (or ten-year growth period) of data was selected as it is representative of the longer-term trends.

Between FY 2004 and FY 2014, total enplaned passengers at the Airport increased from approximately 6.3 million to approximately 7.8 million, an overall CAGR of approximately 2.05 percent for this period. Over the past ten years at the Airport, enplaned passengers increased during eight of those years. During years of increase for the periods of 2004 through 2008 and 2010 through 2014, CAGR in enplaned passengers were over four percent. The Airport did experience decreases in FYs 2009 and 2010 when the U.S. was in a period of economic recession. During the past two FYs, however, the Airport experienced relatively rapid growth in enplaned passengers; FY 2013 enplanements increased by approximately 5.6 percent over prior FY levels, and FY 2014 was approximately 5.8 percent higher than FY 2013. The result was that in FY 2014, the Airport experienced a new record peak in enplaned passenger activity, and is now classified as a Large Hub per FAA preliminary data for CY 2013.

Table 2-8 also presents domestic and international enplaned passenger trends at the Airport. International passenger traffic at the Airport is a relatively small portion of overall activity, and averaged about three percent of total enplaned passengers over the past ten years. International enplaned passengers experienced rapid growth during the period of FY 2004 through FY 2008, growing more than 18 percent CAGR during this time. However, during the last U.S. economic recession, much of this growth in international passenger traffic was lost during the period of FY 2008 through FY 2010 as international enplaned passengers decreased at a CAGR of more than 16 percent. Growth in international enplaned passengers has somewhat stabilized since FY 2010 as it has experienced a CAGR of approximately 1.3 percent for FY 2010 though FY 2014. Specifics as to airline service during these periods are further described below.

As compared to overall U.S. activity, enplaned passenger growth at the Airport has outpaced the U.S. for the period of 2004 through 2014, as the CAGR at the Airport was approximately 2.05 percent compared to a forecast CAGR of approximately 0.79 percent for the U.S. In further comparing trends, the Airport generally has experienced higher increases during periods of growth; although it did experience a larger decrease during the two-year recessionary period. Despite this larger decrease, the Airport has recovered from pre-recessionary enplaned passenger levels, while the U.S. has not yet recovered.

Given the overall dynamic nature of the aviation industry, there were unique factors driving trends during specific time periods. These are discussed below.

Table 2-8

HISTORICAL ENPLANED PASSENGER TRENDS AT THE AIRPORT AND FOR THE U.S.

Fiscal Year	Domestic Enplaned Passengers	International Enplaned Passengers	Total Enplaned Passengers	% Change	Federal Fiscal Year [2]	U.S. Enplaned Passengers (000s)	% Change
2004	6,176,124	160,268	6,336,392	-	2004	689,000	-
2005	6,528,026	229,668	6,757,694	6.6%	2005	737,000	7.0%
2006	6,768,327	243,677	7,012,004	3.8%	2006	740,000	0.4%
2007	6,869,521	274,922	7,144,443	1.9%	2007	765,300	3.4%
2008	7,138,993	310,924	7,449,917	4.3%	2008	759,100	(0.8%)
2009	6,391,569	262,557	6,654,126	(10.7%)	2009	704,400	(7.2%)
2010	6,261,594	215,692	6,477,286	(2.7%)	2010	712,600	1.2%
2011	6,529,105	221,315	6,750,420	4.2%	2011	731,100	2.6%
2012	6,732,262	214,038	6,946,300	2.9%	2012	736,700	0.8%
2013	7,122,688	212,950	7,335,638	5.6%	2013 [3]	739,300	0.4%
2014	7,535,257	226,770	7,762,027	5.8%	2014 [4]	745,500	0.8%
CAGR[1]					**CAGR[1]**		
2004-14	2.01%	3.53%	2.05%		2004-14	0.79%	
2004-08	3.69%	18.02%	4.13%		2004-08	2.45%	
2008-10	(6.35%)	(16.71%)	(6.76%)		2008-10	(3.11%)	
2010-14	4.74%	1.26%	4.63%		2010-14	1.13%	

[1] CAGR = Compound annual growth rate
[2] Federal fiscal year is the 12-month period ending September 30
[3] FAA estimate
[4] FAA forecast
Source: Port of Portland airport management records, July 2014; FAA Aerospace Forecast, Fiscal Years 2014-2034

FY 2004 – FY 2008

The Airport experienced steady growth in enplaned passengers during FY 2004 through FY 2008. The Airport benefited from new service, in addition to the added presence of LCCs, which lowered air fares and stimulated traffic. During this time period, three foreign flag carriers and LCC JetBlue either added or had recently started new service at the Airport: Mexicana started service to Guadalajara and expanded service to Mexico City; Lufthansa initiated new service to Frankfurt in 2003 and Delta (Northwest) started new service to NRT in 2004 and Honolulu in 2005. In addition, Southwest announced new service to Chicago Midway and added more service to Las Vegas and Phoenix.

Enplaned passengers increased 4.3 percent in FY 2008, reaching a prior historical all-time FY high of approximately 7.45 million, which has been surpassed in FY 2014. Growth in FY 2008 was almost entirely driven by Alaska Air Group (Alaska and Horizon) and Southwest. Alaska started service to Boston and added a flight to San Diego. Southwest started Denver service and added a flight to Chicago Midway. Northwest Airlines (now Delta) also started AMS service. Although traffic was strong in FY 2008, airline yields had begun to decline, reflecting national trends. This was largely being driven by economic weakness across the U.S.

FY 2009 and FY 2010

Enplaned passengers at the Airport declined from approximately 7.45 million in FY 2008 to approximately 6.65 million in FY 2009, and then to approximately 6.48 million in FY 2010. The U.S. airline industry and the Airport were affected by oil price increases during this time period and the U.S. economic recession and financial crisis. Over this two-year period, Airport enplaned passengers declined by approximately 13.1 percent for a net loss of almost one million annualized enplaned passengers.

To further illustrate capacity trends at the Airport during this period, **Table 2-9** presents the Airport's seat capacity for FY 2010 versus peak levels for FY 2008. As shown, capacity was reduced by more than 1.4 million seats, and more than half of the decline was attributable to Alaska Air Group carriers Alaska and Horizon. Alaska eliminated service to 11 markets during this period and started new service to six markets. In general, Alaska cut service to under-performing routes that were typically shorter-haul and more affected by higher oil prices. In FY 2008, Alaska Air Group, while profitable, still had many under-performing routes at the Airport. Most of the routes with the largest capacity declines were operating at load factors of less than 70 percent in CY 2007. Consequently, when oil prices spiked and recessionary impacts were experienced, under-performing markets were eliminated, resulting in major capacity declines.

Table 2-9

AIRLINE CAPACITY DECLINES AT THE AIRPORT – FY 2010 VS. FY 2008

Airline	Change in Departing Seats	% Change
Alaska Air Group	(760,993)	(20.5%)
Southwest Airlines	(219,609)	(11.0%)
Delta Air Lines [1]	(171,286)	(15.0%)
United Airlines [2]	(166,406)	(10.4%)
US Airways	(131,358)	(30.3%)
Lufthansa	(63,518)	(84.4%)
Mexicana	(62,230)	(100.0%)
American Airlines	(38,418)	(13.8%)
Other	145,264	28.5%
Total	**(1,468,554)**	**(15.0%)**

Source: Innovata, accessed June 2014

[1] Includes former Northwest Airlines

[2] Includes former Continental Airlines

Compiled by Trillion Aviation

In addition to Alaska Air Group, most other airlines also reduced service from the Airport during this period. Some specifics regarding these are as follows:

- The Delta/Northwest and United/Continental mergers were in process during this time. This contributed to these airlines consolidating operations, which likely had an effect on the Airport.

- United Airlines reduced seat capacity at the Airport by approximately 10.4 percent during this time period. Most of United's decreases took place on under-performing routes to California with load factors under 75 percent.

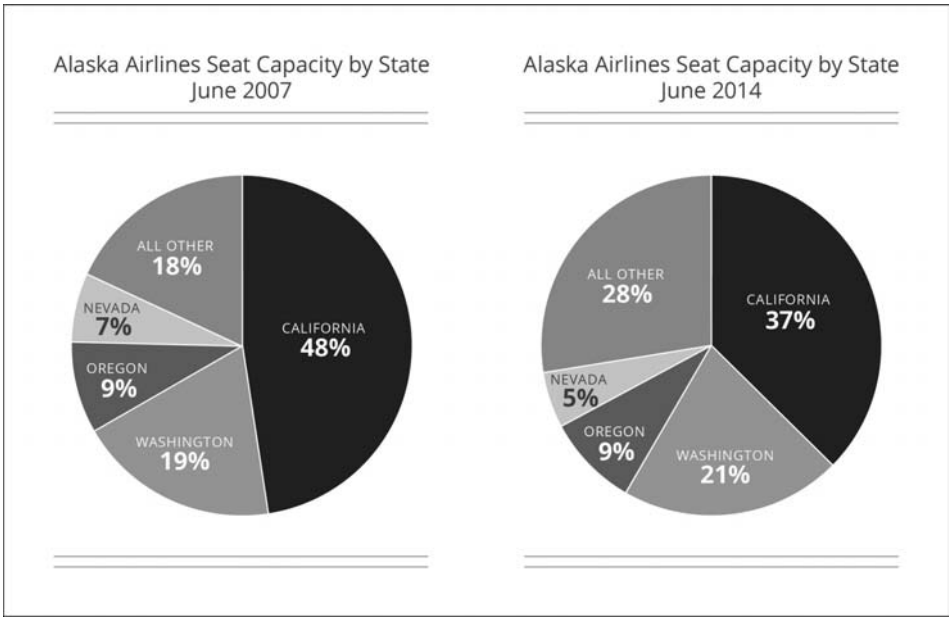
- Mexicana and Lufthansa eliminated service from the Airport. Mexicana and Lufthansa routes were not performing well during this period. Mexicana flights, in particular were experiencing load factors at around 60 percent.

FY 2010 – FY 2014

The number of enplaned passengers during the period of FY 2010 through FY 2014 grew by approximately 19.8 percent, or a CAGR of about 4.6 percent. FY 2014 enplaned passengers were up by approximately 5.8 percent as compared to FY 2013, reaching a new record peak for a FY basis. A large portion of this growth can be attributed to the Alaska Air Group carriers. Alaska and Horizon enplaned passengers were up more than 40 percent when comparing FY 2014 versus FY 2010. Alaska, generally, accomplished this through adding service to 15 new cities and by increasing the size or up-gaging aircraft to add additional capacity into the Airport. The net effect is that Alaska Air Group's air service from the Airport is more diversified currently than it was in 2010 as illustrated below in **Figure 2-2**. In summary, Alaska Air Group has reallocated capacity from west coast routes mostly to the eastern half of the U.S.

Figure 2-2

DISTRIBUTION OF ALASKA AIR GROUP CAPACITY BY STATE FROM THE AIRPORT



Source: Innovata, accessed June 2014

Southwest enplaned passengers at the Airport have increased by approximately 9.6 percent for the period of FY 2010 through FY 2013, despite seat capacity remaining essentially unchanged.

Southwest accomplished this primarily through restructuring its flight schedule from the Airport, eliminating some shorter-haul flying and adding longer-haul flying to markets where Southwest has a strong market presence, which, in turn, has resulted in more favorable load factors. For FY 2014, Southwest enplaned passengers are lower than FY 2013 levels by approximately 5.3 percent.

Delta enplaned passengers at the Airport have remained relatively steady for FY 2010 through FY 2013; however, they trended upward in FY 2014 by more than15 percent as compared to FY 2013. Delta has accomplished this additional growth primarily by adding a new market (LAX) and by increasing capacity to currently served markets. Delta started service to SEA in August 2014.

The remainder of the Airport's growth during this time period is primarily as a result of LCCs (e.g., Frontier, JetBlue, Spirit, and Virgin America). This segment of traffic accounted for approximately 278,000 enplaned passengers in FY 2010 (when Frontier and JetBlue began operating at the Airport). In FY 2014, all four of these LCCs accounted for approximately 583,000 enplaned passengers. Frontier's traffic grew by about 15 percent during this period, and JetBlue increased its enplaned passengers by approximately 75 percent. Both Spirit and Virgin America started service in FY 2012.

Summary

As described above, the Airport suffered a loss of almost one million enplaned passengers (on an annual basis) when comparing FY 2008 to FY 2010, or about 13 percent. Traffic has increased 19.8 percent from FY 2010 to FY 2014, and FY 2014 set a record for the most enplaned passengers in a single FY. Earlier in this chapter, an analysis was conducted on the top five airlines at the Airport that comprise approximately 83 percent of the enplaned passengers at the Airport for FY 2014. As presented for these airlines, RASM, load factors, and yields have, in general shown improvement between CY 2007 to CY 2013, and air service at the Airport for its primary passenger airlines appears to be more stable and profitable currently than it was during the last peak in CY 2007. As such, passenger air service at the Airport appears to be much better positioned, currently, than it was prior to the last economic recession.

2.2.2 Aircraft Operations

Airlines are constantly evaluating how to best serve passenger demand based on their available aircraft fleet. In markets that exhibit strong business travel, an airline may choose to serve that particular market by offering more daily frequency; in other words, it may choose to operate smaller aircraft on the route several times per day to offer customers more choice and redundancy. In other cases, an airline may choose to offer larger aircraft and less frequency. Airlines also make decisions to change aircraft capacity on particular routes in reaction to load factors and, ultimately, profitability. Aircraft fleet mix and operations are important considerations for airport operators when planning for appropriately-sized airport facilities and ensuring an airport has sufficient capacity to accommodate operations into the future. From an airport financial standpoint, aircraft operations have minimal impact on driving such things as revenue performance, although aircraft operations do impact decisions regarding airport

capital programs. Also, airline decisions on aircraft type and number of operations to accommodate passenger demand ultimately determine overall aircraft landed weight, which is discussed in the following section.

The Airport has exhibited strong passenger growth, especially over the past four years. This growth in large part was driven by airlines' restructuring their flight schedules from the Airport, effectively decreasing aircraft operations since 2010, but adding more seats by using larger aircraft. As a result, passenger growth at the Airport has been driven primarily by larger aircraft and higher load factors as opposed to growth in the frequency of aircraft operations.

Table 2-10 below presents historical aircraft operations for the Airport for FY 2004 through FY 2014 for the categories of air carrier/air taxi, general aviation, military, and total. Overall, during this period, total aircraft operations have decreased at a CAGR of approximately 3.05 percent. Total aircraft operations remained relatively stable early in this period (FY 2004 through FY 2008) decreasing slightly at a CAGR of 0.28 percent. Air carrier/air taxi aircraft operations (generally representative of commercial passenger and all-cargo aircraft operations) increased modestly during this period at a CAGR of approximately 0.87 percent. Aircraft operational activity has decreased more steadily since FY 2008. This decrease can be somewhat attributable to the U.S. economic recession and increases in oil prices that contributed to decreases in airline capacity during FYs 2009 and 2010 as airlines sought to better match capacity with demand, and changing airline business models shifting towards more capacity discipline in recent years. In general, airlines have been absorbing increases in demand through higher passenger load factors, higher air fares and better aircraft utilization. For the period of FY 2008 through FY 2010, aircraft operations decreased at CAGRs of approximately 7.6 percent and 7.5 percent for total and air carrier/air taxi, respectively. Between FY 2010 and FY 2014, decreases in aircraft operations were not as rapid, decreasing at CAGRs of approximately 3.5 percent and 3.0 percent for total and air carrier/air taxi, respectively.

Table 2-10 also presents general aviation (GA) and military aircraft operations at the Airport. As shown, both of these categories decreased over the past ten years. From FY 2004 to FY 2014, GA and military aircraft operations at the Airport decreased at a CAGR of approximately 7.5 percent. GA operational activity decreased steadily at the Airport throughout the ten-year period. The Port also operates two GA airports: Hillsboro Airport and Troutdale Airport. Both of these facilities are designated as reliever airports to the Airport pursuant to the FAA's National Plan of Integrated Airport Systems (NPIAS). Reliever airports are specially designated GA airports intended to reduce congestion at larger commercial service airports primarily by providing an option for accommodating GA traffic. Aircraft operations at these two GA airports have increased in recent years. With regard to military traffic, the Oregon Air National Guard (ORANG) leases approximately 240 acres of property at the Airport, and is home to the 142nd Fighter Wing, which safeguards the airspace and coastal waters from northern California to the Canadian border, with F-15 Eagles on 24-hour alert.[70] Much of the military traffic at the Airport is associated with ORANG operations. In recent years, military aircraft operations have ranged between 3,500 and 4,700 annual operations.

[70] pdxaminer, February 2013, accessed July 2014

Given current industry trends, it would be expected that aircraft operational activity will continue to lag enplaned passenger growth as airlines, generally, continue to serve passenger demand through increases in load factors, higher air fares and larger aircraft types.

Table 2-10

HISTORICAL AIRCRAFT OPERATIONS AT THE AIRPORT

Fiscal Year	Air Carrier/Air Taxi [1]	General Aviation	Military	Total	% Change
2004	224,957	33,013	8,102	266,072	-
2005	224,661	31,853	6,539	263,053	(1.1%)
2006	225,179	29,135	6,431	260,745	(0.9%)
2007	231,451	27,881	4,445	263,777	1.2%
2008	232,883	26,892	3,326	263,101	(0.3%)
2009	208,571	23,021	4,181	235,773	(10.4%)
2010	199,478	20,759	4,421	224,658	(4.7%)
2011	195,716	20,727	3,554	219,997	(2.1%)
2012	186,617	27,305	3,773	217,695	(1.0%)
2013	187,574	18,853	4,673	211,100	(3.0%)
2014	176,311	15,137	3,736	195,184	(7.5%)
CAGR [2]					
2004-14	(2.41%)	(7.50%)	(7.45%)	(3.05%)	
2004-08	0.87%	(5.00%)	(19.96%)	(0.28%)	
2008-10	(7.45%)	(12.14%)	15.29%	(7.59%)	
2010-14	(3.04%)	(7.59%)	(4.12%)	(3.45%)	

[1] Air Carrier/Air Taxi amounts were calculated by Trillion Aviation based on subtracting general aviation and military aircraft operations from total aircraft operations included in the Port's aviation statistics.

[2] CAGR = Compound annual growth rate

Source: Port of Portland airport management records based on reports from FAA, accessed July 2014

2.2.3 Landed Weight

Aircraft landed weight (expressed in 1,000-pound units) is the sum of the maximum gross certificated landing weight as certified by the FAA for passenger and all-cargo aircraft landing at the Airport. Per its operating agreements with the airlines that operate at the Airport (as later described in Section 4.3.3), aircraft landed weight is used as the denominator in the calculation of landing fees that are used to recover the net cost of the Airfield Cost Center (as described in Section 4.3.1). Therefore, landed weight is an important measure for the Port as it provides a method to recover costs from each airline based on its share of landed weight.

Table 2-11 presents landed weight activity at the Airport for the period of FY 2004 through FY 2014 for passenger airlines, all-cargo airlines, and in total. As shown, landed weight increased steadily at a CAGR of approximately 2.09 percent for passenger airlines during the period of FY 2004 through 2008. For this same period, all-cargo airlines landed weight was steady but decreased slightly at a CAGR of approximately 0.8 percent. During the U.S. recessionary period generally occurring during FY 2008 through FY 2010, both passenger and all-cargo

carrier landed weight decreased rapidly, at CAGRs of approximately 8.1 percent and 12.9 percent, respectively. Since FY 2010, landed weight has increased at a CAGR of approximately 2.4 percent for the Airport. As with aircraft operational activity, it would be expected that landed weight will continue to grow moderately as airlines continue to add larger aircraft; although, landed weight growth will likely lag any growth in enplaned passengers.

Table 2-11

HISTORICAL LANDED WEIGHT AT THE AIRPORT (thousand-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	% Change
2004	8,598,665	1,418,114	10,016,779	-
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%)
2010	7,892,566	1,042,172	8,934,738	(8.3%)
2011	8,015,905	1,117,532	9,133,437	2.2%
2012	7,956,842	1,143,111	9,099,953	(0.4%)
2013	8,123,435	1,140,494	9,263,929	1.8%
2014	8,699,074	1,126,771	9,825,845	6.1%
CAGR[1]				
2004-14	0.12%	(2.27%)	(0.19%)	
2004-08	2.09%	(0.80%)	1.69%	
2008-10	(8.07%)	(12.89%)	(8.68%)	
2010-14	2.46%	1.97%	2.41%	

[1] CAGR = Compound annual growth rate

Source: Port of Portland airport management records, July 2014

2.3 Key Factors Affecting Air Traffic Demand

The forecasts of future air traffic activity at the Airport (provided later in this chapter) were prepared partly on the basis of quantitative factors including regression versus socioeconomic variables such as population, employment and income. The following section addresses certain qualitative factors that potentially could impact air traffic activity both nationwide and at the Airport.

2.3.1 Economic Conditions and Events

Historical growth in the demand for aviation activity generally has been driven by economic conditions and events. The most significant economic variables driving passenger and freight demand include real gross domestic product (GDP), consumer prices, fuel prices, non-farm employment, and real disposable personal income.

In 2008, the U.S. economy experienced an economic recession that many economists portray as the worst economic period in the U.S. since the Great Depression in the 1930s. During this

recession, oil prices also spiked to nearly $150 per barrel. The combination of these two events caused significant turmoil within the U.S. airline industry, with most airports across the U.S. greatly affected. Between 2007 and 2010, the U.S. unemployment rates increased from 4.6 percent to 9.6 percent.[71]

Since the recession, the U.S. economy has experienced a slow economic recovery. According to the U.S. Bureau of Transportation Statistics (BTS) data, the aviation industry started to rebound during the latter part of 2009 as the nation initiated recovery from the economic recession. Real GDP has generally experienced growth of approximately two percent annually, which is well below most historical post-recovery growth rates. Unemployment has dropped from the peak of 9.6 percent in 2010 to the May 2014 level of 6.1 percent (non-seasonally adjusted).[72] Consumer spending grew 1.5 percent for the 12 months ending June 30, 2013, as compared to the prior year-ending period, following similar trends during the prior two-year period. Spending for transportation grew 5.8 percent during this same time period and continues a trend of outpacing general consumer spending. Consensus estimates indicate that higher airline industry air fares are driving much of this relative change. Continued growth of one-to-two percent in consumer spending is expected to continue, as is relatively faster transportation sector spending.

The most recent forecast from the Congressional Budget Office (CBO) estimates that real U.S. GDP is forecast to grow, on average, by about two percent per year between 2014 and 2017.[73] Should the U.S. economy deviate greatly from these estimates, aviation activity could vary from forecasts presented herein.

2.3.2 The U.S. Airline Industry

Over the past several years, the U.S. airline industry has undergone a significant transformation. Although it has been profitable in recent years, the U.S. airline industry cumulatively experienced losses of approximately $40 billion from De-regulation (1978) through 2008.[74] Several airlines have filed for Chapter 11 bankruptcy protection or have ceased operations altogether. During this period, airlines suffered from excess capacity, which had the effect of driving down yields. Yields adjusted for inflation had dropped by approximately 70 percent. With oil prices spiking to near $150 per barrel, industry changes were critical. As a result, all of the major network airlines restructured their route networks, and reached agreements with lenders, employees, vendors, and creditors to decrease their cost structure. Many airlines sought Chapter 11 bankruptcy protection to achieve such cost cuts.

Since 2008, the U.S. airline industry has slashed capacity, particularly in short-haul markets as illustrated in **Figure 2-3** below, primarily with smaller, short-range aircraft types. The result has been a significant improvement in yields, unit revenues (RASM) and subsequently, profitability. In recent years, the U.S. airline industry is at its most stable, profitable point in

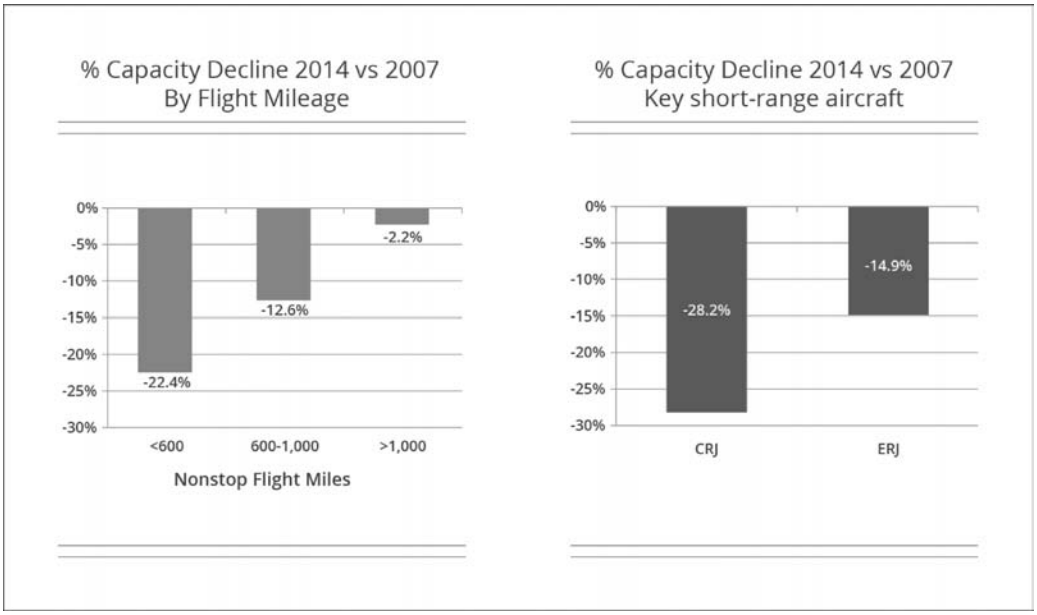
[71] Bureau of Labor Statistics, U.S. Department of Labor, accessed June 2014.
[72] Bureau of Labor Statistics, U.S. Department of Labor, accessed July 2014
[73] Congressional Budget Office, June 18, 2014, accessed June 2014.
[74] Airlines for America, www.airlines.org, accessed July 2014.

its history. For 2013, U.S. airlines experienced net income of approximately $12.8 billion as reported by Airlines for America (A4A). Additionally, A4A reported a net profit of $401 million for the first quarter of 2014.[75] Recent profitability can also be attributed to airlines unbundling services and increasing the use of ancillary fees such as charges for checked baggage.

Industry consolidation has taken place as a result of competitive pressures and economic conditions. Since 2005, numerous airline mergers have taken place, including the consolidation of (1) US Airways and America West Airlines, (2) Delta and Northwest Airlines, (3) United and Continental Airlines, and (4) Southwest and AirTran Airways. Also, on December 9, 2013, AMR Corporation, the parent of American Airlines, and US Airways Group, the parent of US Airways, merged by forming American Airlines Group. American Airlines Group is now the holding company for American Airlines, American Eagle Airlines Inc., US Airways and a number of regional operating affiliates. Additionally, Republic Airways Holdings purchased Frontier Airlines and Midwest Airlines in October 2009 operating the combined carrier as Frontier Airlines. Republic Airways Holdings sold Frontier Airlines in 2013. Today, the four largest U.S. airlines control more than 80 percent of industry seat capacity.[76] The potential impacts associated with consolidation include limited industry seat capacity growth and continued increases in yields (fares). Given the number of mergers that have already taken place or are currently in process, it is likely that industry consolidation is nearing completion.

Figure 2-3

AIRLINE INDUSTRY CAPACITY DECLINES



Source: Innovata, accessed July 2014.

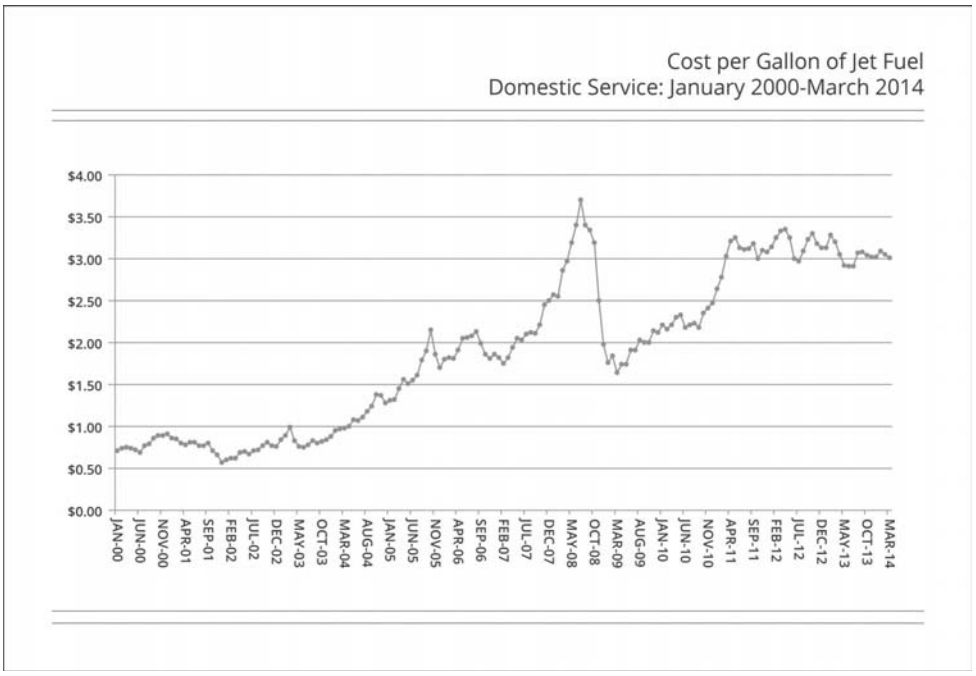
[75] Airlines for America, www.airlines.org, accessed June 2014.
[76] Innovata data for 12 months ending June 2014, accessed June 2014

2.3.3 Aviation Fuel

The average price of jet fuel per gallon was $0.82 in 2000. It peaked at about $3.75 per gallon in 2008 and was approximately $3.08 per gallon in March 2014. The cost of jet fuel was the major influence that drove the aforementioned capacity trends in the industry. Jet fuel price trends are presented below in **Figure 2-4**.

Figure 2-4

COST OF JET FUEL



Source: US Bureau of Transportation Statistics, accessed June 2014

In July 2011, the industry's (domestic) jet fuel cost peaked at $1.954 billion, as 622 million gallons of jet fuel was consumed. During the most recent month for which data is available (March 2014), the domestic industry consumed 521 million gallons of jet fuel at a fuel cost of $1.6 billion.[77]. Based on A4A data for the fourth quarter of 2013, fuel accounted for approximately 26.8 percent of airline industry operating expenses, its largest component.[78]

Although fuel cost is of major importance to the airline industry, future prices and availability are uncertain and fluctuate based on numerous factors. These can include supply and demand expectations, geopolitical events, fuel inventory levels, monetary policies, and economic growth projections. Although it is impossible to predict future prices, experts generally agree that longer-term prices are expected to remain high relative to historical levels, as demand for energy on a global basis continues to increase.

[77] US DOT Bureau of Transportation Statistics, accessed June 2014
[78] Airlines for America, www.airlines.org, accessed June 2014

It is expected that aviation fuel costs will continue to impact the airline industry in the future. If aviation fuel costs increase significantly over current levels, air traffic activity could become negatively affected as airlines attempt to pass costs on to consumers through higher airfares and fees in order to remain profitable. At this time, alternative fuels are not yet commercially cost effective.

2.3.4 Aviation Security

Since September 11, 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against threats and maintain the public's confidence in the safety of air travel. Security measures have included cargo and baggage screening requirements, deployment of explosive detection devices, strengthening of aircraft cockpit doors, increased presence of armed air marshals, awareness programs for personnel at airports, and new programs for flight crews. Aviation security is under the control of the federal government through the Transportation Security Administration (TSA).

To help finance the increased cost of aviation security, the TSA implemented Congressionally-legislated security fees. The September 11th Security Fee was implemented shortly after September 11, 2001 and imposed as a security service fee in the amount of $2.50 per enplaned passenger per flight segment, with a cap of $5.00 per one-way trip, for all travel originating in the U.S. Effective July 21, 2014, the September 11 Security Fee was increased to $5.60 per one-way trip with no cap. For example, if a one-way trip is non-stop, the new fee requirement is $5.60 as opposed to the prior $2.50. Also, if a stop-over at a connecting airport is required and it is for over four hours, an additional $5.60 fee will be required. The impact to air traffic demand as a result of the increased costs associated with the September 11th Security Fees is difficult to determine at this time. It is also uncertain as to whether the airline industry will be able to pass on these costs directly to consumers through higher airfares or whether these fees may impact airline profitability. If either demand or airline profitability is negatively affected, it could impact the achievability of the forecasts presented herein.

The threat of terrorism poses risks to the continued growth of the aviation industry. Although terrorist events targeting aviation interests would likely have negative and immediate impacts on the demand for air travel, the industry and demand have historically recovered from such events. So long as government agencies continue to seek processes and procedures to mitigate potential risks and to maintain confidence in the safety of air travel, without requiring unreasonable levels of cost or inconvenience to passengers, economic influences are expected to be the primary driver for aviation demand as opposed to security and safety.

2.3.5 National Air Traffic Capacity

The U.S. aviation system has a major impact on the national economy because it provides a means of transporting people and cargo over long distances in a relatively short period of time. As demand for air travel increases, the national aviation system must maintain sufficient capacity to allow for travel without unacceptable delays or congestion. It is generally assumed that the required infrastructure improvements needed to maintain capacity will keep pace with demand. Although not likely over the forecast period evaluated herein, the inability of the national aviation system to keep pace with demand could create congestion and delays on a

national level that could adversely affect the passenger experience and impact future demand for air travel.

2.4 Air Traffic Activity Forecasts

Trillion has prepared air traffic activity forecasts for use as the basis for the financial analysis to be performed later in this Report. Trillion's analysis consisted of two primary steps: a short-term forecast and a long-term forecast, and is described in the sections below.

2.4.1 Short-Term Forecast

The short-term forecast developed an appropriate estimate for FY 2015. This included a review of prior year historical enplanements and also a review of scheduled departing aircraft seats for the next several months, obtained from published airline schedules. In addition, recent or expected airline service announcements have been incorporated. For FY 2015, enplaned passengers are expected to increase by approximately two percent from FY 2014 to approximately 7.9 million. This forecast assumes enplanement growth will moderate as increases in enplaned passengers have been more than five percent in each of the two prior years. Recent announcements and certain assumptions are incorporated into the forecast for FY 2015, which include the following:

- Scheduled seat capacity from the Airport for the first half of FY 2015 is assumed to be higher than the same period in the prior year by one to two percent.

- Scheduled seat capacity is less certain for the second half of FY 2015; the assumption is for slight to flat growth.

- As indicated above, aircraft load factors have been increasing in recent years. It is assumed that continued modest growth will occur into FY 2015.

- Starting in the fall, Alaska will begin seasonal Mexico service with an alternating daily flight to Los Cabos and Puerto Vallarta for the winter and spring seasons. In addition, Volaris Airlines announced twice weekly service to Guadalajara starting in October.

- Recent announcement by SkyWest Airlines, operating as United Express, will eliminate approximately 17 daily departures, mostly on 30-seat Embraer aircraft. This service generates approximately 100,000 annual enplaned passengers.

2.4.2 Long-Term Forecast

The long-term enplanement forecast is focused primarily on the ability of the Air Service Area's economic base to generate continued passenger growth. The Air Service Area's economic base was analyzed in Chapter 1 of this Report, and was identified as a robust economy capable of generating continued air traffic growth.

On Table 1-16, the key socioeconomic forecast variables that have a strong correlation with passenger demand generally include population, employment, income and gross regional product (GRP). With the exception of GRP as compared to GDP, these variables for the Air Service Area are expected to outpace those of the overall U.S. To develop an understanding of how future enplaned passengers may trend into the future, a regression analyses of enplanements versus these key economic and demographic drivers was performed. A single regression for each Air Service Area economic and demographic factor as the independent variable, and Airport enplaned passengers as the dependent variable was undertaken. For example, the Air Service Area historical population was analyzed versus historical Airport enplaned passengers to determine an understanding of how future enplaned passengers may trend based on forecast population.

Figure 2-5 presents, graphically, the resulting enplaned passenger forecast trends based on the regression analysis. Resulting CAGRs ranged from 1.8 percent to 2.3 percent for the period of FY 2014 through FY 2021, and forecast enplaned passenger levels for FY 2021 ranged from 8.8 million to 9.1 million.

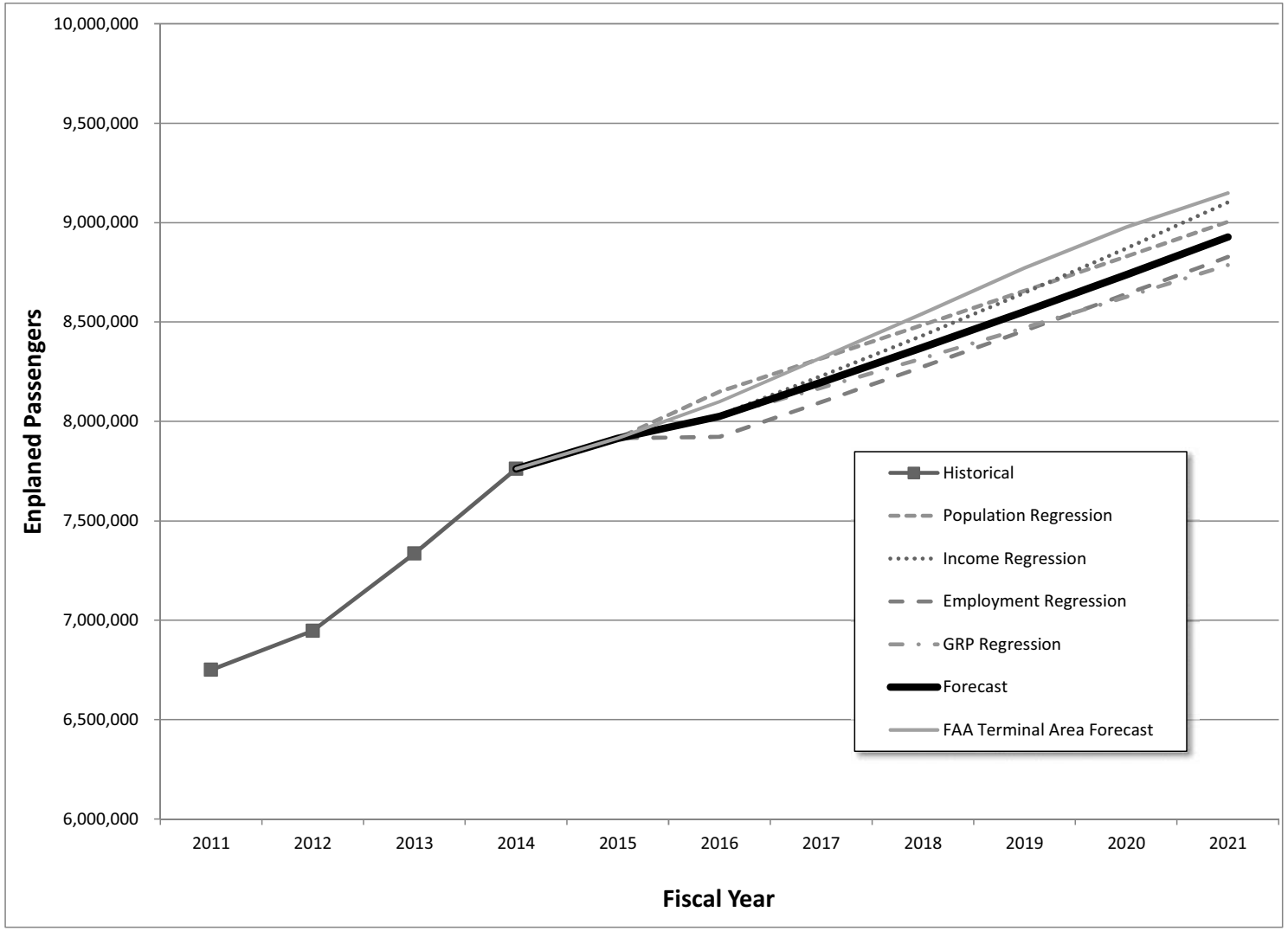
2.4.3 Forecast Assumptions

The underlying economic conditions of the Air Service Area are expected to be the primary driver for passenger demand at the Airport, especially as it relates to O&D traffic. In addition, several other assumptions are incorporated into the long-term forecast including the following:

- The Airport will continue its role of primarily serving O&D passengers as well as being a hub for Alaska Air Group.
- The other primary airlines currently serving the Airport (i.e., Southwest, Delta, and United) will continue to provide air service to support local demand primarily through larger aircraft and to longer-haul markets.
- Delta will continue to provide trans-oceanic service to both NRT and AMS. Other international service will be provided as demand dictates, including seasonal service to leisure markets in Mexico.
- LCC service will continue to operate at the Airport to serve the demand for such services.
- Long-term nationwide growth in air travel will occur over the forecast period.

Economic disturbances are likely to occur over the forecast period; however, the Airport's current air service appears more profitable and, hence, more stable than it was during the last peak experienced in the 2007-2008 period. Year-over-year variations likely to occur from these disturbances are, therefore, expected to be milder and shorter in duration than experienced during prior recessionary periods.

Figure 2-5
ENPLANED PASSENGER REGRESSION ANALYSIS



Source: Trillion Aviation, July 2014

It is also important to note that many of the factors that may affect air travel demand are not necessarily quantifiable. As a result, all forecasts of aviation activity are subject to various uncertainties. Therefore, this forecast, as with any forecast, should be viewed as a general indication of future aviation activity as opposed to a precise prediction. Actual future traffic may vary from these forecasts and such variances could be material.

2.4.4 Enplaned Passenger Forecasts

Table 2-12 presents forecast enplaned passenger levels for the Airport for the period of FY 2015 through FY 2021. It also presents historical levels for the past five years to provide perspective on forecast growth rates. As shown, forecast growth rates are well below the 4.6 percent CAGR achieved for the historical period of FY 2010 through FY 2014.

The forecast assumes that additional passenger growth will occur from FY 2015 into FY 2016 with a CAGR of approximately 1.4 percent. The expected growth during this period is lower than recent levels experienced, and lower than levels expected longer-term (i.e., 2.1 percent to 2.2 percent) as near-term enplaned passengers are anticipated to stabilize some in relationship to forecast economic and demographic trends. After FY 2016, enplaned passenger growth is expected to increase more in-line with anticipated longer-term socio-economic trends in the 2.1 percent to 2.2 percent range. Overall, for the period of FY 2014 through FY 2021, the forecast CAGR is approximately 2.0 percent, as enplaned passengers are forecast to reach more than 8.9 million by FY 2021.

The forecast for this analysis is also illustrated on Figure 2-5 as the darker line. As presented, the forecast is well within the range of the resulting regression analysis forecasts, generally indicating the Air Service Area is capable of supporting the forecast enplanement levels. For comparative purposes, the FAA's most recent Terminal Area Forecast (TAF) is also presented on Figure 2-5. The FAA TAF forecast is higher than the enplaned passenger forecast for this analysis. The FAA TAF forecast is generally used for facility planning purposes as opposed to financial planning; therefore, it is not uncommon for it to be higher than forecasts used for financial purposes.

Table 2-12

ENPLANED PASSENGER FORECAST

Fiscal Year	Enplaned Passengers	% Change
2010	6,477,286	-
2011	6,750,420	4.2%
2012	6,946,300	2.9%
2013	7,335,638	5.6%
2014	7,762,027	5.8%
Forecast		
2015	7,915,387	2.0%
2016	8,025,293	1.4%
2017	8,196,887	2.1%
2018	8,372,879	2.2%
2019	8,553,271	2.2%
2020	8,738,156	2.2%
2021	8,927,520	2.2%
CAGR[2]		
2010-14	4.6%	
2014-16	1.7%	
2016-21	2.2%	
2014-21	2.0%	

[1] Estimated

[2] CAGR = Compound annual growth rate

Source: Port of Portland (historical); Trillion Aviation (forecast)

2.4.5 Landed Weight Forecasts

Table 2-13 presents landed weight forecasts for the Airport for the period of FY 2015 through FY 2021. Historical trends for FYs 2010 through 2014 also are presented. Total landed weight is expected to increase at a CAGR of approximately 1.0 percent over the forecast period. For these forecasts, it is assumed that the current industry shift towards larger aircraft will continue to occur for the foreseeable future. In addition, the forecasts assume further decreases in smaller regional jets, especially 50-seat aircraft as they are retired. Landed weight growth is forecast to be lower than enplaned passenger growth as airlines are expected to continue the trend of capacity discipline through increases in load factors and increasing aircraft size when demand warrants.

Table 2-13

FORECAST LANDED WEIGHT AT THE AIRPORT (thousand-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	% Change
2010	7,892,566	1,042,172	8,934,738	(8.3%)
2011	8,015,905	1,117,532	9,133,437	2.2%
2012	7,956,842	1,143,111	9,099,953	(0.4%)
2013	8,123,435	1,140,494	9,263,929	1.8%
2014	8,699,074	1,126,771	9,825,845	6.07%
Forecast				
2015	8,752,134	1,140,856	9,892,990	0.68%
2016	8,757,169	1,155,116	9,912,286	0.20%
2017	8,844,165	1,169,555	10,013,721	1.02%
2018	8,938,312	1,187,099	10,125,411	1.12%
2019	9,042,237	1,204,905	10,247,142	1.20%
2020	9,155,884	1,222,979	10,378,863	1.29%
2021	9,279,124	1,241,323	10,520,448	1.36%
CAGR [1]				
2010-14	2.46%	1.97%	2.41%	
2014-16	0.33%	1.25%	0.44%	
2016-21	1.16%	1.50%	1.20%	
2014-21	0.93%	1.50%	0.98%	

[1] CAGR = Compound annual growth rate

Source: Port of Portland airport management records, July 2014 (historical); Trillion Aviation (forecast)

3 Airport Facilities and Capital Program

This Chapter provides an overview of existing Airport facilities and describes the Series Twenty-Two Projects and other planned capital improvements at the Airport, referred to as "Other Capital Projects" for the purposes of this Report.

3.1 Existing Airport Facilities

The Airport comprises approximately 3,200 acres of land on the southern edge of the Columbia River in Multnomah County. It is located approximately 12 miles northeast of downtown Portland. The Airport is the only commercial air passenger and cargo service facility in northwest Oregon and southwest Washington. Access to the Airport is primarily provided from Interstate 205 via Airport Way. Existing Airport facilities are described in sections below and are graphically illustrated on **Figure 3-1**. The Airport's terminal layout is presented on **Figure 3-2**.

3.1.1 Recent Major Capital Improvements

Over the last ten years through FY 2014, the Port undertook and completed approximately $1.105 billion of major capital projects including the rehabilitation of Runway 10R-28L, the extension and rehabilitation of Runway 10L-28R, the enhancement of the deicing system, the installation of an in-line baggage handling system, and construction of a long-term parking garage and the Port headquarters building.

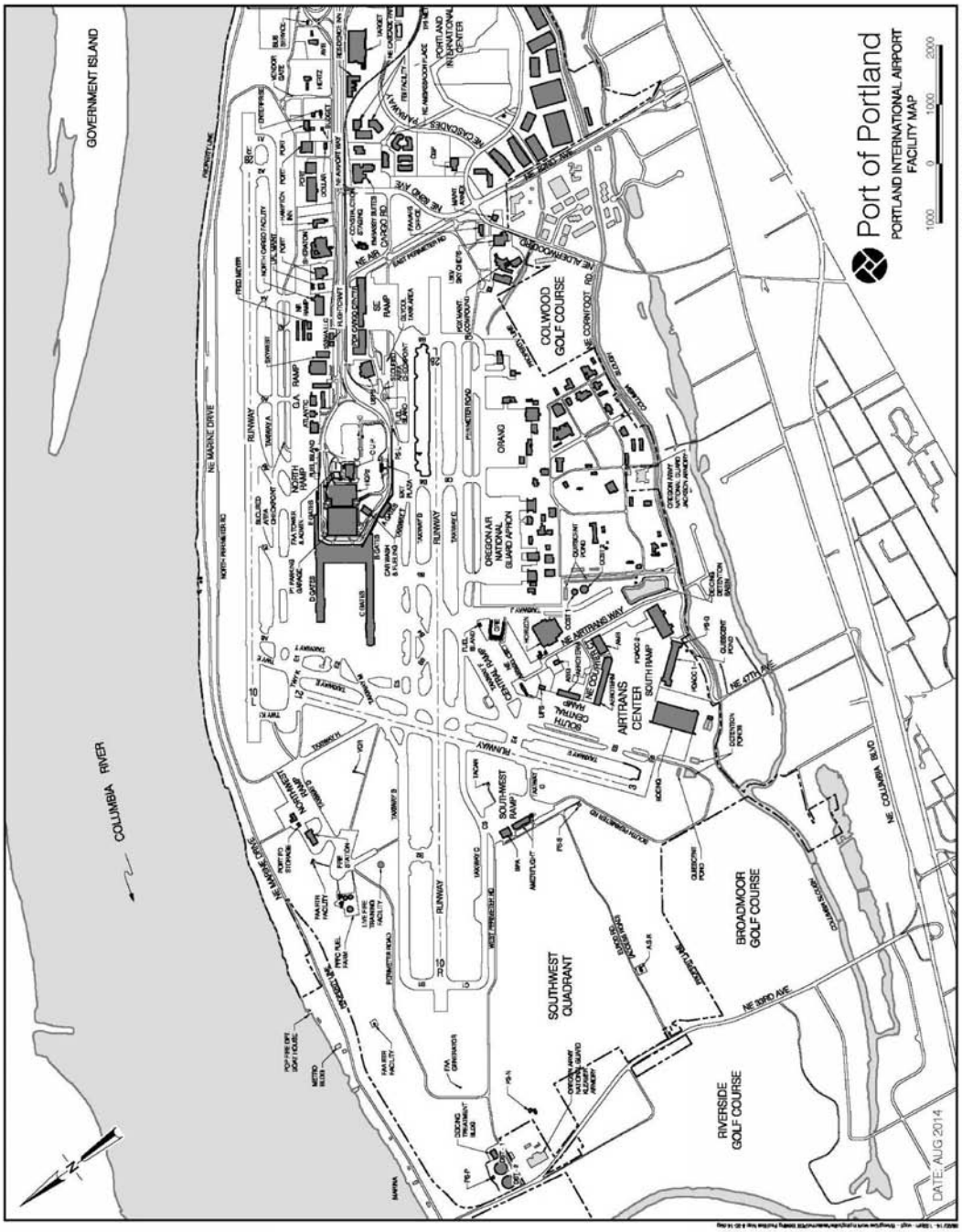
- **Runway Rehabilitation Program.** The two main runways at the Airport were rehabilitated as part of a three-year runway rehabilitation project. The North Runway Extension Project (Runway 10L-28R) was the first part of this multi-year runway rehabilitation program. The two-year project prepared the runway for the ability to handle larger aircraft that typically would depart on the south runway. The additional 1,825 feet on the north runway was needed in 2011 during the final year of the Runway Rehabilitation Program when the south runway (Runway 10R-28L) was closed for about six months during a complete rehabilitation. The Airport's south runway was reopened in October 2011.

  The $114 million program was financed with FAA grants, as well as proceeds of the Series Nineteen and Series Twenty Airport Revenue Bonds, and Series 2011A Passenger Facility Charge Revenue Bonds.

- **Deicing System Enhancements.** Major construction is now complete on $76 million of enhancements to the Airport deicing system. Following construction, the Port went through a seven-month start-up testing process to ensure the system operated as designed. That process was completed in April 2012 and the system is now fully operational.

Figure 3-1

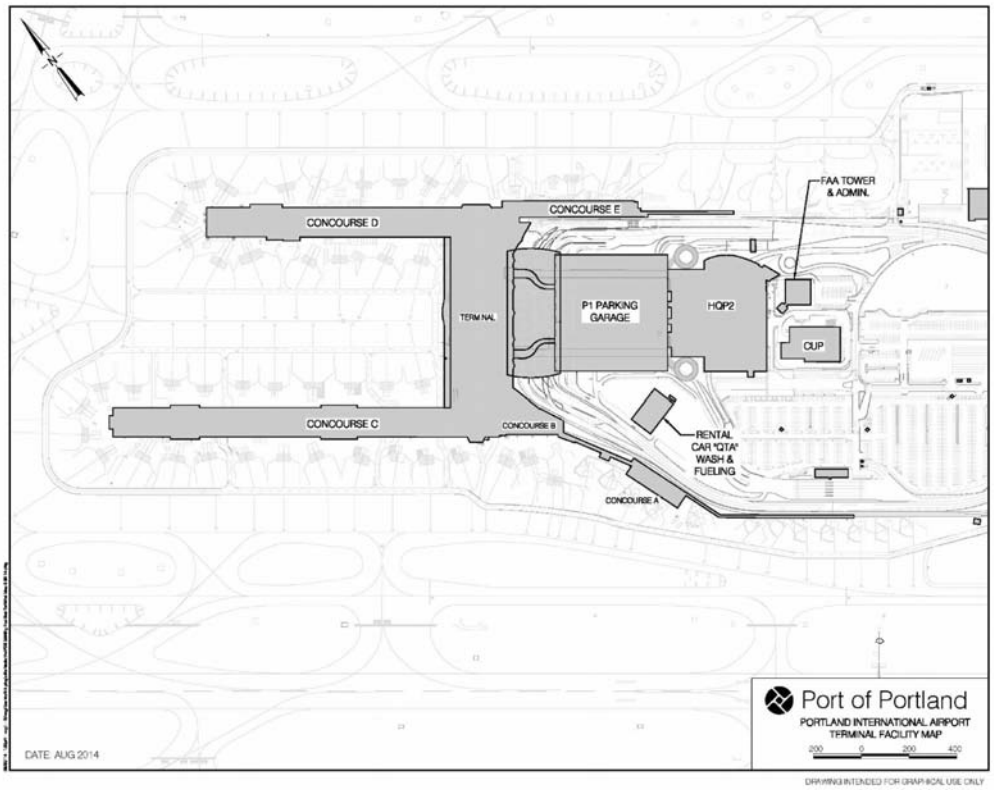
AIRPORT LAYOUT



Source: The Port of Portland

Figure 3-2

AIRPORT TERMINAL LAYOUT



Source: The Port of Portland

The Port designed the enhanced system in partnership with the airlines at the Airport and regulatory agencies to better protect water quality in the Columbia Slough. The project is part of an agreement with the State of Oregon Department of Environmental Quality (DEQ) to ensure the Port meets environmental regulations for deicing operations while maintaining safe airport operations.

The project was financed with a combination of available funds, FAA grants and proceeds of Series 2011A Passenger Facility Charge Revenue Bonds and Series Nineteen Airport Revenue Bonds.

- **In-line Baggage Handling System.** One of the most complex projects in the Airport's history, the new inline baggage handling system streamlined the baggage screening process, restored the ticket lobby space by allowing removal of the old explosive detection system screening equipment, simplified the check-in process for Airport passengers, and reduced bag handling and TSA labor costs.

  The project cost was approximately $140 million, and was funded with TSA grants, passenger facility charges and proceeds of the Series Twenty Airport Revenue Bonds.

- **Long-Term Parking Garage and the New Headquarters Building**: In May 2010, a majority of Port employees were consolidated into a new Port headquarters building at the Airport. The building was constructed on top of a 3,030-space long-term parking garage; both the office space and parking garage were designed to be models of sustainable design and construction. This project was awarded Leadership in Energy and Environmental Design, or LEED, Platinum Certification and has received numerous local national and international awards for its environmental features. The building features energy efficient lighting, materials from renewable or recyclable sources, and water efficient fixtures. It also relies on innovations like ground-source heating and cooling produced through a closed-loop system reaching 300 feet below the surface and a Living Machine® system, which recycles wastewater onsite for reuse in the building's toilets and cooling towers. The overall building cost $241 million—$156 million for the parking garage, pedestrian tunnels and related utilities, and $85 million for the offices. The new garage was funded with a combination of available working capital in the Port Cost Center and Revenues from the Port Cost Center, which includes parking, rental car, air cargo, and other revenues collected at the Airport. The office building was funded with a combination of available working capital in the Airport Port Cost Center and proceeds of the Series Nineteen Airport Revenue Bonds supported by the Port Cost Center Revenues.

3.1.2 Airfield Facilities

The existing airfield consists of two parallel air carrier runways, Runway 10R-28L and Runway 10L-28R, and a crosswind carrier runway, Runway 3-21. Runway 10R-28L is 11,000 feet in length and Runway 10L-28R is 9,825 feet in length. Both runways are 150 feet wide and are equipped with high intensity runway lighting systems, centerline lighting, and touchdown zone lights. Precision instrument landing systems were installed on both ends of each runway for approaches during instrument flight rules (IFR) conditions. The crosswind runway, Runway 3-21, is 6,000 feet in length and has a width of 150 feet and is lighted and marked as a non-precision runway. Existing runways have adequate capacity to meet forecast operations beyond 2035.[79]

3.1.3 Terminal Facilities

The passenger terminal complex consists of a main terminal building with five attached concourses and a federal inspection station (FIS) for international arrivals. The existing terminal and apron facilities provide for 67 independent gate positions and associated passenger waiting areas and security screening facilities. Of the 67 gates, six are FIS gates that can accommodate international arrivals, and 61 are generally used for domestic operations. Other than the 14 commuter gates at Concourse A and the seven commuter gates on 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.

[79] Master Plan Update, Portland International Airport, April 2011.

The primary public areas in the main terminal building are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides direct access to the five concourses. Ticket counters and concessions areas, including a food court, cafes, pubs, full service restaurants, a holistic spa (offering foot treatments, chair massage and full-body therapeutic massage), 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. In 2011, the Port completed the installation of a new in-line baggage screening system that provides for the screening of all checked bags in an area beyond public space.

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.

3.1.4 Public Parking Facilities

Port-owned public parking facilities consist of (1) a seven-story short-term public parking garage, (2) a seven-story long-term parking garage, 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 approximately 3,030 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 7,900 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. Off-Airport parking competition includes: Thrifty Parking, located over three miles from the terminal, has approximately 150 parking spaces; Park Shuttle and Fly, located three miles from the terminal, has approximately 675 parking spaces; and Airpark, located one mile from the terminal, has approximately 525 parking spaces.

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 passenger 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.

3.1.5 Rental Car Facilities

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

In December 2013, the Port Commission approved a customer facility charge (CFC) to be paid by rental car customers beginning January 15, 2014. The $6 per day fee (for up to four days) applies to all rental car customers; proceeds will be used initially to fund costs of a new quick-turnaround (QTA) facility where returned rental cars can be readied for future rentals. The Port has reserved the right, and intends, to exclude CFC revenues from "Revenues" under the Bond Ordinances.

3.1.6 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 130,000 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 adjacent to the PDX Cargo Center. In the AirTrans Center, third party developers, including Aero Portland, Prologis, L.P., 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, Summit NW, Ghelany Logistics, United States Postal Service, and Matheson Postal Services, Inc. In addition, the AirTrans Center hosts Boeing Corporation's paint operation hangars, United Parcel Service's northwest regional hub, and Horizon Air's 150,000 square-foot regional headquarters and maintenance facility.

3.1.7 Port Headquarters

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

3.1.8 Ancillary Facilities

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

- **Military.** The ORANG leases an approximately 240-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center. The 142nd Fighter Wing is based at the Airport. The recently executed lease with ORANG is for a 50-year term and will provide for the reduction of the leased site to 195 acres over the next 20 years to allow the Port to use of some facilities for commercial aviation, such as aircraft

parking. In the event that planning for a third parallel runway becomes necessary, the leasehold will reduce to 128 acres, but not for at least 30 years.[80]

- **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.
- **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 Fire Fighting 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 458-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 131 acres for an Embassy Suites Hotel, warehouse/distribution buildings, office/warehouses building, 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 38 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 has been developed by Cascade Station Development Company, LLC ("Cascade") for retail, office, and hotel development. Of the 145 acres, approximately 120 are developed or in development and 25 additional acres are undevelopable (and 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. The developed area includes office space, retail space, a cinema and several hotels. Two additional hotels, the Sheraton and the Hampton Inn, are also located on the north side of the Airport on land leased from the Port

3.2 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):

[80] pdxaminer, February 2013, accessed July 2014.

- **The Series Twenty-Two Projects.** These include capital projects to be funded, in part, with Series Twenty-Two Bond proceeds. The capital and operating costs associated with the Series Twenty-Two Projects have been included in the financial analysis and are further described in Chapter 4.
- **Other Capital Projects.** These are the other Airport capital projects that are currently anticipated by the Port to be undertaken over the forecast period or from FY 2015 through FY 2021, and are referred to in this Report as the Other Capital Projects. The estimated capital funding 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.

3.3 The Series Twenty-Two Projects

The Series Twenty-Two Projects include various terminal rehabilitation, infrastructure, systems, and security improvements, as described in detail in the following sections. **Exhibit A** presents estimated project costs for the Series Twenty-Two Projects.

The Series Twenty-Two Projects are estimated to cost approximately $107.9 million (including design, engineering, construction, escalation for inflation, and contingency amounts, but excluding financing costs). Sources of funding for the Series Twenty-Two Projects are presented in Exhibit A of this Report. As presented, certain projects are allocable to both the Airline Cost Center and Port Cost Center. However, all costs funded by the Series Twenty-Two Bond proceeds are only allocable to the Airline Cost Center, with most costs primarily allocable to the Terminal Cost Center. None of the Series Twenty-Two Projects that were subject to the Majority-In-Interest (MII) process described in Section 4.3.3, Airline Disapproval of Capital Improvement Projects, were disapproved by the Signatory Airlines. For information regarding cost centers, please refer to Section 4.3.1 of this Report.

3.3.1 Airport Systems Upgrades

According to the Airport's latest Master Plan, completed in April 2011, the existing terminal facility will meet future passenger growth needs, if the CIP projects are completed, until approximately 2035. Based on this finding, one of the Port's objectives is to preserve and maintain existing terminal facilities through systems upgrades designed to extend the useful life of existing facilities. As shown in Exhibit A, the estimated cost of Airport Systems Upgrades to be funded with proceeds of the Series Twenty-Two Bonds is approximately $54.3 million. A summary of these projects follows:

- **Access Control System Replacement.** The Access Control System Replacement will replace the Airport's existing access control and badging systems, portions of which are over 25 years old. This project will provide an Identity Management System, a new Access Control System, document verification capabilities, biometric authentication, digital signature access badging, computer based training programs, updated technical infrastructure, system integrations with existing Port systems, and

the rehabilitation of north and south mid-field checkpoint contract guard facilities. This project is estimated to be completed in September 2015 at an estimated cost of approximately $41.2 million.

- **Airport HVAC Controls Upgrade.** The Airport HVAC Controls Upgrade will provide web-based log-in capability to allow for monitoring HVAC system performance and modifying settings throughout the Airport by replacing existing control system software and hardware, including control valves, damper controllers, terminal unit controllers, temperature sensors, and airflow sensors. Construction on this project is substantially completed, and it has an estimated cost of approximately $3.1 million.
- **Terminal Substation Upgrade.** The Terminal Substation Upgrade will convert substation USM1, the primary power source for Concourses A and B and much of the South Terminal area, from a single-ended substation to a double-ended substation thereby providing reliable electrical power and upgrading a 29-year old substation. This project is estimated to be completed in August 2017 at an estimated cost of approximately $2.5 million.
- **Central Utility Plant (CUP) Switchgear Upgrade.** The CUP Switchgear Upgrade includes replacing the two existing 15KV switchgears with a pair of double ended switchgear with an automatic tie breaker in the center, which will split loads evenly from the three utility feeders. This project is estimated to be completed in December 2014 at an estimated cost of approximately $2.4 million.
- **IT Communications Center Modernization.** The IT Communications Center Modernization project includes new Communications Center employee workstations, audio recording devices, IT equipment and infrastructure, regional radio consoles, telecommunications and phone system upgrades, and wall monitors. This project also includes outfitting an existing mobile command vehicle to serve as a Communications Center back-up with new telecommunications enhancements, computer terminal, wireless computer aided dispatch connection, and antennas. This project is estimated to be completed in September 2015 at an estimated cost of approximately $2.0 million.
- **North Terminal Heating Water Upgrades.** The Terminal Heating Water Upgrade includes installing a heat exchanger to provide additional capacity to the North Terminal water system. This project will also upgrade the north pump room and related hot water control valves throughout the North Terminal and Concourses D and E. This project is estimated to be completed in October 2014 at an estimated cost of approximately $1.6 million.
- **Airport Water System Upgrades.** The Airport Water System Upgrades will allow the Port to meet fire water and domestic water separation system requirements as stated in Oregon Administrative Rules (OAR) Chapter 333, Division 61 by 1) installing above ground reduced pressure principle backflow preventers at the points where the terminal area domestic water supply system connects with the City's water supply system, 2) separating the terminal area fire and domestic water systems, and 3) isolating the terminal area water systems from the outer airfield fire

and domestic water system. Construction on this project is substantially completed, and it has an estimated cost of approximately $1.5 million.

3.3.2 Terminal Efficiency and Infrastructure Improvements

The Port also intends to preserve and maintain existing terminal facilities through terminal efficiency and infrastructure improvements. As shown in Exhibit A, the estimated cost of terminal roof and skylight rehabilitation projects to be funded with proceeds of the Series Twenty-Two Bonds is approximately $43.6 million.

- **Post-Security Concession Redevelopment.** The Post-Security Concession Redevelopment includes provisioning basic utilities and associated metering to the lease line of terminal concession spaces and redesign of existing storefronts and architectural features to provide aesthetic improvements in Concourses C, D, and E and the North Terminal as existing concession leases expire. This project is estimated to be completed in June 2016 at an estimated cost of approximately $19.8 million.
- **Relocate Security Exit Lanes to Ticket Lobby Area.** The relocation of Security Exit Lanes to the Ticket Lobby areas will allow the TSA to install new security checkpoint lanes at North D/E and South A/B/C checkpoints. This project will include the relocation of the North D/E security exit lane to the north ticket lobby area, the relocation of the South A/B/C security exit lane to the south ticket lobby area, remodeling of pre- and post-security restrooms on the south side and construction of new post-security restrooms on the north side to accommodate new security lanes, and the relocation or buyout of concession tenants in the north and south ticket lobby areas. This project is estimated to be completed in June 2015 at an estimated cost of approximately $11.3 million.
- **Terminal Grease Separation.** The Terminal Grease Separation project will bring the terminal core into compliance with Oregon Plumbing Code. The project will install secondary grease interceptors at west side of the Terminal, replace an existing undersized grease interceptor at trash/recycling area, and provide dedicated sanitary waste water piping for restrooms and dedicated grease waste water piping. In addition, some redirection of stormwater piping to the sanitary system is being accomplished with this project to comply with the 1200-COLS stormwater permit. This project is estimated to be completed in January 2016 at an estimated cost of approximately $5.3 million.
- **Terminal Network Infrastructure Improvements.** The Terminal Infrastructure Improvements include the construction of five network rooms, providing conduit and cabling from the network rooms to existing terminal directories for future dynamic wayfinding, and providing conduit and cabling from the network rooms to 47 holdrooms for future replacement of paging system infrastructure. This project is estimated to be completed in June 2016 at an estimated cost of approximately $3.1 million.
- **Terminal Monitor Replacement.** The Terminal Monitor Replacement includes the renewal and replacement of display monitors (40” flat panel) installed throughout the

terminal to support common use ticket counters and gates, flight information, visual paging, terminal maps, FIS signage, and other monitors supporting airport operations. This project is estimated to be completed in June 2017 at an estimated cost of approximately $2.2 million.

- **New Freight Elevator Installation at Concourse C.** The installation of a new Freight Elevator at Concourse C will provide a new heavier load bearing elevator to transport freight out of the public area. Concession tenants currently must use the passenger elevator to transport freight. This project is estimated to be completed in June 2017 at an estimated cost of approximately $2.0 million.

3.3.3 Terminal Roof and Skylight Rehabilitation

Studies and inspections were performed that identified areas in the terminal complex needing roof and skylight rehabilitation to extend the terminal's useful life. As shown in Exhibit A, the estimated cost of terminal roof and skylight rehabilitation projects to be funded with proceeds of the Series Twenty-Two Bonds is approximately $7.1 million.

- **Terminal Concourse Roof Rehabilitation.** A 2011 Airport roofing study found varying levels of deterioration to the terminal roofing system and identified a phased plan for the Airport's Roof Management Program. This project would provide for the rehabilitation of the Concourses A, D, and E roofs. The rehabilitation of the Concourse A roof is expected to be completed in December 2017 and the rehabilitation of Concourses D and E roofs are expected to be completed in June 2016 and March 2016, respectively. The estimated total cost for this project is approximately $4.0 million.
- **Skylight Rehabilitation.** A complete inspection and analysis of existing Airport skylights determined that many of the Airport skylights had varying degrees of deterioration, including leakage and degradation of joints and roof transition points. This project would the rehabilitate the Concourses C, D and E skylights; including improved transitions between roofing and skylights, removal and reinstallation of compression bars between individual skylight panes, and replacement and/or rehabilitation of skylight gaskets and caulking. This project is estimated to be completed in March 2016 at an estimated cost of approximately $3.1 million.

3.3.4 Public Safety & Security Garage

The Public Safety & Security Garage will provide for the construction of a six-bay storage building to house Emergency Response vehicles and equipment. The garage will be located directly adjacent to the Port Fire Station. This project is estimated to be completed in April 2015 at an estimated cost of approximately $2.9 million.

3.4 Other Capital Projects

As discussed earlier, Other Capital Projects currently anticipated by the Port to be undertaken and/or completed during the forecast period are shown in Exhibit A. Preliminary cost estimates for the Other Capital Projects total approximately $787.5 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 forecast 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 demonstrate the full financial effect of undertaking all of the Other Capital Projects.

3.4.1 Major Elements of Other Capital Projects

Major elements of Other Capital Project to be undertaken in the Airline Cost Center include the following:

- **Terminal Ticket Lobby Refurbishment and Pre-Security Concessions Redevelopment.** This project will be comprised of three phases. Phase I will include ticket lobby improvements that will complete all of the existing ticket lobby refurbishments and relocations, and provide other unifying aesthetic and operational improvements. Phase II will include the relocation of the north checkpoint and the creation of a new post-security concessions node in the north lobby. Phase III will include the relocation of the south checkpoint and the creation of a new post-security concessions node in the south lobby.
- **Terminal Balancing.** This project will include the balancing of airline service between the North and South concourses; the recommissioning of Gate B3; the extension of Concourse E to provide additional holdroom, restrooms, and concession space, including a covered walkway to access remote parking positions; and modification to the ticket lobby and other Airport facilities to support airline relocations.
- **Central RON Construction.** This project will construct a new apron suitable for remote commercial aircraft parking and will provide an additional 4-6 parking positions.
- **Taxiways T(SE), B, and E and Concourse A Apron Rehabilitations.** These projects include surface and structural pavement rehabilitations and pavement shoulder widening to meet airport design standards. Electrical and storm drainage infrastructure will be repaired, replaced, or added, as needed.

Major elements of Other Capital Project to be undertaken in the Port Cost Center include the following:

- **Airport Access Roads Rehabilitation and Maintenance.** This project includes the rehabilitation, reconstruction, and major maintenance of Airport access roads, including the reconstruction of NE Airport Way.
- **CNG Bus Fleet Replacement.** This project includes the replacement of 18 shuttle buses serving the Airport's parking operations.
- **Economy Parking Lots Rehabilitation and Maintenance.** This project includes the rehabilitation of the economy parking lots and the exit plaza. The economy

parking lot rehabilitation includes the reconstruction of bus routes, slurry sealing, and exit plaza HVAC replacement.

3.4.2 Financial Impact for Other Capital Projects

Sources of funding for the Other Capital Projects are described in Chapter 4 of this Report and presented on Exhibit A. The estimated financial impacts of the Other Capital Projects are incorporated in this Report.

It is possible that during the forecast period, the Port may consider other potential future Airport improvements not planned 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, Port funds, CFCs, and/or third party funds.

4 Financial Framework and Analysis

This Chapter discusses the financial framework for the Airport, including an overview of the governing body, management structure of the Port, financial structure including Airport cost centers, certain obligations of the Bond Ordinances, and certain provisions contained in the Airline Agreements (defined herein) and in other key agreements at the Airport. Additionally, the Port's CIP for the Airport including funding sources, the planned Series Twenty-Two Bonds sources and uses, debt service forecasts, Operation and Maintenance (O&M) Expenses, Revenues forecasts, debt service coverage, and other key financial analyses are described in this Chapter.

Exhibits contained at the end of this Chapter present actual results for FY 2013, estimated results FY 2014, and forecasts for FY 2015 through FY 2021 (also referred to as the forecast period).

The Port prepared the financial forecasts contained in this Report. These forecasts were reviewed by Trillion, including underlying assumptions and methodologies, and determined to be reasonable for the purposes of this financial feasibility analysis.

4.1 Airport Governing Body

As described earlier, the Airport is owned and operated by the Port, which provides the Air Service Area with commercial airline passenger service, air cargo services, and general aviation services. The Port is governed by a nine-member Board of Commissioners that establishes and controls policies for the Port. Board members are appointed by the Governor of Oregon and are confirmed by the Oregon State Senate. Board members serve a four-year term and can be reappointed. The Board is headed by a President who is appointed by the Governor. The President designates the other officers of the Board.

The Airport is operated by the Port as an independent enterprise, separate from the General Aviation Airports (defined later in this Report) and from the Port's other enterprises, although the General Aviation Airports serve as reliever airports for the Airport from an operational perspective and are subsidized by the Port from Revenue remaining after all other obligations.

4.2 Management Structure

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 comprised of the Deputy Executive Director, the Chief Commercial Officer, the Chief Operating Officer, the Chief Financial Officer and Director of Financial and Administrative Services, the General Counsel, the Director of Project and Technical Services, Director Human Resources, and Public Affairs Director.

Airport operations, terminal leasing and concessions development and operations are managed by the Port's Operations Department, which is headed by the Chief Operating Officer.

Commercial development and management of general aviation properties at the Airport and at the General Aviation Airports and air service development are managed by the Commercial Department. At the Airport, the general managers of: Environmental Operations; PDX Business and Properties; Airports Operations; Planning and Development; and Chief Public Safety Officer report to the Chief Operating Officer, and the General Managers of Business Development and Properties and Air Service Development report to the Chief Commercial Officer.

The General Manager, Environmental Operations, is responsible for integrating environmental considerations into Port planning and operational decisions and for environmental compliance. The General Manager, PDX Business and Properties, is responsible for the Port's contractual relationships with the various airlines, concessionaires, rental car operators and other tenants providing service at the Terminal. The General Manager, Airports Operations, is responsible for the daily operations and maintenance of the Airport, including airside and landside operations for the Airport and for the General Aviation Airports. This position is also responsible for customer service issues both inside and outside the Terminal, including aspects of tenant relations as well as the general public who use the facility. The General Manager, Planning and Development, is responsible for the planning, development, management and implementation of projects and long-term facilities planning. The Chief Public Safety Officer is responsible for airport police, fire and Port-wide emergency management communications. The General Manager, Business Development and Properties, is responsible for the commercial development and management of the general aviation, cargo, airline maintenance and commercial Airport properties. The General Manager, Air Service Development, is responsible for the Port's commercial air service development and implementation.

4.3 Financial Structure

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). For accounting purposes, the Airport is operated as an independent enterprise by the Port and is separate from other Port enterprises. As described in Section 4.3.2 below, fund amounts deposited into the Airport Revenue Fund are not commingled with any other funds of the Port and are used and applied only in the manner as specified in the Bond Ordinances. A discussion of the application of Airport Revenues is below.

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, (5) PFC bond proceeds, and (6) CFCs.

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 below, Revenues 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.

4.3.1 Accounting Structure

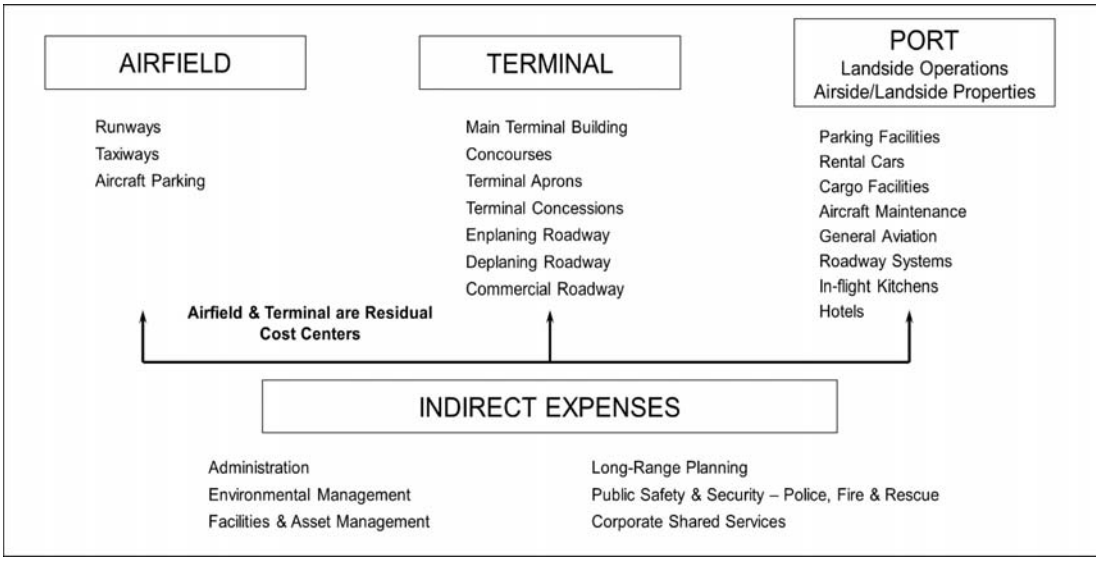
The Port has used a cost-center structure for the Airport since FY 1992. Of the Port's 13 cost centers, six are direct, revenue-producing cost centers and seven are indirect cost centers that are allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portions 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 portions of the indirect cost centers, comprise the Port Cost Center. As described below, rate-setting at the Airport is "residual" in connection with the Airline Cost Center (the airlines have primary responsibility and risk and benefit from non-airline revenues). The Port has the responsibility and risk for the Port Cost Center revenues and costs, although the Port also shares with the airlines some of the benefits of revenues from the Port Cost Center.

The Airline Cost Center includes O&M expenses, debt service, debt service coverage, Terminal concession revenues, and Revenues from both passenger and all-cargo airlines. The Series Twenty-Two Bonds are payable from the Airport Net Revenues, inclusive of both the Airline Cost Center and the Port Cost Center. However, costs of the Series Twenty-Two Projects funded with Series Twenty-Two Bonds proceeds are anticipated to be allocated exclusively to the Airline Cost Center.

The Port's cost center structure for the Airport is presented in **Figure 4-1** and further described below:

Figure 4-1

AIRPORT COST CENTER STRUCTURE



Direct Cost Centers

Airline Cost Center:

- **Airfield Cost Center.** The cost center to which Revenues and expenses associated with the areas and facilities provided for the landing, takeoff, and taxiing of aircraft, including approach and turning zones, avigation or other easements, runways, taxiways, runway and taxiway lighting systems, and other appurtenances in connection therewith (e.g., lighting, navigational aids, etc.). Aircraft apron areas for the loading and unloading of passengers and cargo from aircraft, servicing aircraft, and maneuvering of aircraft to and from active taxiways are not included as part of the Airfield Cost Center.

- **Terminal Cost Center.** The cost center to which Revenues and expenses associated with (a) the passenger terminal building and concourse areas; (b) the enplaning, deplaning, and commercial roadways immediately adjacent to the terminal; (c) public areas within the terminal; (d) the aircraft parking and maneuvering areas adjacent to the terminal; and (e) the areas of the terminal used for the screening of passengers and baggage.

Port Cost Center:

- **Ground Transportation.** The cost center to which Revenues and expenses associated with 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 cost center to which Revenues and expenses associated with areas and facilities leased or provided for air cargo activities.

- **Other Aviation.** The cost center to which Revenues and expenses associated with 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 cost center to which Revenues and expenses associated with areas and facilities provided for commercial and industrial property ground leases at the Airport. These include, but are not limited to, the Portland International Center, hotels, warehousing, and commercial office buildings.

Indirect Cost Centers

- **Operations.** Expenses associated with salaries, benefits, materials, and supplies of the Airport's operations staff and not attributable to any direct cost center.

- **Maintenance**. Expenses not attributable to any other direct cost centers, consisting of the salaries, benefits, and supplies associated with the maintenance staff, as well as the expenses of contracted maintenance services. Also included are the expenses of the Airport's maintenance facility located on the south side of the Airport.

- **Environmental**. Expenses associated with salaries, benefits, and supplies for the Environmental department. Also, included are expenses associated with environmental activities and facilities.

- **Systems and Services**. Expenses associated with the Central Utility Plant, which provides electrical power, heating, air conditioning, and steam for the Terminal and Airfield are associated. Also, included are sewer and water expenses for the Airport that are not attributable to any direct cost centers.

- **Airport Rescue and Fire Fighting (ARFF)**. Expenses associated with salaries, benefits and supplies of the ARFF department. Also, included is the cost of maintaining the ARFF facility and equipment, as required pursuant to FAA regulations.

- **Aviation Security and Public Safety**. Expenses associated with salaries, benefits, and supplies of the Airport police department as required pursuant to FAA regulations. The maintenance expenses of this department are also included in this cost center. Passenger security screening costs are paid directly by the airlines.

- **Administration**. The total costs of the Port departments responsible for 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.

4.3.2 Bond Ordinances

Port Ordinance No. 155, enacted by the Board on November 10, 1971, as amended and restated, and supplemented (Ordinance No. 155); and Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated, and supplemented (Ordinance No. 323) authorize the issuance of airport revenue bonds at the Airport to pay the costs of acquiring and constructing Airport improvements, among other items. The Series Twenty-Two Bonds are being issued pursuant to various provisions in Ordinance No. 155, Ordinance, No. 323, and Ordinance No. 454-B (the Series Twenty-Two Bonds Ordinance) enacted by the Port on July 9, 2014. Ordinance No. 155, Ordinance No. 323, and the Series Twenty-Two Bonds Ordinance are, collectively, referred to in this Report as the Bond Ordinances.

The Series Twenty-Two Bonds are being issued as Subordinate Lien Bonds (SLBs) under the Bond Ordinances, and are payable solely from the Net Revenues of the Airport on parity with the pledge of Net Revenues securing payment of the Port's outstanding SLBs. As of August 1, 2014, the Port had approximately $406.6 million in outstanding 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. Therefore, this Report uses the term "SLB" in place of Subordinate Lien Bonds to avoid confusion.

Pursuant to the Bond Ordinances, the Port has pledged to the payment of outstanding SLBs, including the Series Twenty-Two Bonds, all Revenues of the Airport after payment, or provision for the payment, of the Costs of O&M Expenses of the Airport. Revenues include 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 of services of the Airport. Revenues do not include (1) income from investments credited to the Airport Construction Fund or 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 the aggregate of the actual or estimated Costs of O&M Expenses of the Airport during such past or future period.

In Section 12 of Ordinance No. 323 and later in ordinances authorizing Series Nineteen Bonds, Series Twenty Bonds and Series Twenty-One Bonds, the Port has reserved the right to make certain changes to the Bond Ordinances without the consent of the Owners of the Series Twenty-Two Bonds for such purposes described in Section 4 of the Series Twenty-Two Bonds Ordinance. Certain special amendments are described later in this Chapter.

Flow of Funds

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 amounts to such funds and accounts, as described below. **Figure 4-2** illustrates the flow of funds for the Airport.

- **Airport Fund.** All Revenues of the Airport are required to be deposited into the Airport Fund, which is 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 O&M Expenses of the Airport.

- **General Account.** On the first business day of each month, after paying the Costs of O&M Expenses, the Port is required to credit the balance of 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, as defined in the Bond Ordinances, in the following order of priority: [81]

[81] The Port has reserved the right to combine the SLB Interest Account, the SLB Serial Bond Principal Account and the SLB Term Bond Principal Account into one Principal and Interest Account that would be funded under "First", before deposits are made to the SLB reserve Account. If the amendment is implemented, the Airport Revenue Bond Ordinances would provide that in the event of a shortfall in the combined Principal

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 Junior Lien Obligation (JLO) Fund, until all required deposits to that fund have been made; and

Sixth: to the Port for deposit in the Third Lien Obligation (TLO) Fund, until all required deposits to that fund have been made.

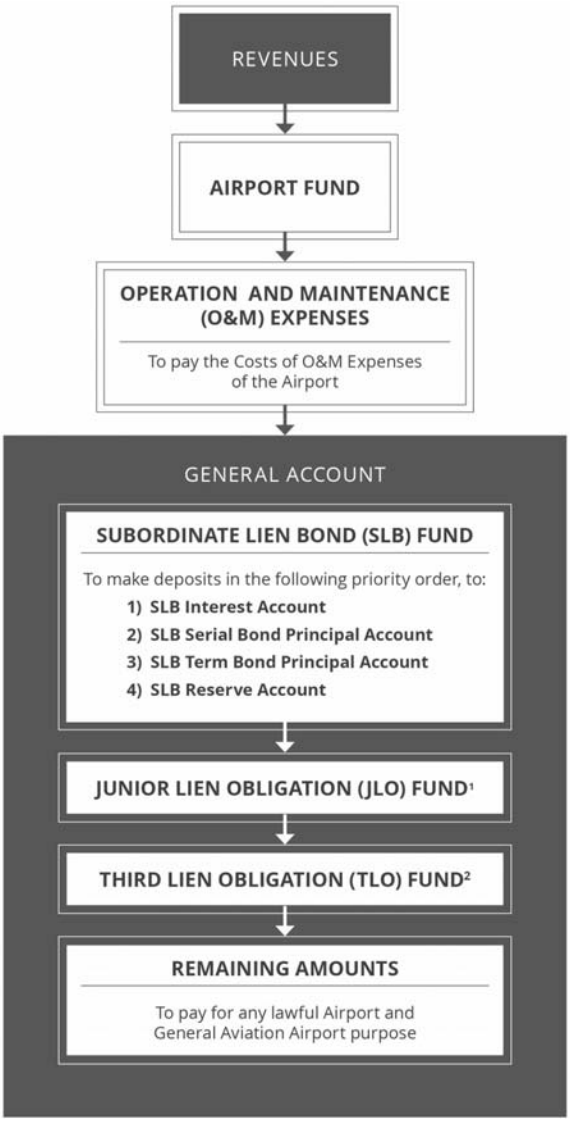
In addition to the SLBs, the Port is authorized under the Bond Ordinances to issue subordinate obligations, including JLOs and TLOs. The Port currently has no outstanding stand-alone bonds that are JLOs, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps are payable from the JLO Fund. The Port currently has no outstanding bonds that are TLOs, but Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are payable from the TLO Fund.

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.

and Interest Account, the Trustee first would apply available amounts to pay, on a pro rata basis, interest on SLBs plus any amounts due in respect of Scheduled Swap Obligations.

Figure 4-2

FLOW OF FUNDS



[1] The Port currently has no outstanding stand-alone bonds that are Junior Lien Obligations, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps are payable from the JLO Fund.

[2] The Port currently has no outstanding bonds that are Third Lien Obligations, but Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are payable from the TLO Fund.

[3] The Port has reserved the right to combine the SLB Interest Account, the SLB Serial Bond Principal Account and the SLB Term Bond Principal Account into one Principal and Interest Account that would be funded under "1)" above, before deposits are made to the SLB reserve Account. If the amendment is implemented, the Airport Revenue Bond Ordinances would provide that in the event of a shortfall in the combined Principal and Interest Account, the Trustee first would apply available amounts to pay, on a pro rata basis, interest on SLBs plus any amounts due in respect of Scheduled Swap Obligations.

Source: Bond Ordinances

Special Amendments

The Port has reserved the right in the Bond Ordinances to make the following changes to the Bond Ordinances without additional consent of the Owners of the Series Twenty-Two Bonds, provided that such amendments are then permitted by law and that any required consents from credit and liquidity facility providers, swap providers and surety bond providers are obtained. The Port has requested the consents to implement the amendments described below in subparagraphs (n), (o), (p), and (q). The Port expects that it will receive the required consents and that these amendments will be submitted to the Board for approval as early as September 2014. No assurance can be given, however, that all of the consents will be received or that the Board will approve these amendments. The Bond Ordinances provide that by purchasing the Series Twenty-Two Bonds, the Owners of the Series Twenty-Two Bonds are deemed to have consented to all of the amendments described below and also described in Appendix C of the Official Statement.

(a) To amend the definition of "Airport" to add any facilities operated by the Port whether or not such facilities are related to aviation. Effecting this amendment would require, among other things, changes in federal laws and regulations regarding the use of airport revenues.

(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 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 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, the JLO Fund and the TLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year). The Port could, but would not be required to, limit the amount of Remaining Balance that is included for this purpose.

(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.

Rate Covenant

In the 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 Revenues, (2) the Net Revenues in each FY will be at least equal to 130 percent of the SLB Debt Service Requirement for such FY for all SLBs then outstanding, and (3) 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.

The Port also covenanted to 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 and to revise the same from time to time, whenever necessary and to collect the income, receipts and other moneys derived therefrom, so that the Net Revenues in each Fiscal Year will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As defined in the Bond Ordinances, "Excess Principal" means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular FY (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the

extent the principal amount of such SLBs, which is so due and payable in such FY, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such FY (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to "Excess Principal" and to amend the definition of "SLB Debt Service Requirement."

Additional SLBs

Pursuant to the Bond Ordinances, the Port is authorized to issue additional SLBs, subject to meeting certain conditions. 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 the SLBs.

To issue such SLBs (such as the Port's proposed Series Twenty-Two 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 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 percent of the SLB Debt Service Requirements on all SLBs schedule 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 FY or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130 percent of the maximum SLB Debt Service Requirement on all Outstanding SLBs in any future FY and the series of SLBs proposed to be issued.

4.3.3 Airline Agreements

The Port is a party to two types of airline agreements, Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2010 and Affiliate Passenger Carrier Operating Agreements (together, the "2010 Signatory Passenger Airline Agreements") and Cargo Carrier Operating Agreements (the "2010 Signatory Cargo Airline Agreements" and together with the 2010 Signatory Passenger Airline Agreements, the "2010 Signatory Airline Agreements"). The

2010 Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. Airlines that have executed the 2010 Signatory Passenger Airline Agreements and their operating affiliates (together, the "2010 Signatory Airlines") account for more than 99 percent of enplaned passengers at the Airport in FY 2014, and all but two of the all-cargo carriers that currently operate at the Airport have signed the 2010 Signatory Cargo Airline Agreements.

The 2010 Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas and certain cargo and other facilities and permit the 2010 Signatory Airlines to lease Exclusive Space, Preferential Space and Shared Space. Exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space and baggage service area space; and Preferential Space is Airport space, including aircraft loading bridges and/or other aircraft support equipment, leased to the 2010 Signatory Airline and to which the 2010 Signatory Airline has a higher and continuous priority of use over all other air carriers and concessionaires. Shared Space includes some baggage make-up areas, corridors and ticket offices; and Common Use Space includes Port-controlled ticket counter, ticket office, equipment, kiosks and gates the Port has not leased.

Passenger airlines and cargo carriers operating at the Airport that are not 2010 Signatory Airlines or affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the "Non-Signatory Ordinances"), which do not benefit from the revenue sharing described below and reflect a 25 percent premium over the rates and charges established in the 2010 Airline Agreements.

The 2010 Signatory Airline Agreements are scheduled to expire on June 30, 2015, but were amended and restated as of May 2014. The Amended and Restated Signatory Passenger Lease and Operating Agreements, which are binding upon signing and take effect on July 1, 2015 (the "2015 Signatory Airline Agreements" and together with the 2010 Airline Agreements, the "Airline Agreements"), were approved by the 2010 Signatory Airlines pursuant to the Majority In Interest amendment approval process described below.

The 2010 Signatory Airlines and airlines that sign the 2015 Signatory Airline Agreement are referred collectively in this Report and the Official Statement as the "Signatory Airlines." As was the case with the 2010 Signatory Agreements, the Signatory Airlines have no right to terminate their 2015 Airline Agreements, but each does have a right as of July 1, 2015 and again on July 1, 2020, with six months' notice, to reduce its Exclusive Space, Preferential Space and/or Shared Space (as defined in the Airline Agreement) by up to 25 percent (but in the case of a reduction in 2015, so long as the Signatory Airline continues to lease at least 100 square feet of Exclusive Space for the entire term of the 2015 Agreement and gives notice of such a reduction by January 1, 2015).

As of August 1, 2014, the Port had received executed Airline Agreements from passenger airlines accounting for approximately 57.1 percent of enplaned passengers at the Airport in FY 2014. As of August 1, 2014, the Port had received executed Airline Agreements from cargo

carriers accounting for approximately 83.5 percent of cargo landed weight at the Airport in FY 2014. After June 30, 2015, airlines that elect not to sign the 2015 Signatory Airline Agreement would operate at the Airport as a Non-Signatory Airline in accordance with Ordinance No 433-R. The 2015 Signatory Airline Agreements are scheduled to expire on June 30, 2025

The key provisions of the Airline Agreements are summarized in the following sections, and are used as the basis for forecasting airline revenues for this Report.

Residual Rate-Setting Methodology in the Airline Cost Center

As described earlier in this Chapter, the Airport has been segregated into two primary cost centers for the purposes of setting airline rates and charges: the Airline Cost Center and the Port Cost Center. The Airline Cost Center includes the Airfield and Terminal Cost Centers, each of which are direct cost centers, plus their allocated portions of indirect cost centers. The Port Cost Center includes four direct cost centers, including Ground Transportation, Air Cargo, Other Aviation, and Non-Aviation, plus their allocated portions of indirect cost centers.

A residual rate-setting methodology is applied 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 equal the sum of (1) the O&M Requirement for the FY; (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 FY allowed in connection with SLBs allocated to the Airline Cost Center; and (3) any required deposits to the Reserve Account. The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each FY, using budgeted O&M Expenses and Revenues for the coming FY. 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. After the end of each FY, the Port will calculate a final adjustment of landing fees and terminal rental rates after the annual audit of Port records. In the cases where Signatory Airlines have overpaid landing fees and/or terminal rentals, the Port will refund such overpayment to the applicable Signatory Airlines within 30 days of the Port's determination. In the cases where Signatory Airlines have underpaid landing fees and/or terminal rentals, the Port will issue an invoice to the applicable Signatory Airlines for payment within 30 days. In summary, the Port settles terminal rental and landing fees for each FY, and does not roll such variances into future FYs.

Port Cost Center

The Port Cost Center is not subject to the residual rate-setting methodology. Revenues generated in the Port Cost Center can be used by the Port to meet various obligations or be used for other authorized aviation-related purposes. The Port bears the responsibility and risk for the Port Cost Center, although it also shares with the airlines some of the benefits of revenues from the Port Cost Center.

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 except for the 2015 and 2020 options as described below. 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 common-use areas that may be rented in hourly increments (e.g. ticket counters and gates), or on a monthly basis.

The terms of the new Airline Agreements stipulate that the Signatory Airlines have the ability to reduce their Exclusive Space, Preferential Space, or Shared Space by providing the Port with written notice of its intent to do so not later than January 1, 2015. This space reduction will become effective on July 1, 2015. During the term of the new Airline Agreements, Signatory Airlines shall have an additional right to reduce their Exclusive Space, Preferential Space, or Shared Space by an amount not to exceed 25 percent of the aggregate square footage of its leased premises by providing the Port with written notice of its intent to do so not later than January 1, 2020. The Port, in its sole discretion, may elect to reject such space changes that result in uneconomic remnants of space. All approved reductions shall become effective as of July 1, 2020. Effective with the term of the new Airline Agreements, each passenger Signatory Airline must lease a minimum of 100 square feet of Exclusive Space as a "Minimum Space Commitment" for the term of the Airline Agreements.

Revenue Sharing

The Airline Agreements include a formula for sharing Port Cost Center Revenues, subject to certain conditions, with the Signatory Airlines during the term of the Airline Agreements. The Port agreed that over the five-year term of the 2010 Signatory Airline Agreements (i.e., from FY 2011 – FY 2015), the Port would share with the Signatory Airlines Port Cost Center Revenues totaling $30 million (up to $6 million per FY), subject to certain adjustments, offsets or reductions as described below. Similarly, in the 2015 Signatory Airline Agreements, the Port agreed to share $60 million of Port Cost Center Revenue, in annual installments of $6 million per FY, subject to any adjustments, offsets or reductions, including reductions if actual O&M Expenses are less than the targets set forth in the Airline Agreements and as described below. Under both Airline Agreements, Revenue Sharing amounts for a given FY, if any, are allocated as a credit towards Signatory Airline Net Requirements (as described later in this Report) in the Airfield and Terminal Cost Centers in proportion to the Net Requirements in those Cost Centers prior to Revenue Sharing. 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.

The Airline Agreements allow for additional Revenue Sharing if the Airport SLB debt service coverage ratio (all cost centers) exceeds 1.75 times, after applicable transfers. To the extent that the Airport coverage ratio exceeds 1.75 times, the Port shall transfer incremental Net Revenues as additional Revenue Sharing per the schedule below included in **Table 4-1**.

Table 4-1

ADDITIONAL REVENUE SHARING SCHEDULE

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 example, if the Airport's coverage ratio (prior to Revenue Sharing) were to be 1.93 times, Net Revenues available for additional Revenue Sharing would be those Net Revenues amounts in excess of the amounts required to achieve an Airport coverage ratio of 1.70 times. For additional information regarding this calculation for Revenue Sharing please refer to **Exhibit G** for actual FY 2013, preliminary FY 2014, budgeted FY 2015, and forecasts for FY 2015 through FY 2021 of additional Revenue Sharing amounts.

Revenue sharing is not guaranteed and may be reduced or eliminated in the following situations:

- 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 FY.

- 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 in **Table 4-2**.

Table 4-2

REVENUE SHARING REDUCTIONS SCHEDULE

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%

Airline Disapproval of Capital Improvement Projects

The Signatory Airlines agreed in the Airline Agreements to a Majority-in-Interest (MII) disapproval process related to Airport capital improvement. 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 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. In general, Signatory Airlines can vote to disapprove a capital improvement with MII disapproval. MII disapproval is generally defined in the Airline Agreements as more than 75 percent of Signatory Airlines in number that also account for more than 75 percent of the Signatory Airline Terminal Rents paid in the Terminal Cost Center and more than 75 percent of the Signatory Airline Landing Fees paid in the Airfield Cost Center.

In the event of 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 an 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. In addition, 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 established project cost exceeds 110 percent of the initial estimate. Instead, the Port is required to submit the project for MII consideration a second time to obtain approval for the project in light of the new construction cost estimate.

The Port may implement, at any time, certain types of capital improvements that are not subject to the MII process. These include the following:

- 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 ensure 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 lawsuits, satisfy judgments, or comply with orders against the Port;
- 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 air carrier or a new entrant airline operation; and
- Projects requested by a Signatory Airline that are subject to a reimbursement agreement between such Signatory Airline and the Port.

Certain projects of the Series Twenty-Two Projects were subject to the Airline MII disapproval process identified in the Airline Agreements; however, they were not disapproved by the Signatory Airlines.

Debt Service Coverage in the Airline Cost Center

Per the Airline Agreements for the calculation of landing fees and terminal rents, the Airfield and Terminal Net Requirements include 30 percent of the sum of direct and indirect debt service attributable to Airport revenue bonds issued to acquire capital improvements at the Airport as debt service coverage. The inclusion of debt service coverage in the Net Requirements for the Airfield and Terminal Cost Centers is in addition to allocated O&M Expenses, allocated overhead, allocated debt service, and other items, and is intended as a means of satisfying the Port's Rate Covenant obligation pursuant to the Bond Ordinances.

The Airline Agreements 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 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 airline rate base, such as with debt service coverage.

4.3.4 Other Agreements

The Port has agreements with other entities that operate, provide services or occupy space at the Airport, including food court restaurants, cafes, pubs, full service restaurants, holistic spa, barber, full service bank, newsstands, retail shops, and display advertising, among other specialties. In addition, several Airport tenants have executed lease agreements with the Port governing their occupancy and use of space on Airport property. In regards to terminal food and beverage and retail agreements, the Port has direct contracts with its tenants and approximately 75 percent are expiring between 2014 and 2017. Therefore, the Port is currently analyzing its concession program through a comprehensive development program. The Post-Security Concourse Redevelopment project, which is one of the Series Twenty-Two Projects, is addressing this need to enhance the Airport's concessions program with offerings and environments that better reflect the values, tastes and lifestyles of current Airport customers and the Pacific Northwest. Port staff conducted outreach and visited over 750 local businesses and also met with existing concessionaires to explain the process and encourage their participation in upcoming opportunities. The Port issued a Request for Statements of Qualification ("RSOQ") on March 14, 2014 which listed minimum qualifications necessary to participate in the process. A total of 81 of 85 businesses qualified in at least one category (i.e. snack concept, quick serve restaurant, casual dining/café with bar, specialty retail). On April 14, 2014 the Port issued a request for proposals for 15 post-security locations and proposals were due on Tuesday, June 17, 2014. The Port is currently in the process of evaluating these proposals.

The Port has a comprehensive Landside Management Agreement with SP Plus Corporation. This contract is for the operation of the Port's landside facilities including its parking system, shuttle bus system, and commercial roadway system. The Port pays the operator a fixed

management fee in return for its management of these landside facilities. This practice is somewhat different, especially as it relates to parking, where the Port receives all revenues. It is common for airport operators of other airports to operate parking as a concession where the airport operator receives a percent of gross revenues. Additional details on this contract are contained below.

Eight rental car companies operate at the Airport: five provide on-Airport service counters and vehicles (Avis, Dollar, Enterprise, Hertz, and National), two provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo and Thrifty), and one provides only passenger pick-up and drop-off to facilities located off-Airport (Budget). All of the rental car companies pay privilege fees and must collect and remit CFCs. The Port contracts with SP Plus Corporation for its landside management agreement. This management company operates on-Airport automobile parking facilities, shuttle bus operations, and the commercial roadway.

Airport non-airline agreements have various terms and conditions. In general, the business terms of the agreements are based on industry standards and practices. Additional summaries of key non-airline agreement terms is provided below:

- **Terminal Food and Beverage Agreements:**
  - Concession fees range between eight percent and 16 percent of gross revenues
  - Minimum annual guarantee (MAG) equal to 80 percent of prior year concession fees
  - Total MAG amounts for FY 2014 were approximately $4.2 million
  - Agreement expiration dates range between December 31, 2014 to June 30, 2024, with majority expiring by CY 2017
  - Street pricing or requirements to offer merchandise and services at comparable quality to that offered outside the Airport and in the metropolitan area

- **Terminal Retail Agreements:**
  - Concession fees range between nine percent and 18 percent of gross revenues
  - MAG equal to 80 percent of prior year concession fees
  - Total MAG amounts for FY 2014 were approximately $5.0 million
  - Agreement expiration dates range between June 30, 2015 to June 30, 2022, with majority expiring by 2017
  - Street pricing or requirements to offer merchandise and services at comparable quality to that offered outside the Airport and in the metropolitan area

- **Landside Management Agreement:**
  - Includes automobile parking facilities, shuttle bus operations, and commercial roadway

- Term of agreement is July 1, 2014 through June 30, 2018, with provisions for two , two-year extension options for the Port
- Port pays the operator a fixed management fee
- Limited off-airport parking competition by three operators, and Port collects 10 percent concession fee from off-airport parking operators

- **Rental Car Concession Agreement:**
  - Concession fees equal to 10 percent of gross revenues
  - MAG equal to greater of 80 percent of either prior year concession fees or initial year concession fees
  - Total MAG amounts for FY 2014 were approximately $16 million
  - Term of agreement is September 1, 2011 through August 31, 2016

4.4 CIP Plan of Finance

Historically, the Port has funded capital development at the Airport from several types of sources. These have generally included grants-in aid, PFC revenues on a pay-as-you-go basis, proceeds of bonds supported by PFC revenues, Airport funds including coverage, and bond proceeds backed by Airport Revenues. **Exhibit A** presents the total project costs along with estimated funding sources for the Series Twenty-Two Projects and Other Capital Projects discussed previously in Chapter 3. These estimates are based on current available information regarding the estimated cost and timing of the Series Twenty-Two Projects and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As presented in Exhibit A, the Series Twenty-Two Projects are estimated to cost approximately $107.9 million and the Other Capital Projects are estimated to cost approximately $787.5 million. Additional detail regarding the estimated funding sources for the Series Twenty-Two Projects and Other Capital Projects is presented in this section.

4.4.1 Federal, State and Other Grants

The Port receives federal grants for Airport capital development under the FAA AIP. The Port received AIP entitlement grants of approximately $3.5 million in FY 2014 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 percent reduction in entitlement grants associated with the Port's $4.50 PFC level. The two General Aviation Airports receive a total of approximately $300,000 per year. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding, and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects. The Port also received $331,653 in grant funding under the FAA's Voluntary Airport Low Emission (VALE) program in FY 2014.

As shown in Exhibit A, the Port expects to be able fund a portion of its capital development with FAA AIP grants. Approximately $3.5 million in FAA AIP entitlement grants are anticipated for the Series Twenty-Two Projects to fund a portion of the Access Control System Replacement. In addition, the Port also expects to receive approximately $116.6 million in federal, state and other grant funding for the Other Capital Projects.

4.4.2 Passenger Facility Charge Revenues

Passenger Facility Charge (PFC) revenues are used to pay for 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 approved projects. After payment of debt service on outstanding PFC Bonds secured solely by PFC revenues, the Port may use available PFC revenues to fund approved projects. As of July 1, 2014, the Port had outstanding approximately $72.0 million aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (the Series 2011A PFC Bonds), approximately $57.5 million aggregate principal amount of Series 2012A PFC Bonds and approximately $18.7 million aggregate principal amount of Series 2012B PFC Bonds.

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 percent reduction in AIP passenger entitlement grants. As of June 30, 2013, the Port is authorized by the FAA, to impose and use approximately $1.115 billion of PFC revenues (at the $4.50 level) for various projects. Based on Final Agency Decisions, the FAA estimates the charge-expiration date to be November 1, 2034. As of July 2014, the Port had collected approximately $501.2 million of its total approved collection authority, and had spent approximately $467.1 million on approved projects.

As presented in Exhibit A, the Port has not currently programmed the use of any PFC funds for the Series Twenty-Two Projects. However, the Port is currently examining PFC eligibility of all projects within its overall CIP, and may elect in the future to fund certain projects with PFC revenues that meet eligibility requirements and, subsequently, are approved for PFCs by the FAA. As presented on Exhibit A, The Port currently expects to apply approximately $140.7 million of PFC revenues to fund the Other Capital Projects.

4.4.3 Port Funds

The Port has historically used internal funds from the operation of the Airport to fund certain projects in the CIP. Per the Bond Ordinances, any Revenues remaining in the General Account after all obligations have been satisfied can 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. Also, as described above, the Airline Agreements 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 may use debt service coverage to fund capital improvements at its sole discretion.

As presented in Exhibit A, the Port expects to apply approximately $12.8 million of internally generated Port funds for the Series Twenty-Two Projects and approximately $307.2 million of Port funds for Other Capital Projects.

4.4.4 Series Twenty-Two Bonds & Future Bonds

The remaining portions of the Series Twenty-Two Projects and Other Capital Projects are planned to be funded with proceeds from the Series Twenty-Two Bonds and other future bond proceeds. Specifically, the Port plans to issue the Series Twenty-Two Bonds to pay the costs of acquiring and constructing the Series Twenty-Two Projects, among other items as further described in the next section. Currently, the Port is planning to issue Additional Bonds over the next five years to fund Other Capital Projects based on future timing and cash flow needs. As presented on Exhibit A, approximately $91.6 million of Series Twenty-Two Bond proceeds are planned to fund costs of the Series Twenty-Two Projects, and approximately $223.0 million of future SLB proceeds are expected to fund Other Capital Projects.

4.4.5 Customer Facility Charges

In December 2013, the Board approved Ordinance No. 448 authorizing the establishment of a CFC on rental car transactions at the Airport. The CFCs collected pursuant to Ordinance No. 448 are used to fund rental car related projects and programs. The CFC Fund requirements include transfers to the Airport Fund and other applicable funds of the Port to pay for such costs.

The Port began the collection of CFCs on January 15, 2014 at a rate of $6.00 per rental car transaction day for a maximum of four days per each rental car transaction. The Port is currently planning a future expansion of its QTA facility for the servicing and fueling of rental cars at the Airport to meet the growing demand for such facilities. This project has not been included in Exhibit A as it is intended to be funded solely from CFCs, and is expected to have a project cost of approximately $60.0 million.

4.5 Debt Service

The Port plans to issue the Series Twenty-Two Bonds to (1) fund a portion of the costs of the Series Twenty-Two Projects, (2) fund capitalized interest, (3) fund a deposit to the debt service reserve account, and (4) pay the costs of issuance of the Series Twenty-Two Bonds. **Table 4-3** below presents a listing of estimated sources and uses of funds for the proposed Series Twenty-Two Bonds. The estimated sources and uses of funds and debt service for the proposed Series Twenty-Two Bonds were prepared by the Port's financial advisor, Public Financial Management (PFM).

Exhibit B presents annual Debt Service Requirements for actual FY 2013, preliminary FY 2014, and for the forecast period or FY 2015 through 2021. As presented, annual Debt Service Requirements estimates for the Series Twenty-Two Bonds, net of capitalized interest, are approximately $4.9 million for FY 2016, $6.0 million for FYs 2017 and 2018, and approximately $7.7 million per year starting in FY 2019. Debt Service Requirements estimates for the Series Twenty-Two Bonds were provided by PFM and include the following assumptions:

- True interest cost (TIC) of approximately 5.6 percent, which reflects current market conditions plus 50 basis points

- The first principal payment is assumed to occur on July 1, 2019
- Final maturity is July 1, 2044
- A portion of the bond proceeds will fund capitalized interest during construction
- A portion of the bond proceeds will fund a debt service reserve account deposit

Table 4-3

SERIES TWENTY-TWO BONDS SOURCES AND USES (dollars in thousands)[1]

Sources	Bond Proceeds
Par Amount of Bonds	$100,000
Premium	5,445
Total Sources	**$105,445**
Uses:	
Projects Fund	$91,642
Capitalized Interest Fund	5,726
Deposit to Debt Service Reserve Account	7,254
Costs of Issuance	824
Total Uses	**$105,445**

Note: Amounts may not add due to rounding.

[1] Sources and uses schedule reflects the maximum par amount of bonds that was approved by the Board.

Source: Public Financial Management, August 2014

Compiled by Trillion Aviation

4.6 O&M Expenses

Exhibit C presents annual historical and forecast O&M Expenses of the Port for the Airport for the period of actual FY 2010 through forecast FY 2021. For the period of FY 2010 through preliminary FY 2014, total O&M Expenses increased from approximately $88.1 million in FY 2010 to approximately $112.5 million in FY 2014, a CAGR of approximately 6.3 percent. The primary categories of O&M Expenses that contributed to this increase included personnel services (i.e., personnel and benefits costs of the Port), utilities, and corporate support (i.e., intra-Port charges), which increased at CAGRs of approximately 6.3 percent, 7.3 percent, and 7.8 percent, respectively. As shown on Exhibit C, much of this increase can be attributed to FY 2014 expenses in these categories. Key items contributing to these increases included higher health insurance costs and City of Portland Stormwater Fees, which are further described below. An additional item contributing to increases in O&M Expenses for FY 2014 are costs associated with the McBride Slough. Stormwater from the Terminal and surrounding areas within a stormwater basin known as Basin 7 has historically drained to the McBride Slough, which is located at the southeast corner of the Airport. The McBride Slough ultimately drains to the Columbia Slough via a culvert. Contaminants carried in the stormwater have, over time, been deposited in McBride Slough sediments. Effective July 3, 2012, the Port entered into a consent order with DEQ to conduct a remedial investigation, feasibility study and source control evaluation associated with McBride Slough. The Port has accrued

approximately $5.3 million of expenses associated with the investigation and sediment cleanup of the McBride Slough.

Also, as presented previously in Chapter 2, FY 2010 though FY 2014 was a relatively higher growth period in terms of air traffic as the Airport recovered from the U.S. economic recession. During this period, enplaned passengers experienced a CAGR in enplaned passengers of approximately 4.6 percent. This higher activity levels can also impact O&M Expenses given more activity being processed through the Airport.

Key O&M Expense categories and assumptions in forecasting future growth are summarized below. These categories account for more than 90 percent of the Airport's total O&M Expenses for budgeted FY 2015.

- **Personnel Services**. This expense category includes salaries, wages, and benefits associated with Port staff at the Airport. It is the largest single category of O&M Expenses at the Airport as it represents approximately 38.6 percent of total O&M Expenses at the Airport for budgeted FY 2015. As presented above, these expenses increased at a CAGR of approximately 6.3 percent for the period FY 2010 through FY 2014, and are budgeted to increase by approximately 5.0 percent in FY 2015 to approximately $44.2 million. Internally, the Port has been focused on cost containment. For example, rising healthcare costs have been factored into the Port's budget. The Port is also aggressively reducing costs through innovative wellness programs and restructuring its healthcare benefits programs.[82] In 2012 the Port, in partnership with benefit broker AON Hewitt, began analyzing medical benefits for the Port and making strategic plans in response to unsustainable medical benefit cost growth and the introduction of the Affordable Care Act (ACA). The Port determined that its growth in costs for this benefit was not financially sustainable, and that the Port was projected to pay about $1.2 million in excise taxes under ACA beginning in 2018. As a result, the Port executive team elected to take the following actions:

    - The Port will continue to offer both a traditional HMO and a PPO option to its employees. The PPO plan will be structured as a high deductible plan with a health savings account (HSA). Embedded in these plans would be incentives for improved consumption and wellness.

    - The changes will be introduced to the administrative workforce beginning in 2015 and will be bargained with each of the labor unions as contracts open for negotiation.

    - AON Hewitt estimates that the changes will decrease the Port's expected premium costs between 12 and 18 percent and reduce its excise tax exposure from approximately $1.2 million to under $100,000 by 2018.

[82] 2014-15 Proposed Budget, Port of Portland

- The new medical benefit plans have been designed to incentivize healthy behaviors and wellness. In addition, employees will be financially incentivized to be better consumers of their health care in the PPO model.

Given these cost constraining measures, future Personnel Services Expenses are forecast to increase at a CAGR of approximately 4.0 percent through FY 2021, a somewhat lower rate than recent historical growth.

- **Contract, Professional, and Consulting Services**. This expense category includes costs associated with the Port's outsourcing for contract maintenance, janitorial, professional services and consulting services at the Airport. It is the second largest category of O&M Expenses at the Airport as it represents approximately 24.4 percent of total O&M Expenses at the Airport for budgeted FY 2015. This category of expenses increased at a CAGR of approximately 5.5 percent for the period FY 2010 through FY 2014, and is budgeted to decrease by approximately 10.5 percent in FY 2015 to approximately $27.9 million. Future contract, professional, and consulting services O&M Expenses are forecast to increase at a CAGR of approximately 4.0 percent through FY 2021.

- **Corporate Support**. The Port allocates a portion of its corporate overhead expenses to the Airport. This category of O&M Expenses at the Airport represents approximately 20.8 percent of total O&M Expenses at the Airport for budgeted FY 2015. This category of expenses increased at a CAGR of approximately 7.8 percent for the period FY 2010 through FY 2014, and is budgeted to increase by approximately 8.3 percent in FY 2015 to approximately $23.8 million. This category of expenses has also been impacted by the health care increases described above. Given similar cost constraining measures, future corporate support O&M Expenses are forecast to increase at a CAGR of approximately 4.0 percent through FY 2021.

- **Utilities**. Utilities expenses at the Airport comprise approximately 8.1 percent of total O&M Expenses at the Airport for budgeted FY 2015. This category of expenses increased at a CAGR of approximately 7.3 percent for the period FY 2010 through FY 2014, and is budgeted to increase by approximately 16.4 percent in FY 2015 to approximately $9.2 million. Contributing to the recent increases in O&M Expenses for utilities are charges related to off-site stormwater management fees related to the City of Portland. Until July 1, 2013, the Port, as a property owner within the Multnomah County Drainage District (the "Drainage District"), paid stormwater management fees annually via the Multnomah County property tax bills for its Airport properties. For FY 2013, the Port paid approximately $1.2 million in stormwater management fees with approximately $1.0 million covering the on-site management services provided by the Drainage District and approximately $0.2 million covering off-site management services provided by the City. The off-site fee component has historically been discounted to a rate well below that paid by landowners outside the Drainage District. Beginning in July 2013 (FY 2014), the fees charged to the Port and to other Drainage District property owners started to escalate over a four-year period to reach the same level as out-of-Drainage District fees. The annual fee at the end of the four-year ramp-up

period is estimated to be approximately $4.4 million. The stormwater fees are recoverable by the Port through airline rates and charges (amounting to approximately $0.50 per enplaned passenger) and the Port Cost Center net revenues from sources such as parking and rental cars. The airlines serving the Airport are exploring a legal challenge through the FAA and U.S. Department of Transportation of the City's offsite fees, arguing that the Airport and the airlines do not receive any direct benefit for the stormwater service fees they are charged and asserting that paying the fees is a violation of the FAA's Airport Revenue Use Policy. The airlines are paying the fee under protest to the City. Additionally, the Oregon Air National Guard (ORANG), which is co-located at the Airport, has not been paying the City's offsite stormwater charges they are being billed, arguing that they don't have authority to do so under specific language in the Clean Water Act that addresses Department of Defense facilities and service fees. Neither the airline challenge nor the ORANG challenge is resolved at this time. These charges have been included in O&M Expense forecast through FY 2017. Future utilities O&M Expenses are forecast to increase at a CAGR of approximately 4.6 percent through FY 2017, and then increase at approximately 4.0 percent, thereafter through FY 2021.

Overall, the Port's forecast of O&M Expenses are based on historical trend reviews, the anticipated impacts of inflation, forecast activity levels, and impacts associated with the CIP. Exhibit C presents the O&M Expenses by category and cost center through 2021. Total O&M Expenses are forecast to increase at a CAGR of approximately 4.1 percent over the forecast period from FY 2015 to FY 2021.

4.6.1 Allocation of O&M Expenses to Cost Centers

For financial planning purposes and to implement the Airline Agreements' rate-setting methodologies, the Airport is divided into 13 cost centers as described earlier in this Chapter. 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 the residual rate-setting methodologies for the Airfield and Terminal Cost Centers, together the Airline Cost Center, for which the airlines assume the economic risk.

Other essential indirect functions allocated to direct cost centers include Administration, Operations, Maintenance, Systems and Services, Aviation Security and Public Safety, and Environmental. These expenses are allocated to direct cost centers as defined in the Airline Agreements. Indirect expenses are allocated to direct cost centers for the purposes of calculating landing fees and terminal rentals.

4.6.2 O&M Expense Rebate Program

The Airline Agreements allow for the Port to reduce Revenue Sharing through controlling O&M Expense increases. Per Section 23 of the Airline Agreements, if the Port is able to spend less for O&M Expenses than it did for the prior FY, the Signatory Airlines have agreed to reduce Revenue Sharing pursuant to an agreed upon schedule presented earlier. For feasibility purposes, no reductions in O&M Expenses have been forecast by the Port. Therefore, no

reductions to the annual Revenue Sharing amounts are incorporated in the Port's current forecasts.

4.7 Non-Airline Revenues

Table 4-4 below presents historical Non-Airline Revenues for the Airport for the period of FY 2010 to FY 2014. As shown, the four primary categories of Non-Airline Revenues historically accounting for more than 85 percent of the Airport's total Non-Airline Revenues are presented along with growth rates during this period. Total Non-Airline Revenues increased from approximately $80.6 million in FY 2010 to approximately $108.2 million in FY 2014, for a CAGR of approximately 7.7 percent over this period. The three largest Non-Airline Revenue items at the Airport experienced relatively high levels of growth as all had CAGRs of more than 6.0 percent for the period of FY 2010 through 2014. Additionally, as Non-Airline Revenues outpaced growth in enplaned passengers, these revenues grew on a per-unit or per enplaned passenger basis, or from approximately $12.44 in FY 2010 to approximately $13.94 in FY 2014. It is also important to note that Non-Airline Revenues also outpaced O&M Expenses for this period.

Exhibit D presents Non-Airline Revenues at the Airport for actual FY 2013, preliminary FY 2014, budgeted FY 2015, and forecasts for FY 2016 through FY 2021. Non-airline revenues are budgeted at approximately $112.3 million in FY 2015 and are forecast to increase to approximately $129.0 million in FY 2021. This increase in Non-Airline revenues between FY 2015 and FY 2021 represents a CAGR of approximately 2.3 percent. In general, the Port's forecast of Non-Airline Revenues are based on historical trend reviews, forecast activity levels, and impacts associated with the CIP. Overall, the Port's forecast for Non-Airline Revenues reflects a conservative approach for financial feasibility purposes. Non-Airline Revenues are further described in the following sections.

Table 4-4

HISTORICAL AIRPORT NON-AIRLINE REVENUES (dollars in thousands)

Fiscal Year	2010	2011	2012	2013	2014[1]	2010-14 CAGR
Parking Revenue	$41,344	$43,475	$45,627	$48,815	$53,426	6.6%
Rental Car/Ground Trans. Concessions	14,278	15,317	18,555	20,364	20,689	9.7%
Terminal Concessions	8,986	9,675	10,319	11,794	12,893	9.4%
Air Cargo Rent Revenue	5,566	5,917	6,066	5,979	6,068	2.2%
Other	10,376	11,572	13,491	14,112	15,105	9.8%
Total Non-Airline Revenues	**$80,551**	**$85,956**	**$94,058**	**$101,064**	**$108,181**	**7.7%**
Enplaned Passengers (000s)	6,477	6,750	6,946	7,336	7,762	
Non-Airline Revenues per Enplaned Passenger	$12.44	$12.73	$13.54	$13.78	$13.94	
Percent of Total Revenue	47%	49%	52%	54%	54%	

[1] Preliminary results.

Source: Port of Portland airport management records, July 2014

Compiled by Trillion Aviation

4.7.1 Ground Transportation

Ground transportation revenues represent the largest component of Non-Airline Revenues at the Airport, accounting for approximately 73.5 percent of total Non-Airline Revenues budgeted for FY 2015. Automobile parking revenues, rental car concession fees, and rental car space rentals in the parking garage are primary sources of ground transportation revenue.

Parking Revenues

As presented on Table 4-3, parking revenues increased at a CAGR of approximately 6.6 percent from FY 2010 to FY 2014 as they increased from approximately $41.3 million to $53.4 million. The Port implemented parking rate increases during this period of $2 per day in October 2012 for long term parking and $3 per day in the garage in April 2014. **Table 4-5** below presents public parking rates at the Airport since 1999. As shown in the table, the Port continuously monitors public parking rates and implements rate changes periodically. Additionally, the Port offers a variety of parking options to address the differing needs of its customer base. The Port has been able to realize significant revenue gains resulting from these increases and the differing products as demand has continued to increase. In addition, its off-airport parking competitors are somewhat limited.

Table 4-5

PUBLIC PARKING RATES AT THE AIRPORT (daily maximum rates)

Parking Facility	1999	2001-2002[1]	2004	2006	October 2007	May 2009	October 2012	April 2014
Gold Key Valet	-	-	-	-	$30	$30	$30	$30
Garage (3,300 spaces)	$16	$38	$18	$24	$24	$24	$24	$27
Long Term (3,030 spaces)	$12	$12	$14	$14	$14	$16	$18	$21
Economy (7,800 spaces)	$8	$8	$8	$8	$8	$10	$10	$10

[1] Garage daily maximum rate increased in response to loss of parking spaces inside the 300-foot "no parking radius".

Source: Port of Portland airport management records, August 2014

Compiled by Trillion Aviation

The Port has a management contract for its parking operation and receives gross revenues as opposed to net revenues from a concession agreement. To be conservative for feasibility purposes, the Port is forecasting parking revenues to generally increase with future enplaned passengers levels at a CAGR of approximately 2.0 percent for the period of FY 2015 through FY 2021.

Rental Car and Ground Transportation Concessions

Rental car and ground transportation concessions increased at a CAGR of over 9.0 percent during this period; increasing in the aggregate by more than $6 million. Recent increases in rental car revenues are due in part to MAG provisions in their contracts, which are set to expire August 16, 2016. To be conservative for feasibility purposes, the Port is forecasting rental car and ground transportation revenues to be flat for the period of FY 2015 through FY 2021.

As presented on Exhibit D, Ground Transportation revenues overall are budgeted to increase by approximately 4.6 percent in FY 2015 to reflect increases in parking rates of $3 per day in the garage that were initiated in April 2014. Over the period FY 2015 through FY 2021, ground transportation revenues are forecast to experience a CAGR of approximately 2.1 percent.

4.7.2 Terminal

As shown on Table 4-3, Terminal Concessions increased at a CAGR of approximately 9.4 percent from FY 2010 to FY 2014 as they increased from approximately $9.0 million to $12.9 million. Terminal concessions are the primary source of Terminal Non-Airline Revenues. Total Terminal Non-Airline Revenues totaled approximately $14.1 million in FY 2013 and approximately $15.4 million in FY 2014 (preliminary). Budgeted Terminal Non-Airline Revenues for FY 2015 are expected to increase by approximately 8.3 percent to a total of approximately $16.6 million reflecting recent growth in enplaned passengers along with enhanced revenue on a per passenger basis. Over the forecast period, Non-Airline Revenues in the Terminal are forecast to experience a CAGR of approximately 3.3 percent, primarily reflective of forecast enplanement growth and some anticipated inflationary impacts.

4.7.3 Air Cargo

Air cargo revenues, primarily attributable to the rental of air cargo facilities at the Airport, totaled approximately $6.4 million in FY 2013. The Port is forecasting air cargo revenues to increase at a CAGR of approximately 2.9 percent between FY 2015 and FY 2021.

4.7.4 Other Aviation

Revenues in the Other Aviation Cost Center are forecast to generally increase with inflation. At approximately $3.3 million budgeted in FY 2015, these revenues are forecast to increase at a CAGR of approximately 3.0 percent through FY 2021.

4.7.5 Airfield

Airfield Non-Airline Revenues, comprised of landing fees from corporate and general aviation aircraft and rent revenues from the FAA air traffic control tower, totaled approximately $1.1 million in FY 2013 and $1.2 million in FY 2014 (preliminary). Airfield revenues are budgeted at approximately $1.0 million in FY 2015 and are forecast to increase at a CAGR of approximately 1.6 percent through FY 2021.

4.7.6 Non-Aviation

Non-Airline Revenues in the Non-Aviation Cost Center were approximately $1.8 million in FY 2013, and $2.4 in FY 2014 (preliminary). Non-Aviation revenues are forecast to increase at a CAGR of approximately 2.0 percent through FY 2021.

4.7.7 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 $282,000 in FY 2013 and $381,000 in FY 2014 (preliminary). For the purposes of these financial forecasts, revenue from indirect cost centers is forecast to remain flat at the budgeted FY 2015 amount of approximately $207,000 per year over the forecast period.

4.8 Airline Revenues

Airline revenues 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 consistent with the residual rate-setting methodologies set forth in the Airline Agreements and described earlier in this Chapter. **Exhibits E** and **F** further illustrate the rate-setting methodologies for the landing fee and terminal rentals, respectively. In addition, forecast Revenue Sharing consistent with the Airline Agreements is presented on **Exhibit G**.

The business terms of the Airline Agreements are used as the basis for forecasting airline revenues for the purposes of this Report.

4.8.1 Landing Fees

Exhibit E presents the calculation of landing fees for actual FY 2013, preliminary FY 2014, budgeted FY 2015, and forecasts for FY 2016 through FY 2021. Per the residual rate-setting methodology, the Port fully recovers direct and allocated indirect costs for airline use of the Airfield Cost Center. The Signatory Airline Airfield Net Requirement is reduced by estimated Revenue Sharing amounts in the current FY.

As presented in Exhibit E, the Signatory Airline landing fee rate per 1,000-pound unit of landed weight is budgeted at $3.27 for FY 2015. Throughout the period, the Signatory Airline landing fee is forecast to increase to $3.94 in FY 2021. Also, as shown in Exhibit E, the Non-Signatory Airline landing fee rate is budgeted at $4.62 for FY 2015 and is forecast to increase to $5.35 by FY 2021.

Landing fee revenues are forecast to increase from approximately $32.4 million in FY 2015 to approximately $41.5 million in FY 2021.

4.8.2 Terminal Rentals

Exhibit F presents the calculation of terminal rates and revenues for actual FY 2013, preliminary FY 2014, budgeted FY 2015, and forecasts for FY 2016 through FY 2021. Per the residual rate-setting methodology, the Port fully recovers direct and allocated indirect costs for airline use of the Terminal Cost Center. The Terminal Net Requirement is reduced by estimated Revenue Sharing amounts in the current FY.[83] 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.).

[83] Per the Airline Agreements, Revenue Sharing is allocated 50 percent to offset terminal rental rates and 50 percent to offset baggage claim rates.

As presented in Exhibit F, the Signatory Airline average terminal rental rate is budgeted at $156.36 for FY 2015. Throughout the period, the average terminal rental rate is forecast to increase to $276.63 in FY 2021. This is a significant increase and reflective of the costs associated with terminal capital projects over the forecast period.

Terminal rental revenues are forecast to increase from approximately $46.6 million in FY 2015 to approximately $82.4 million in FY 2021. This represents a CAGR of approximately 10.0 percent.

4.8.3 Other Airline Revenues

In addition to landing fees and terminal rental, the Port receives other airline revenues for the use of facilities and equipment including common use equipment, common use space, and aircraft parking fees. These other airline revenues are forecast to remain relatively flat at approximately $10.6 million through FY 2021.

4.8.4 Airline Cost per Enplaned Passenger

A general test of reasonableness for airline costs at an airport is the average airline CPE. **Exhibit H** presents the forecast of CPE for the airlines at the Airport. As shown, the airline CPE includes the landing fee revenues and terminal rental revenues divided by total enplaned passengers. Airline CPE has increased slightly in recent years from $10.34 in FY 2013 to $10.39 for preliminary FY 2014. CPE is budgeted at $9.98 for FY 2015. Over the forecast period, airline CPE is expected to increase modestly and peak in FY 2021 at $13.88. When evaluating airline CPE in FY 2014 dollars (assuming an annual inflation rate of 3.0 percent), it is forecast to increase somewhat throughout the period, peaking in FY 2021 at $11.29. Forecast airline CPE throughout the forecast period appears within reasonable levels of affordability for the airlines.

4.9 Net Cash Flow and Debt Service Coverage

Exhibit I presents net cash flow and debt service coverage ratios for the Airport throughout the forecast period. As presented, the Airport is expected to experience a net surplus after the payment of O&M Expenses and Debt Service Requirements in each year of the forecast period. The net surplus is budgeted in FY 2015 at approximately $42.2 million and increase to approximately $52.9 million by the end of the forecast period. Debt service coverage ratios are also forecast to remain at levels between 1.81 and 1.92 throughout the period.

As required pursuant to 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 each FY for all outstanding and forecast SLBs.

Exhibit A

SERIES TWENTY-TWO PROJECTS AND OTHER CAPITAL PROJECTS - PLAN OF FINANCE (dollars in thousands) [1] **PORT OF PORTLAND**

	Cost Center		Estimated Project Cost	Federal/State Grants	PFC Funds	Port Funds	Series Twenty-Two Bond Proceeds	Future Bond Proceeds
Series Twenty-Two Projects:								
Access Control System Replacement	Allocated [2]		$41,200	$3,500	$0	$10,712	$26,988	$0
Airport HVAC Controls Upgrade	Allocated [2]		3,080	0	0	370	2,710	0
Terminal Substation Upgrade	Terminal		2,500	0	0	0	2,500	0
Central Utility Plant Switchgear Upgrade	Allocated [2]		2,375	0	0	285	2,090	0
IT Communications Center Modernization	Allocated [2]		2,020	0	0	852	1,168	0
North Terminal Heating Water Upgrades	Terminal		1,620	0	0	194	1,426	0
Airport Water System Upgrades	Allocated [2]		1,460	0	0	175	1,285	0
Subtotal Airport System Upgrades		[A]	$54,255	$3,500	$0	$12,588	$38,167	$0
Post-Security Concouse Redevelopment	Terminal		$19,800	$0	$0	$0	$19,800	$0
Relocated Security Exit Lanes to Ticket Lobby Area	Terminal		11,270	0	0	0	11,270	0
Terminal Grease Separator	Terminal		5,300	0	0	0	5,300	0
Terminal Network Infrastructure Improvements	Terminal		3,110	0	0	0	3,110	0
Terminal Monitor Replacement	Terminal		2,224	0	0	0	2,224	0
New Freight Elevator Installation at Concourse C	Terminal		1,950	0	0	0	1,950	0
Subtotal Terminal Efficiency and Infrastructure Improvements		[B]	$43,654	$0	$0	$0	$43,654	$0
Terminal Concourse Roof Rehabilitation	Terminal		$4,018	$0	$0	$0	$4,018	$0
Skylight Rehabilitation	Terminal		3,110	0	0	0	3,110	0
Subtotal Roof and Skylight Rehabilitation		[C]	$7,128	$0	$0	$0	$7,128	$0
Public Safety and Security Garage	Allocated [2]	[D]	2,865	0	0	172	2,693	0
Total Series Twenty-Two Projects		[E=A+B+C+D]	$107,902	$3,500	$0	$12,760	$91,642	$0
Other Captital Projects [3]								
Airline Cost Center			$540,819	$87,369	$140,729	$89,721	$0	$223,000
Port Cost Center			246,674	29,234	0	217,441	0	0
Total Other Capital Projects		[F]	$787,494	$116,603	$140,729	$307,162	$0	$223,000
Total Series Twenty-Two Projects and Other Capital Projects:								
Airline Cost Center			$648,721	$90,869	$140,729	$102,481	$91,642	$223,000
Port Cost Center			246,674	29,234	0	217,441	0	0
Projects		[G=E+F]	$895,395	$120,103	$140,729	$319,921	$91,642	$223,000

Note: Amounts may not add due to rounding.

[1] Includes project costs for the period of FY 2015 through FY 2021.

[2] Costs associated with these projects are to be allocated to the Airline Cost Center and Port Cost Center. However, project costs funded with Series Twenty-Two Bond proceeds are on allocable to the Airline Cost Center.

[3] The Port is planning a future expansion of its Quick Turn Around (QTA) facility. This project has not been included in this exhibit This project is currently anticipated to be funded solely from Customer Facility Charges (CFCs) and is expected to have a project cost of approximately $60 million.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit B

DEBT SERVICE REQUIREMENTS (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Existing Debt Service Requirements:										
Series 18A and 18B		$11,741	$13,284	$14,715	$14,677	$12,889	$12,625	$12,575	$12,575	$12,540
Series 19		9,102	9,099	9,106	9,106	9,101	9,103	9,099	9,101	9,101
Series 20A		5,199	3,359	2,128	2,427	2,418	2,420	1,272	1,272	1,271
Series 20B		1,287	1,284	1,279	1,283	1,284	1,284	1,283	1,286	1,280
Series 20C		8,350	8,119	8,125	9,515	9,506	9,518	7,890	7,887	7,883
Series 21A		1,861	1,859	383	0	0	0	0	0	0
Series 21B		9,525	8,660	8,651	8,630	8,632	8,621	0	0	0
Series 21C		1,321	1,321	1,321	1,321	1,321	1,321	6,361	6,319	6,366
Existing Debt Service Requirements	[A]	$48,386	$46,985	$45,707	$46,959	$45,150	$44,890	$38,479	$38,440	$38,441
Future Debt Service Requirements:										
Series Twenty-Two Bonds		$0	$0	$0	$4,874	$6,000	$6,000	$7,690	$7,689	$7,691
Future Bonds		0	0	0	0	0	0	5,249	11,986	19,510
Future Debt Service Requirements	[B]	$0	$0	$0	$4,874	$6,000	$6,000	$12,939	$19,675	$27,201
Total Debt Service Requirements	[C=A+B]	$48,386	$46,985	$45,707	$51,833	$51,150	$50,890	$51,419	$58,115	$65,642
Debt Service Requirements - Cost Center Allocation:										
Airfield		$9,109	$8,434	$8,147	$8,803	$8,682	$8,660	$8,058	$8,209	$8,210
Terminal		24,249	23,472	23,781	28,890	29,086	28,959	30,830	37,373	44,919
Ground Transportation		6,644	6,944	7,152	7,475	6,711	6,598	6,097	6,097	6,080
Air Cargo / Airside		308	268	217	230	233	233	58	58	58
Other Aviation		103	78	65	71	73	72	20	19	19
Non-Aviation		6,333	6,344	6,344	6,363	6,365	6,368	6,357	6,359	6,356
Bond Amortization Premium [1]		1,641	1,446	0	0	0	0	0	0	0
Total Debt Service Requirements	[C]	$48,386	$46,985	$45,707	$51,833	$51,150	$50,890	$51,419	$58,115	$65,642

Note: Amounts may not add due to rounding.

[1] Bond Amortization Premium amounts were not allocated to cost centers in FY 2013 and FY 2014.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit C

OPERATION AND MAINTENANCE EXPENSES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Actual	Actual	Actual	Preliminary	Budget	Forecast					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
By Category:													
Personnel Services		$33,037	$36,330	$38,736	$39,760	$42,130	$44,227	$46,045	$47,939	$49,856	$51,851	$53,925	$56,082
Contract, Professional & Consulting Services		25,193	24,178	25,909	28,401	31,219	27,948	29,120	30,343	31,557	32,819	34,132	35,497
Materials & Supplies		3,014	3,505	3,727	3,593	4,792	4,341	4,540	4,748	4,938	5,136	5,341	5,555
Utilities		5,981	6,397	7,104	6,949	7,929	9,230	9,653	10,098	10,502	10,922	11,359	11,814
Equipment, Fuel, & Lube		968	973	1,458	1,325	1,404	1,543	1,607	1,673	1,740	1,810	1,882	1,958
Insurance		1,347	2,040	1,759	1,597	1,521	1,827	1,913	2,003	2,083	2,166	2,253	2,343
Rent		(677)	(3,720)	(3,979)	(3,590)	(3,724)	(3,771)	(3,921)	(4,078)	(4,241)	(4,411)	(4,587)	(4,771)
Pers, Travel & Other Mgmt Exp		728	1,006	986	1,034	1,065	1,300	1,357	1,416	1,472	1,531	1,592	1,656
Other		2,197	4,366	3,879	2,289	4,225	4,108	4,330	4,565	4,747	4,937	5,135	5,340
Corporate Support (Overhead Expense)		16,267	18,592	19,486	19,457	21,965	23,792	24,743	25,733	26,762	27,833	28,946	30,104
Total Operation and Maintenance Expenses	[A]	$88,054	$93,666	$99,065	$100,815	$112,527	$114,546	$119,386	$124,440	$129,418	$134,595	$139,978	$145,578
Operation and Maintenance Expenses - Cost Center Allocation:													
Airline Cost Center													
Airfield		$18,686	$19,752	$24,393	$23,182	$30,410	$27,041	$28,616	$30,289	$31,521	$32,802	$34,135	$35,521
Terminal		38,404	41,953	42,925	44,280	46,090	48,957	50,858	52,827	54,989	57,238	59,577	62,010
Airline Cost Center	[B]	$57,090	$61,704	$67,317	$67,463	$76,500	$75,999	$79,474	$83,116	$86,510	$90,040	$93,712	$97,531
Port Cost Center	[C]	$30,964	$31,962	$31,747	$33,352	$36,027	$38,547	$39,912	$41,325	$42,908	$44,554	$46,266	$48,046
Total Operation and Maintenance Expenses	[D=B+C]	$88,054	$93,666	$99,065	$100,815	$112,527	$114,546	$119,386	$124,440	$129,418	$134,595	$139,978	$145,578

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit D

NON-AIRLINE REVENUES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

	Actual	Preliminary	Budget	Forecast					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Airfield:									
Non-Airline Operating Revenues	$1,026	$1,083	$999	$1,014	$1,029	$1,044	$1,060	$1,076	$1,092
Rent Revenue	33	23	33	34	35	36	37	38	39
Other Revenue	11	52	13	13	13	13	14	14	14
Total Airfield Non-Airline Revenues	$1,070	$1,158	$1,044	$1,060	$1,076	$1,093	$1,110	$1,127	$1,145
Terminal:									
Terminal Concessions	$11,794	$12,893	$14,104	$14,527	$14,962	$15,411	$15,874	$16,350	$16,840
Rent Revenue	2,212	2,339	2,417	2,537	2,664	2,797	2,937	3,084	3,238
Service Revenue	16	17	17	19	21	22	24	26	29
Other Revenue	93	111	103	105	107	109	112	114	116
Total Terminal Non-Airline Revenues	$14,114	$15,359	$16,641	$17,188	$17,755	$18,341	$18,947	$19,574	$20,224
Ground Transportation:									
Rental Car/Ground Transportation Concessions	$20,364	$20,689	$21,555	$21,855	$22,322	$22,802	$23,292	$23,796	$24,312
Parking Revenue	48,815	53,426	56,269	57,051	58,272	59,525	60,804	62,118	63,466
Rent Revenue	4,515	4,518	4,453	4,586	4,724	4,866	5,012	5,162	5,317
Service Revenue	201	238	201	207	213	219	226	233	240
Other Revenue	104	93	95	98	101	104	107	110	113
Total Ground Transportation Non-Airline Revenues	$73,999	$78,964	$82,572	$83,797	$85,632	$87,516	$89,442	$91,418	$93,448
Air Cargo:									
Operations Revenue	$219	$219	$253	$253	$253	$253	$253	$253	$253
Non-Airline Operating Revenue	117	137	218	225	231	238	245	253	260
Rent Revenue	5,979	6,068	6,003	6,183	6,369	6,560	6,757	6,959	7,168
Service Revenue	2	3	2	2	2	2	2	3	3
Other Revenue	84	86	74	77	79	81	84	86	89
Total Air Cargo Non-Airline Revenues	$6,401	$6,512	$6,551	$6,740	$6,934	$7,135	$7,341	$7,554	$7,773
Other Aviation:									
Non-Airline Operating Revenue	$1,300	$1,527	$1,387	$1,429	$1,472	$1,516	$1,562	$1,608	$1,657
Rent Revenue	1,967	1,803	1,845	1,900	1,957	2,016	2,076	2,138	2,202
Service Revenue	1	1	1	1	1	1	1	1	1
Other Revenue	119	124	111	114	117	121	125	128	132
Total Other Aviation Non-Airline Revenues	$3,387	$3,455	$3,343	$3,444	$3,547	$3,653	$3,763	$3,876	$3,992
Non-Aviation:									
Non-Airline Operating Revenue	$880	$967	$888	$965	$1,049	$1,139	$1,238	$1,345	$1,462
Rent Revenue	823	1,247	1,001	795	631	643	654	654	660
Other Revenue	107	137	95	97	99	101	103	105	107
Total Non-Aviation Non-Airline Revenues	$1,810	$2,351	$1,984	$1,857	$1,778	$1,883	$1,995	$2,104	$2,229

Exhibit D

NON-AIRLINE REVENUES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

	Actual	Preliminary	Budget	Forecast					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue from Indirect Cost Centers:									
Operations	$15	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance	0	3	12	12	12	12	12	12	12
Systems & Services	102	110	50	50	50	50	50	50	50
Aviation Rescue & Fire Fighting	12	34	6	6	6	6	6	6	6
Police	143	235	139	139	139	139	139	139	139
Administration	10	0	0	0	0	0	0	0	0
Total Ground Transportation Non-Airline Revenues	$282	$381	$207	$207	$207	$207	$207	$207	$207
Total Non-Airline Revenues	$101,064	$108,181	$112,341	$114,291	$116,929	$119,827	$122,804	$125,861	$129,017
Allocation to Direct Cost Centers:									
Airline Cost Center									
Airfield	$55	$71	$37	$35	$35	$35	$32	$29	$26
Terminal	146	196	107	115	118	118	124	133	141
Airline Cost Center	$201	$267	$144	$150	$153	$153	$156	$162	$167
Port Cost Center	$81	$114	$62	$56	$54	$54	$50	$45	$39
Total Revenue from Indirect Cost Centers	$282	$381	$207	$207	$207	$207	$207	$207	$207
Non-Airline Revenue - Cost Center Allocation:									
Airline Cost Center									
Airfield	$1,125	$1,229	$1,081	$1,095	$1,111	$1,128	$1,142	$1,157	$1,171
Terminal	14,261	15,556	16,748	17,303	17,872	18,458	19,071	19,707	20,365
Airline Cost Center	$15,385	$16,785	$17,829	$18,398	$18,983	$19,586	$20,213	$20,864	$21,536
Port Cost Center	$85,679	$91,396	$94,513	$95,893	$97,946	$100,241	$102,591	$104,997	$107,481
Total Non-Airline Revenues	$101,064	$108,181	$112,341	$114,291	$116,929	$119,827	$122,804	$125,861	$129,017

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit E

LANDING FEE RATES AND REVENUES (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Airfield Requirement:										
O&M Expenses		$23,182	$30,410	$27,041	$28,616	$30,289	$31,521	$32,802	$34,135	$35,521
Debt Service		9,109	8,434	8,147	8,803	8,682	8,660	8,058	8,209	8,210
Debt Service Coverage (30%)		2,733	2,530	2,444	2,641	2,605	2,598	2,417	2,463	2,463
Airfield Requirement	[A]	$35,024	$41,374	$37,633	$40,060	$41,576	$42,780	$43,278	$44,807	$46,195
Offsetting Revenues:										
Non-Airline Revenue		$1,125	$1,229	$1,081	$1,095	$1,111	$1,128	$1,142	$1,157	$1,171
Interest Income		14	8	12	12	12	13	12	11	10
Total Offsetting Revenues	[B]	1,139	1,237	1,093	1,107	1,124	1,141	1,155	1,168	1,181
Airfield Net Requirement	[C=A-B]	$33,885	$40,137	$36,540	$38,953	$40,452	$41,639	$42,123	$43,639	$45,014
Landed Weight (million-pound units):										
Signatory Passenger Airline	[D]	7,980	8,690	8,813	8,838	8,937	9,045	9,162	9,288	9,423
Signatory Cargo Airline	[E]	1,134	1,124	1,066	1,060	1,062	1,066	1,070	1,076	1,082
Non-Signatory Passenger Airline	[F]	143	9	9	9	9	9	9	9	9
Non-Signatory Cargo Airline	[G]	6	3	6	6	6	6	6	6	6
Total Landed Weight (million-pound units)	[H=D+E+F+G]	9,264	9,826	9,893	9,912	10,014	10,125	10,247	10,379	10,520
Non-Signatory Landed Weight Premium (25%)	[I=(F+G)*25%]	37	3	4	4	4	4	4	4	4
Landed Weight Divisor for Net Requirement Allocation	[J=H+I]	9,301	9,829	9,897	9,916	10,017	10,129	10,251	10,383	10,524
Signatory Airline Share of Net Requirement	[K]	98.00%	99.84%	99.82%	99.82%	99.82%	99.82%	99.82%	99.82%	99.82%
Non-Signatory Airline Share of Net Requirement	[L]	2.00%	0.16%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Signatory Airline Airfield Net Requirement:										
Signatory Airline Airfield Net Requirement	[M=C*K]	$33,205	$40,075	$36,473	$38,881	$40,378	$41,562	$42,046	$43,560	$44,932
Less: Revenue Sharing	[N]	(3,839)	(4,388)	(4,129)	(3,933)	(4,059)	(4,127)	(4,078)	(3,834)	(3,520)
Reduced Signatory Airline Airfield Net Requirement	[O=M+N]	$29,367	$35,686	$32,344	$34,948	$36,320	$37,435	$37,968	$39,726	$41,412
Signatory Airline Landed Weight	[P=D+E]	9,115	9,814	9,878	9,898	9,999	10,111	10,232	10,364	10,505
Signatory Airline Landing Fee Rate (per 1,000-lbs)	[Q=O/P]	$3.22	$3.64	$3.27	$3.53	$3.63	$3.70	$3.71	$3.83	$3.94
Non-Signatory Airline Airfield Net Requirement:										
Non-Signatory Airline Airfield Net Requirement	[R=C*L]	$679	$62	$67	$72	$74	$76	$77	$79	$82
Non-Signatory Airline Landed Weight	[S=F+G]	149	12	15	15	15	15	15	15	15
Non-Signatory Airline Landing Fee Rate (per 1,000-lbs)	[T=R/S]	$4.55	$5.10	$4.62	$4.91	$5.05	$5.14	$5.14	$5.25	$5.35
Landing Fee Revenue:										
Signatory Passenger Airline	[U=D*Q]	$25,711	$31,601	$28,854	$31,207	$32,461	$33,489	$33,997	$35,603	$37,147
Signatory Cargo Airline	[V=E*Q]	3,655	4,086	3,489	3,741	3,858	3,946	3,971	4,123	4,264
Non-Signatory Passenger Airline	[W=F*T]	652	46	40	43	44	46	46	48	49
Non-Signatory Cargo Airline	[X=G*T]	27	16	28	29	30	31	31	32	32
Total Landing Fee Revenue		$30,046	$35,749	$32,411	$35,020	$36,394	$37,511	$38,045	$39,805	$41,494

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit F

TERMINAL RENTAL RATE AND REVENUES (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Terminal Requirement:										
O&M Expenses		$44,280	$46,090	$48,957	$50,858	$52,827	$54,989	$57,238	$59,577	$62,010
Debt Service		24,249	23,472	23,781	28,890	29,086	28,959	30,830	37,373	44,919
Debt Service Coverage (30%)		7,275	7,042	7,134	8,667	8,726	8,688	9,249	11,212	13,476
Terminal Requirement	[A]	$75,804	$76,604	$79,873	$88,416	$90,638	$92,635	$97,317	$108,162	$120,405
Offsetting Revenues:										
Other Terminal Cost Center Airline Revenues		$9,862	$10,618	$10,567	$10,612	$10,580	$10,571	$10,534	$10,515	$10,572
Non-Airline Revenue		14,261	15,556	16,748	17,303	17,872	18,458	19,071	19,707	20,365
Interest Income		38	22	36	39	41	43	46	51	56
Total Offsetting Revenues	[B]	$24,161	$26,196	$27,350	$27,955	$28,494	$29,072	$29,652	$30,274	$30,994
Terminal Net Requirement	[C=A-B]	$51,643	$50,408	$52,523	$60,461	$62,144	$63,563	$67,665	$77,888	$89,411
Less: Revenue Sharing	[D]	(5,851)	(5,511)	(5,935)	(6,104)	(6,235)	(6,301)	(6,550)	(6,843)	(6,992)
Reduced Airline Terminal Net Requirement	[E=C+D]	$45,792	$44,897	$46,588	$54,356	$55,909	$57,262	$61,115	$71,044	$82,419
Total Airline Rented Terminal Space (s.f.)	[F]	294,719	297,052	297,946	297,946	297,946	297,946	297,946	297,946	297,946
Average Terminal Rental Rate (per s.f.)	[G=E/F]	$155.38	$151.14	$156.36	$182.44	$187.65	$192.19	$205.12	$238.45	$276.63
Terminal Rental Revenue	[H=F*G]	$45,792	$44,897	$46,588	$54,356	$55,909	$57,262	$61,115	$71,044	$82,419

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit G

REVENUE SHARING CALCULATION (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Airfield Net Requirement		$33,885	$40,137	$36,540	$38,953	$40,452	$41,639	$42,123	$43,639	$45,014
Terminal Net Requirement		51,643	50,408	52,523	60,461	62,144	63,563	67,665	77,888	89,411
Other Terminal Cost Center Airline Revenues		9,862	10,618	10,567	10,612	10,580	10,571	10,534	10,515	10,572
Non-Airline Revenues		101,064	108,181	112,341	114,291	116,929	119,827	122,804	125,861	129,017
Interest Income		400	961	535	551	568	585	602	620	639
Total Revenues (prior to Revenue Sharing)	[A]	$196,854	$210,306	$212,506	$224,868	$230,674	$236,185	$243,729	$258,523	$274,653
Less: O&M Expenses	[B]	(100,815)	(112,527)	(114,546)	(119,386)	(124,440)	(129,418)	(134,595)	(139,978)	(145,578)
Net Revenues (prior to Revenue Sharing)	[C=A+B]	$96,039	$97,779	$97,960	$105,482	$106,234	$106,767	$109,134	$118,545	$129,076
Less:										
Fixed Revenue Sharing	[D]	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Shortfall in Fixed Revenue Sharing from prior years	[E]	0	0	0	0	0	0	0	0	0
Adjusted Port Cost Center Net Revenue	[F=C-D-E]	$90,039	$91,779	$91,960	$99,482	$100,234	$100,767	$103,134	$112,545	$123,076
Total Debt Service Requirement [1]	[G]	$46,745	$46,985	$45,707	$51,833	$51,150	$50,890	$51,419	$58,115	$65,642
Debt Service Coverage Ratio (prior to Revenue Sharing)	[H=G/F]	1.93	1.95	2.01	1.92	1.96	1.98	2.01	1.94	1.87
Baseline Coverage Ratio	[I]	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Net Revenues at 1.70 Coverage Ratio	[J=G*I]	$79,467	$79,875	$77,702	$88,117	$86,955	$86,513	$87,412	$98,795	$111,592
Net Revenues available for Additional Revenue Sharing	[K=F-J]	$10,572	$11,904	$14,258	$11,365	$13,279	$14,253	$15,722	$13,750	$11,484
Net Revenues available for Additional Revenue Sharing:										
Net Revenues between 1.70 and 1.80 Coverage Ratio	[L]	$4,675	$4,699	$4,571	$5,183	$5,115	$5,089	$5,142	$5,811	$6,564
Net Revenues between 1.80 and 1.90 Coverage Ratio	[M]	4,675	4,699	4,571	5,183	5,115	5,089	5,142	5,811	4,920
Net Revenues between 1.90 and 2.00 Coverage Ratio	[N]	1,223	2,506	4,571	999	3,049	4,075	5,142	2,127	0
Net Revenues over 2.00 Coverage Ratio	[O]	0	0	546	0	0	0	297	0	0
Net Revenues available for Additional Revenue Sharing	[K]	$10,572	$11,904	$14,258	$11,365	$13,279	$14,253	$15,722	$13,750	$11,484
% of Increment Paid as Additional Revenue Sharing:										
Net Revenues between 1.70 and 1.80 Coverage Ratio	[P]	50%	50%	50%	50%	50%	50%	50%	50%	50%
Net Revenues between 1.80 and 1.90 Coverage Ratio	[Q]	25%	25%	25%	25%	25%	25%	25%	25%	25%
Net Revenues between 1.90 and 2.00 Coverage Ratio	[R]	15%	15%	15%	15%	15%	15%	15%	15%	15%
Net Revenues over 2.00 Coverage Ratio	[S]	0%	0%	0%	0%	0%	0%	0%	0%	0%
Additional Revenue Sharing:										
Net Revenues between 1.70 and 1.80 Coverage Ratio	[T=L*P]	$2,337	$2,349	$2,285	$2,592	$2,557	$2,545	$2,571	$2,906	$3,282
Net Revenues between 1.80 and 1.90 Coverage Ratio	[U=M*Q]	1,169	1,175	1,143	1,296	1,279	1,272	1,285	1,453	1,230
Net Revenues between 1.90 and 2.00 Coverage Ratio	[V=N*R]	183	376	686	150	457	611	771	319	0
Net Revenues over 2.00 Coverage Ratio	[W=O*S]	0	0	0	0	0	0	0	0	0
Additional Revenue Sharing	[X=T+U+V+W]	$3,689	$3,900	$4,114	$4,037	$4,294	$4,428	$4,628	$4,678	$4,512
O&M Expense Rebate:										
Prior Year O&M Expenses (Airline Cost Center)		$67,317	$67,463	$76,500	$75,999	$79,474	$83,116	$86,510	$90,040	$93,712
Current Year O&M Expenses (Airline Cost Center)		$67,463	$76,500	$75,999	$79,474	$83,116	$86,510	$90,040	$93,712	$97,531
Reduction in O&M Expenses	[Y]	$0	$0	($501)	$0	$0	$0	$0	$0	$0

Exhibit G

REVENUE SHARING CALCULATION (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Current Year O&M Expenses as a % of Prior Year:										
Baseline		100%	100%	100%	100%	100%	100%	100%	100%	100%
Decrease 1		98%	98%	98%	98%	98%	98%	98%	98%	98%
Decrease 2		96%	96%	96%	96%	96%	96%	96%	96%	96%
Decrease 3		94%	94%	94%	94%	94%	94%	94%	94%	94%
Decrease 4		92%	92%	92%	92%	92%	92%	92%	92%	92%
Decrease 5		0%	0%	0%	0%	0%	0%	0%	0%	0%
Revenue Sharing % Reduction:										
Baseline	[Z]	0%	0%	0%	0%	0%	0%	0%	0%	0%
Decrease 1	[AA]	10%	10%	10%	10%	10%	10%	10%	10%	10%
Decrease 2	[BB]	15%	15%	15%	15%	15%	15%	15%	15%	15%
Decrease 3	[CC]	20%	20%	20%	20%	20%	20%	20%	20%	20%
Decrease 4	[DD]	25%	25%	25%	25%	25%	25%	25%	25%	25%
Decrease 5	[EE]	30%	30%	30%	30%	30%	30%	30%	30%	30%
Reduction in O&M Expenses:										
Baseline	[FF]	$0	$0	$0	$0	$0	$0	$0	$0	$0
Decrease 1	[GG]	0	0	(501)	0	0	0	0	0	0
Decrease 2	[HH]	0	0	0	0	0	0	0	0	0
Decrease 3	[II]	0	0	0	0	0	0	0	0	0
Decrease 4	[JJ]	0	0	0	0	0	0	0	0	0
Decrease 5	[KK]	0	0	0	0	0	0	0	0	0
Reduction in Revenue Sharing:										
Baseline	[LL=Y*FF]	$0	$0	$0	$0	$0	$0	$0	$0	$0
Decrease 1	[MM=Y*GG]	0	0	(50)	0	0	0	0	0	0
Decrease 2	[NN=Y*HH]	0	0	0	0	0	0	0	0	0
Decrease 3	[OO=Y*II]	0	0	0	0	0	0	0	0	0
Decrease 4	[PP=Y*JJ]	0	0	0	0	0	0	0	0	0
Decrease 5	[QQ=Y*KK]	0	0	0	0	0	0	0	0	0
Reduction in Revenue Sharing	[RR]	$0	$0	($50)	$0	$0	$0	$0	$0	$0
Fixed Revenue Sharing	[D]	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Total Amount for Revenue Sharing	[SS=X+RR+D]	$9,689	$9,900	$10,064	$10,037	$10,294	$10,428	$10,628	$10,678	$10,512
Airfield Requirement Share of Airline Cost Center	[TT]	40%	44%	41%	39%	39%	40%	38%	36%	33%
Terminal Requirement Share of Airline Cost Center	[UU]	60%	56%	59%	61%	61%	60%	62%	64%	67%
Airfield Revenue Sharing	[VV=SS*TT]	$3,839	$4,388	$4,129	$3,933	$4,059	$4,127	$4,078	$3,834	$3,520
Terminal Revenue Sharing	[WW=SS*UU]	$5,851	$5,511	$5,935	$6,104	$6,235	$6,301	$6,550	$6,843	$6,992
Total Amount for Revenue Sharing	[SS]	$9,689	$9,900	$10,064	$10,037	$10,294	$10,428	$10,628	$10,678	$10,512

Note: Amounts may not add due to rounding.

[1] For FY 2013 Total Debt Service Requirement does not include Bond Amortization Premium.

Source: Port of Portland airport management records, August 2014

Compiled by Trillion Aviation

Exhibit H

AIRLINE COST PER ENPLANED PASSENGER (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Airline Revenue:										
Airline Landing Fee Revenue		$30,046	$35,749	$32,411	$35,020	$36,394	$37,511	$38,045	$39,805	$41,494
Airline Terminal Rental Revenue		45,792	44,897	46,588	54,356	55,909	57,262	61,115	71,044	82,419
Total Airline Revenue	[A]	$75,838	$80,646	$78,999	$89,377	$92,303	$94,773	$99,160	$110,850	$123,913
Total Enplaned Passengers (000s)	[B]	7,336	7,762	7,915	8,025	8,197	8,373	8,553	8,738	8,928
Airline Cost per Enplaned Passenger	[C=A/B]	$10.34	$10.39	$9.98	$11.14	$11.26	$11.32	$11.59	$12.69	$13.88
Airline Cost per Enplaned Passenger (FY14$)			$10.39	$9.69	$10.50	$10.31	$10.06	$10.00	$10.62	$11.29

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

Exhibit I

NET CASH FLOW AND DEBT SERVICE COVERAGE (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Preliminary	Budget	Forecast					
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenues:										
Landing Fee Revenue		$30,046	$35,749	$32,411	$35,020	$36,394	$37,511	$38,045	$39,805	$41,494
Signatory Airline Terminal Rental Revenue		45,792	44,897	46,588	54,356	55,909	57,262	61,115	71,044	82,419
Other Terminal Cost Center Airline Revenues		9,862	10,618	10,567	10,612	10,580	10,571	10,534	10,515	10,572
Non-Airline Revenues		101,064	108,181	112,341	114,291	116,929	119,827	122,804	125,861	129,017
Interest Income		400	961	535	551	568	585	602	620	639
Total Revenues	[A]	$187,164	$200,406	$202,442	$214,831	$220,380	$225,756	$233,101	$247,846	$264,141
Less:										
O&M Expenses	[B]	$100,815	$112,527	$114,546	$119,386	$124,440	$129,418	$134,595	$139,978	$145,578
Net Revenues	[C=A+B]	$86,350	$87,879	$87,896	$95,445	$95,940	$96,339	$98,507	$107,867	$118,564
Less:										
Total Debt Service Requirement	[D]	$48,386	$46,985	$45,707	$51,833	$51,150	$50,890	$51,419	$58,115	$65,642
Net Surplus/(Deficit)	[E=D-C]	$37,964	$40,893	$42,189	$43,611	$44,790	$45,448	$47,088	$49,753	$52,921
Debt Service Coverage:										
Net Revenues	[C]	$86,350	$87,879	$87,896	$95,445	$95,940	$96,339	$98,507	$107,867	$118,564
Total Debt Service Requirement	[D]	$48,386	$46,985	$45,707	$51,833	$51,150	$50,890	$51,419	$58,115	$65,642
Debt Service Coverage Ratio	[F=C/D]	1.78	1.87	1.92	1.84	1.88	1.89	1.92	1.86	1.81
Debt Service Coverage Ratio - Requirement		1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, August 2014
Compiled by Trillion Aviation

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2014

with comparative totals for the year ended June 30, 2013

THE PORT OF PORTLAND

(a municipal corporation)

_____

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2014

Name	Term Expires
Jim Carter, President 7200 NE Airport Way Portland, Oregon 97218	November 30, 2017
Paul A. Rosenbaum, Vice President 7200 NE Airport Way Portland, Oregon 97218	June 30, 2015
Diana A. Daggett, Secretary 5200 NE Elam Young Parkway Hillsboro, Oregon 97124	September 30, 2015
Peter J. Bragdon, Treasurer 14375 NW Science Park Drive Portland, Oregon 97229	September 30, 2015
Tom Chamberlain 2110 State Street Salem, Oregon 97303	May 9, 2015
Bruce A. Holte 2435 NW Front Avenue Portland, Oregon 97209	July 31, 2015
Robert L. Levy 822 S. Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2017
Linda M. Pearce 4185 Highway 101 North Tillamook, Oregon 97141	September 30, 2016
Tom Tsuruta P.O. Box 261 Marylhurst, Oregon 97036	December 12, 2016

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Daniel Blaufus
7200 NE Airport Way
Portland, Oregon 97218

Telephone: 503-415-6000

THE PORT OF PORTLAND
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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Board of Commissioners of the Port of Portland

We have audited the accompanying individual balance sheets and the related statements of revenues, expenses, and changes in net position and of cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Port of Portland (the "Port").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport and Marine & Other activities of the Port at June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Port adopted the new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The financial statements as of and for the year ended June 30, 2013 have been restated for this change. Our opinions are not modified with respect to this matter.

PricewaterhouseCoopers LLP, 805 SW Broadway, Suite 800, Portland, OR 97205
T: (971) 544 4000, F: (971) 544 4100, www.pwc.com/us

Other Matters

We have previously audited the Port's 2013 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 25, 2013. As discussed in Note 1 to the accompanying financial statements, the Port retroactively adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amended the financial statement element classification of certain items previously reported as assets and liabilities. The accompanying June 30, 2013 balance sheets and the related statements of revenues, expenses, and changes in net position reflect this change. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, before the adoption of GASB Statement No. 65, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The accompanying management's discussion and analysis on pages 3 through 7 and the required supplementary information, schedule of funding progress for defined benefit healthcare plan on page 33 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information on pages 34 through 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

By: _____

Michael MacBryde
Portland, OR
October 27, 2014

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, 2014. 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 four parts – management's discussion and analysis (this section), the basic financial statements (including notes), required supplementary information, 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, including deferred outflows, liabilities, and net position at year end; statement of revenues, expenses, and changes in net position, 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 6 to the financial statements.

Financial Results:
The Port's total net position increased $23.3 million from the 2013 amount, or 2.0 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased by $12.7 million, or 8.8 percent, during that same time. In comparison, last year total net position increased by $24.2 million, or 2.1 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	$ 332.5	$ 276.1	$ 262.6	$ 277.7	$ 562.5 *	$ 553.8	1.6%
Capital assets	1,161.7	1,186.9	353.2	345.2	1,514.9	1,532.1	(1.1)%
Deferred outflows	33.6	37.4			33.6	37.4	(10.2)%
Total assets	1,527.8	1,500.4	615.8	622.9	2,111.0 *	2,123.3	(0.6)%
Long-term debt outstanding	601.6	634.1	112.5	114.6	714.1	748.7	(4.6)%
Other liabilities	140.7	107.2	109.9	111.8	218.0 *	219.0	(0.5)%
Total liabilities	742.3	741.3	222.4	226.4	932.1 *	967.7	(3.7)%
Net position:							
Net investment in capital assets	586.0	584.3	320.7	326.5	906.7	910.8	(0.5)%
Restricted	111.8	96.9	3.3	3.5	115.1	100.4	14.6%
Unrestricted	87.7	77.9	69.4	66.5	157.1	144.4	8.8%
Total net position	$ 785.5	$ 759.1	$ 393.4	$ 396.5	$ 1,178.9	$ 1,155.6	2.0%

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

Total net position of the Airport increased by $26.4 million, or 3.5 percent, as a result of net income and capital grants. Restricted net position increased by $14.9 million, or 15.4 percent, primarily due to the addition of Customer Facility Charges (CFCs) as a new revenue source in 2014 and a new long-term prepaid lease from a tenant. Unrestricted net position increased by $9.8 million, or 12.6 percent, primarily as a result of net operating income.

Total net position of Marine & Other decreased from the 2013 balance by $3.1 million, or 0.8 percent, primarily the result of a net loss for the year, offset in part by capital grants and transfers from the Airport (primarily to fund construction at general aviation airports included in Marine & Other). Net investment in capital assets decreased $5.8 million, or 1.8%, primarily as a result of normal capital asset depreciation. Unrestricted net position increased by $2.9 million or 4.4 percent, primarily the result of unrestricted capital grants in Marine & Other.

Several offsetting factors caused changes in net position (Table 2, below) to decrease $0.9 million from the prior year.

Airport changes in net position decreased $3.0 million, primarily as a result of decreased capital grants and increased operating expenses versus the prior year, offset in part by increased revenues. Marine & Other changes in net position increased $2.1 million primarily due to increased transfers from the Airport to support general aviation costs, offset in part by decreased capital grants versus the prior year.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Operating revenues							
Charges for services	$ 199.1	$ 186.7	$ 51.0	$ 48.7	$ 250.1	$ 235.4	6.2%
Land sales			1.4	1.5	1.4	1.5	(6.7)%
Other	0.1		0.1	0.1	0.2	0.1	
Nonoperating revenues							
Property tax revenue			10.0	9.7	10.0	9.7	3.1%
Interest revenue	2.1	4.4	2.4	1.1	4.5	5.5	(18.2)%
PFC revenue	30.9	29.3			30.9	29.3	5.5%
CFC revenue	5.6				5.6		100.0%
Other nonoperating revenue			3.1	2.1	3.1	2.1	47.6%
Total revenues	237.8	220.4	68.0	63.2	305.8	283.6	7.8%
Expenses:							
Operating expenses	188.1	178.3	76.0	71.7	264.1	250.0	5.6%
Nonoperating expenses	29.5	35.7	6.4	6.0	35.9	41.7	(13.9)%
Total expenses	217.6	214.0	82.4	77.7	300.0	291.7	2.8%
Income (loss) before contributions and transfers	20.2	6.4	(14.4)	(14.5)	5.8	(8.1)	171.6%
Capital contributions	11.7	23.9	5.8	8.4	17.5	32.3	(45.8)%
Transfers (out) in	(5.5)	(0.9)	5.5	0.9			
Increase (decrease) in net position	$ 26.4	$ 29.4	$ (3.1)	$ (5.2)	$ 23.3	$ 24.2	(3.7)%

Total revenues for the Port increased by approximately $22.2 million from the prior year. Total expenses increased approximately $8.3 million from the prior year amount.

At the Airport, operating revenues increased about $12.4 million from the prior year due primarily to increases in airline, concession, rental car and parking revenues. CFC revenues were a new revenue source during the latter half of the fiscal year. The increase of about $9.8 million in operating expenses was primarily attributable to higher salary expenses and increased accruals for a pollution remediation

obligation. Nonoperating expenses decreased by $6.2 million due to lower interest expense resulting from scheduled decreases in outstanding debt, as well as lower interest rates in 2014, and increased capitalized labor. Capital contributions decreased $12.2 million as a result of incurring fewer grant-eligible costs in 2014.

For Marine & Other, operating revenues increased $2.3 million from the prior year, the result, of increased marine revenues resulting from increased activity at the marine terminals. During the same time, operating expenses increased $4.3 million due to higher salary expenses as well as an increase in environmental expense accruals in 2014 when compared to 2013. Transfers from the Airport increased by $4.6 million primarily to fund increased construction at general aviation airports included in Marine & Other.

Budgetary Highlights:
The Port's budget for fiscal 2014 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2013. Appropriations in the budget for Marine & Other were adjusted during the year to reflect potential expenses associated with a program to incent container carrier service to call Terminal 6; increased long term debt payments to adjust for the timing of a principal payment on a loan; additional costs related to a master plan at the Troutdale airport; transfers from the Airport to reimburse Marine & Other for staff support; and a transfer to reimburse the Airport for staff time. Budget appropriations at the Airport were adjusted to reflect increased transfers to Marine & Other for staff support on capital projects and for the resource transfer from Marine & Other for staff time. 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 $43.0 million, 41.0 percent below the $72.4 million budget as the largest capital expansion program ever undertaken at the Airport winds down. Operating expenditures were $83.6 million, tracking well against the $84.3 million budget. Airport operating revenues were 200.5 million, well above the $190.0 million budget as a result of record passenger counts, which drove higher airline, nonairline, parking, and rental car revenues. Customer facility charges of $5.6 million were a new, unbudgeted revenue source in the latter half of the fiscal year. Capital grants during the year were $11.7 million, 90.0 percent above the budget of $6.2 million. Other significant budgetary resource variances include a delay in a budgeted bond issue until the next fiscal year.

Fiscal 2014 budgetary capital expenditures for Marine & Other were $24.0 million, 51.8 percent below the budget of $49.9 million, largely due to delays and deferrals. Capital grants for the year were $5.8 million, 64.3 percent below the budget of $16.2 million, in large part due to lower than anticipated grant eligible capital spending. Budgetary operating revenues were $20.1 million under budget in marine and industrial development, due to budgeted land sales that did not occur. Budgetary operating expenditures were $2.5 million below budget for administration, primarily as a result of lower than anticipated outside service costs. Budgetary operating expenditures for marine and industrial development (including revised appropriations) were also below budget approximately $2.5 million due to vacant positions and timing of incurring outside contracted expenses related to Terminal 6. Other significant budgetary resource variances include higher debt proceeds of 16.2 million resulting from a loan budgeted in the prior year which was not drawn on until 2014, as well as a new loan resulting from a refinancing to obtain a more favorable interest rate; this refinancing also resulted in long-term debt payments expenditures which were $2.7 million over budget as a result of paying off the refinanced debt.

Capital Assets:
At the end of fiscal 2014, the Port had nearly $1.5 billion invested in a broad range of capital assets. This amount represents a decrease (essentially depreciation expense offset in part by additions) of $15.9 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	$ 68.0	$ 68.0	$ 76.2	$ 75.8	$ 144.2	$ 143.8	
Construction in progress	90.5	77.7	68.0	57.5	158.5	135.2	
Total capital assets not being depreciated	158.5	145.7	144.2	133.3	302.7	279.0	8.5%
Land improvements	650.1	677.1	243.8	250.8	893.9	927.9	
Buildings and equipment	1,264.7	1,325.9	230.1	233.9	1,494.8	1,559.8	
Total capital assets being depreciated	1,914.8	2,003.0	473.9	484.7	2,388.7	2,487.7	(4.0)%
Less: accumulated depreciation	(911.7)	(961.8)	(322.2)	(331.5)	(1,233.9)	(1,293.3)	(4.6)%
Total capital assets being depreciated, net	1,003.1	1,041.2	151.7	153.2	1,154.8	1,194.4	(3.3)%
Total capital assets, net	$ 1,161.6	$ 1,186.9	$ 295.9	$ 286.5	$ 1,457.5	$ 1,473.4	(1.1)%

This year's major capital asset spending included:

Airport:
- Taxiway rehabilitation and improvements - $12.8 million
- Air Trans Center pavement rehabilitation - $7.1 million
- Parking lot and roadway pavement rehabilitation - $5.0 million
- Central utility plant switchgear upgrade - $3.1 million
- North apron rehabilitation - $2.4 million

Marine & Other:
- Dredge Oregon repowering - $11.2 million
- Hillsboro airport runway and taxiway improvements - $5.7 million
- Terminal 6 building reroof - $1.3 million
- Marine pavement rehabilitation - $1.3 million

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

The Port's 2015 capital budget estimates spending another $148 million on capital projects at the Airport and $60 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; post-security concessions redevelopment; pavement rehabilitation projects; and access control system replacement. 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 industrial land improvements; general aviation airport runway construction; and infrastructure improvements at marine terminal and Rivergate facilities. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2014, the Port had approximately $699 million in bonds, contracts and loans payable outstanding. This is a decrease 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
	2014	2013	2014	2013	2014	2013	2013-2014
Pension bonds			$ 72.8	$ 74.4	$ 72.8	$ 74.4	(2.2)%
Revenue bonds	$ 432.4	$ 458.3			432.4	458.3	(5.7)%
PFC revenue bonds	153.8	157.7			153.8	157.7	(2.5)%
Contracts and loans payable			39.7	40.2	39.7	40.2	(1.2)%
	$ 586.2	$ 616.0	$ 112.5	$ 114.6	$ 698.7	$ 730.6	(4.4)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments. As of the end of fiscal 2014, the Airport revenue bonds were rated AA- by Standard & Poor's, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased as a result of regularly scheduled bond payments.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of scheduled payments made on other pension bonds and contracts payable, offset, in part by entering into $2.3 million in loans payable and from Series 2002A pension bonds deferred interest accrued but not paid until maturity.

Please see Note 6 to the financial statements for more detailed information of long-term debt activity.

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 but steady, with most business lines continuing to show moderate growth in fiscal 2015. Fiscal 2015 airline passenger volumes are forecast to increase 2.6% over the fiscal 2014 budget. At the Port's Marine & Other facilities and business parks, many of our tenants are making significant investment to position them to take advantage of trade growth resulting from the economic recovery.

In the Port's 2015 adopted budget, total Port operating revenue is budgeted to increase about 3.9% to approximately $261.4 million largely as a result of increased land sales and increased parking revenues. Total operating expenses are budgeted to increase by about 3.6% to approximately $172.2 million, reflecting costs related to land sales as well as increased salary and benefits costs.

Operating revenues for the Airport are budgeted to increase to $201.9 million in the fiscal 2015 budget due to higher airline, nonairline, and parking revenues resulting from increased passenger volumes. Airport operating expenses (excluding depreciation) are budgeted to increase about 2.6 percent to $111.9 million as a result of increased salary and benefits costs as well as an increase to the stormwater fee imposed by the City of Portland.

In Marine & Other, operating revenues are budgeted to increase by 13.3 percent to $59.5 million, primarily due to higher land sales revenue budgeted in fiscal 2015. Operating expenses (excluding depreciation) are budgeted to increase by 5.6 percent to $60.3 million due primarily to higher costs of property sold resulting from increased budgeted land sales. Property taxes are budgeted to comprise approximately 1 percent of Port 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, 2014
with comparative totals as of June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 58,440	$ 52,114,812	$ 52,173,252	$ 41,530,170
Equity in pooled investments (Note 3)	92,478,808	120,053,105	212,531,913	213,507,383
Restricted cash and equity in pooled investments (Note 3)	49,272,366	50,000	49,322,366	52,466,900
Receivables, net of allowance for doubtful accounts of $188,000 in 2014 and $209,000 in 2013 for Airport and $286,000 in 2014 and $150,000 in 2013 for Marine & Other (Note 4)	9,520,794	13,224,171	22,744,965	20,194,393
Prepaid insurance and other assets	3,470,293	2,119,556	5,589,849	5,517,867
Total current assets	154,800,701	187,561,644	342,362,345	333,216,713
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	126,597,981	4,490,305	131,088,286	125,844,374
Receivables (Note 4)	11,809,730		11,809,730	16,760,464
Total restricted assets	138,407,711	4,490,305	142,898,016	142,604,838
Land held for sale (Note 1)		57,325,632	57,325,632	58,662,769
Depreciable properties, net of accumulated depreciation (Note 5)	1,003,119,046	151,643,100	1,154,762,146	1,194,388,799
Nondepreciable properties (Note 5)	158,556,289	144,214,297	302,770,586	279,053,484
Unamortized bond issue costs	1,555,759	236,376	1,792,135	2,006,808
Pension assets (Note 8)	37,749,756	36,890,237	74,639,993	75,229,383
Due from Airport (Note 8)		32,595,580	*	*
Other noncurrent assets		809,074	809,074	703,197
Total noncurrent assets	1,339,388,561	428,204,601	1,734,997,582	1,752,649,278
Deferred outflows of resources:				
Deferred charges on refunding bonds	17,914,510		17,914,510	19,700,519
Cumulative decrease in fair value of hedging derivative (Note 6)	15,656,000		15,656,000	17,706,000
Total deferred outflows of resources	33,570,510		33,570,510	37,406,519
Total assets	$ 1,527,759,772	$ 615,766,245	$ 2,110,930,437	$ 2,123,272,510
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 3,688,515	$ 3,688,515	$ 3,152,150
Accounts payable	$ 8,360,933	19,636,504	27,997,437	28,776,919
Book cash overdraft (Note 1)				4,265,420
Accrued wages, vacation and sick leave pay (Note 1)	6,640,819	8,110,105	14,750,924	11,306,475
Workers' compensation and other accrued liabilities (Notes 10 and 11)	1,826,524	2,729,293	4,555,817	4,147,142
Total current liabilities (payable from current assets)	16,828,276	34,164,417	50,992,693	51,648,106
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	32,690,097		32,690,097	31,184,621
Accrued interest payable	11,100,659		11,100,659	11,658,493
Accounts payable	5,114,514	50,000	5,164,514	8,205,881
Contract retainage payable	367,096		367,096	1,417,905
Total restricted current liabilities (payable from restricted assets)	49,272,366	50,000	49,322,366	52,466,900
Total current liabilities	66,100,642	34,214,417	100,315,059	104,115,006
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	30,969,000	51,677,070	82,646,070	82,412,659
Long-term debt (Note 6)	568,915,831	108,763,213	677,679,044	714,399,801
Unearned revenue and other (Notes 1 and 6)	43,645,109	27,728,990	71,374,099	66,795,461
Due to Marine & Other (Note 8)	32,595,580		*	*
Total noncurrent liabilities	676,125,520	188,169,273	831,699,213	863,607,921
Total liabilities	742,226,162	222,383,690	932,014,272	967,722,927
Commitments and contingencies (Note 11)				
NET POSITION				
Net investment in capital assets	586,060,388	320,695,720	906,756,108	910,833,408
Restricted for capital and debt service	111,751,987	3,330,936	115,082,923	100,301,440
Unrestricted	87,721,235	69,355,899	157,077,134	144,414,735
Total net position	785,533,610	393,382,555	1,178,916,165	1,155,549,583
Total liabilities and net position	$ 1,527,759,772	$ 615,766,245	$ 2,110,930,437	$ 2,123,272,510

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

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2014
with comparative totals for the year ended June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 199,053,121	$ 51,043,580	$ 250,096,701	$ 235,380,769
Land sales		1,428,234	1,428,234	1,528,970
Other	124,317	41,654	165,971	167,470
Total operating revenues	199,177,438	52,513,468	251,690,906	237,077,209
Operating expenses:				
Salaries, wages and fringe benefits	42,002,143	52,239,183	94,241,326	88,858,755
Longshore labor and fringe benefits		1,885,155	1,885,155	1,812,464
Contract, professional and consulting services	31,233,575	18,146,880	49,380,455	43,844,974
Materials and supplies	4,791,960	2,626,571	7,418,531	5,567,320
Utilities	7,908,964	1,792,531	9,701,495	8,771,781
Equipment rents, repair and fuel	1,403,651	2,625,157	4,028,808	4,052,468
Insurance	1,533,292	1,608,234	3,141,526	3,683,203
Rent	(13,257)	172,373	159,116	175,698
Travel and management expense	1,065,294	2,038,364	3,103,658	2,790,198
Intra-Port charges and expense allocations	19,276,298	(19,276,298)		
Cost of land sold		642,335	642,335	539,607
Other	856,943	5,969,330	6,826,273	5,735,252
Less expenses for capital projects	(946,510)	(13,347,461)	(14,293,971)	(14,877,674)
Total operating expenses, excluding depreciation	109,112,353	57,122,354	166,234,707	150,954,046
Operating income before depreciation	90,065,085	(4,608,886)	85,456,199	86,123,163
Depreciation expense	78,938,456	18,913,776	97,852,232	99,055,369
Total operating expenses, including depreciation	188,050,809	76,036,130	264,086,939	250,009,415
Operating income (loss)	11,126,629	(23,522,662)	(12,396,033)	(12,932,206)
Nonoperating revenues (expenses):				
Property tax revenue		9,964,457	9,964,457	9,658,014
Interest expense, net of capitalized construction period interest of $2,336,594 in 2014 and $625,760 in 2013 for Airport	(25,250,246)	(6,360,874)	(31,611,120)	(34,536,268)
Interest revenue	2,094,136	2,444,046	4,538,182	5,481,709
Other (expense) income, including loss on disposal of properties	(4,238,518)	3,114,711	(1,123,807)	(5,053,278)
Nonoperating (expenses) revenues before passenger facility charges	(27,394,628)	9,162,340	(18,232,288)	(24,449,823)
Loss before passenger facility charges and customer facility charges	(16,267,999)	(14,360,322)	(30,628,321)	(37,382,029)
Passenger facility charge revenue	30,906,655		30,906,655	29,339,099
Customer facility charge revenue	5,646,246		5,646,246	
Income (loss) before contributions and transfers	20,284,902	(14,360,322)	5,924,580	(8,042,930)
Capital contributions	11,671,306	5,770,696	17,442,002	32,239,749
Transfers (out) in	(5,471,199)	5,471,199		
Change in net position	26,485,009	(3,118,427)	23,366,582	24,196,819
Total net position - beginning of year	759,048,601	396,500,982	1,155,549,583	1,131,352,764
Total net position - end of year	$ 785,533,610	$ 393,382,555	$ 1,178,916,165	$ 1,155,549,583

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, 2014
with comparative totals for the year ended June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 201,482,948	$ 51,742,352	$ 253,225,300	$ 234,855,369
Cash payments to employees	(40,479,185)	(49,728,302)	(90,207,487)	(91,218,617)
Cash payments to suppliers and vendors	(46,578,506)	(21,919,977)	(68,498,483)	(63,339,854)
Cash payments (to) from other funds	(19,276,298)	19,276,298		
Net cash provided by (used in) operating activities	95,148,959	(629,629)	94,519,330	80,296,898
Cash flows from noncapital financing activities:				
Property taxes		9,953,047	9,953,047	9,665,244
Book cash overdraft		(4,265,420)	(4,265,420)	4,265,420
Net cash provided by noncapital financing activities		5,687,627	5,687,627	13,930,664
Cash flows from capital and related financing activities:				
Capital expenditures	(56,603,295)	(28,446,879)	(85,050,174)	(86,759,932)
Sale of properties	142,747	143,664	286,411	430,074
Net proceeds from issuance of long-term debt		2,303,000	2,303,000	101,614,490
Interest paid	(29,912,953)	(6,441,168)	(36,354,121)	(37,975,885)
Proceeds from passenger facility charges	31,511,777		31,511,777	28,645,036
Proceeds from customer facility charges	4,323,000		4,323,000	
Principal payments and redemptions on long-term debt	(29,820,000)	(4,181,916)	(34,001,916)	(121,777,667)
Contributions from governmental agencies	21,979,579	2,420,658	24,400,237	34,532,341
Cash transfers (to) from other Port divisions, net	(5,471,199)	5,471,199		
Other, primarily nonoperating expense	(3,217,380)	3,225,061	7,681	(4,538,576)
Net cash used in capital and related financing activities	(67,067,724)	(25,506,381)	(92,574,105)	(85,830,119)
Cash flows from investing activities:				
Interest received	1,552,413	2,581,725	4,134,138	2,255,809
Investment activity:				
Purchases	(95,040,695)	(50,894,914)	(145,935,609)	(203,089,673)
Proceeds from sales or maturities	65,407,047	79,404,654	144,811,701	192,887,294
Net cash (used in) provided by investing activities	(28,081,235)	31,091,465	3,010,230	(7,946,570)
Net increase in cash and cash equivalents		10,643,082	10,643,082	450,873
Cash and cash equivalents - beginning of year	58,440	41,471,730	41,530,170	41,079,297
Cash and cash equivalents - end of year	$ 58,440	$ 52,114,812	$ 52,173,252	$ 41,530,170
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 11,126,629	$ (23,522,662)	$ (12,396,033)	$ (12,932,206)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	78,938,456	18,913,776	97,852,232	99,055,369
Cost of land sales		642,335	642,335	539,607
Amortization of unearned revenue	(683,290)	(6,035,229)	(6,718,519)	(7,319,427)
Change in assets and liabilities:				
Receivables and other current assets	(3,569,882)	(451,593)	(4,021,475)	(490,682)
Amortization of pension assets	284,477	304,913	589,390	290,813
Accounts payable and accruals	(132,309)	3,654,330	3,522,021	(4,766,205)
Long-term environmental and other accruals	2,529,327	153,083	2,682,410	526,602
Additions to unearned revenue	6,655,551	5,711,418	12,366,969	5,393,027
Net cash provided by (used in) operating activities	$ 95,148,959	$ (629,629)	$ 94,519,330	$ 80,296,898
Noncash investing, capital, and related financing activities:				
Interest payable in future years		$ 985,208	$ 985,208	$ 1,030,882

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 is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port 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, six 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 765 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.

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, legal services rendered, 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.

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, customer facility charges, 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. When both restricted and unrestricted resources are available for use, it is the Port's policy to generally consider restricted assets to be used first over unrestricted assets. At June 30, 2014, all restricted assets are available to pay restricted liabilities due within one year except for approximately $97,000,000 and approximately $96,700,000 equity in pooled investments for the Port and Airport activity, respectively.

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

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 depreciable properties are depreciated over their estimated useful lives on a straight-line basis. The useful lives generally range from 5 to 40 years for land improvements; 5 to 40 years for buildings, building components, and terminals; and 2 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 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

Bond issue costs related to prepaid insurance costs are amortized over the life of the related debt and reported as a noncurrent asset on the balance sheet. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance and refunding transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is reported as a deferred outflow of resources on the balance sheet. 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.

Unearned Revenue

Unearned 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 5 to 92 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net position 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 position at estimated fair value at date of acquisition.

Property Taxes

Property taxes are used for capital and debt service 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.

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

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.

Customer Facility Charges

Customer facility charges (CFCs) are imposed on rental car transactions at the Airport, effective January 15, 2014. CFC revenue is recorded as nonoperating revenue and is required by Port ordinance to be used to fund rental car-related projects, programs and related expenses.

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, 2014 and 2013. 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.

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.

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

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 no supplemental budgets for the years ended June 30, 2014 and June 30, 2013.

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 complete 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, 2013, from which the summarized information was derived.

Comparative Information

The Port determined that in the 2013 financial statements, certain debt was incorrectly reported within the components of net position. Debt related to capital additions was incorrectly reported within the unrestricted category of net position and should have been reported in the net investment in capital assets category. Certain debt related to unspent debt proceeds was incorrectly reported within unrestricted net position and should have been reported in the restricted net position category. Additionally, debt related to unspent debt proceeds was incorrectly reported within the net investment in capital assets category of net position and should have been reported in the restricted net position category. Management has evaluated these out of period adjustments and concluded they are not material to any prior financial statement and has elected to revise the June 30, 2013 financial statements as follows:

	As Previously Reported	Adjustment	As Revised
Airport:			
Net investment in capital assets	$ 554,026,781	$ 40,597,085	$ 594,623,866
Restricted for capital and debt service	137,477,306	(40,597,085)	96,880,221
Unrestricted	77,883,927		77,883,927
Total net position	769,388,014		769,388,014
Marine & Other:			
Net investment in capital assets	345,837,168	(18,885,349)	326,951,819
Restricted for capital and debt service	18,452,964	(15,031,745)	3,421,219
Unrestricted	32,613,714	33,917,094	66,530,808
Total net position	396,903,846		396,903,846
Total:			
Net investment in capital assets	899,863,949	21,711,736	921,575,685
Restricted for capital and debt service	155,930,270	(55,628,830)	100,301,440
Unrestricted	110,497,641	33,917,094	144,414,735
Total net position	$ 1,166,291,860	$	$ 1,166,291,860

This revision had no effect on the total previously reported net position of the Port, nor did it affect previously reported revenues, expenses, or the statement of cash flows of the Port.

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

New Accounting Pronouncements

In March, 2012, the GASB issued Statement No. 65 (GASB 65), "Items Previously Reported as Assets and Liabilities," effective for the Port's fiscal year beginning July 1, 2013. The statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in GASB Concept Statement 4, "Elements of Financial Statements." GASB 65 requires that debt issuance costs, except any portions related to prepaid insurance costs, be expensed in the period incurred; prepaid insurance is reported as an asset and recognized as an expense over the life of the related debt. GASB 65 also requires that for refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt be reported as a deferred outflow of resources or deferred inflow of resources; this amount is recognized as a component of interest expense over the life of the related debt. Accounting changes adopted to conform to the provisions of GASB 65 have been applied retroactively, and fiscal 2013 has been restated. The impacts of the restatement are summarized in the following table (in thousands):

	As previously reported	As restated
Balance Sheet		
Noncurrent assets:		
Unamortized bond issue costs	$ 7,531	$ 2,007
Deferred outflows of resources:		
Deferred charges on refunding bonds		19,701
Noncurrent liabilities:		
Long-term debt	689,481	714,400
Net Position:		
Net investment in capital assets	921,576	910,833
Statement of Revenues, Expenses, and Changes in Net Position		
Nonoperating revenues (expenses):		
Interest Expense	(35,391)	(34,536)
Other (expense) income	(4,629)	(5,053)
Change in net position:		
Total net position - beginning of year(July 1, 2012)	1,142,525	1,131,353

In March, 2012, the GASB issued Statement No. 66, "Technical Corrections-2012," effective for the Port's fiscal year beginning July 1, 2013. The statement resolves conflicting accounting and financial reporting guidance that resulted from the issuance of GASB Statements 54 and 62. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans," effective for the Port's fiscal year beginning July 1, 2013. The statement revises accounting and financial reporting requirements for state and local government pension plans. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions," effective for the Port's fiscal year beginning July 1, 2014. The statement revises pension accounting and financial reporting requirements for state and local governments. The Port is currently evaluating the effects this statement will have on its financial statements.

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations," effective for the Port's fiscal year beginning July 1, 2014. The statement establishes accounting and financial reporting standards for government combinations and disposals of government operations. The Port is currently evaluating the effects this statement will have on its financial statements.

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

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees," effective for the Port's fiscal year beginning July 1, 2013. The statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions extended or received by state and local governments. The adoption of this statement did not have a material effect on the Port's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," effective for the Port's fiscal year beginning July 1, 2014. The statement addresses an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68. 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, 2014 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 32,318	$ 4,781		$ 12,245	$ 3,159	$ 10	$ 52,513
Operating expenses	30,483	7,155	$ 8,186	11,240	3,513	(3,455)	57,122
Depreciation expense	10,499	729		1,622	2,599	3,465	18,914
Operating (loss) income	$ (8,664)	$ (3,103)	$ (8,186)	$ (617)	$ (2,953)	$	$ (23,523)
Capital contributions	$ 960	$ 753		$ 22	$ 4,036		$ 5,771
Land held for sale & properties:							
Additions	5,544	1,694		12,245	6,746	$ 1,765	27,994
Deletions	(8,919)	(18)		(2,233)	(3,675)	(13,835)	(28,680)

3. Cash and Investments:

At June 30, 2014, 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. Treasuries		$ 4,839,093	$ 3,025,245		$ 7,864,338
U.S. Agencies	$ 51,360,703	30,621,699	47,296,042	$ 24,385,274	153,663,718
Corporate indebtedness	13,376,486	18,119,361	7,387,665	1,208,470	40,091,982
	$ 64,737,189	$ 53,580,153	$ 57,708,952	$ 25,593,744	201,620,038
Cash and deposits with financial institutions					66,787,557
					$ 268,407,595

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2014:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 3,148,565	$ 3,164,007	$ 1,978,035		$ 8,290,607
U.S. Agencies	21,986,036	20,021,781	30,924,181	$ 15,944,139	88,876,137
Corporate indebtedness	8,746,120	11,847,215	4,830,372	790,150	26,213,857
	$ 33,880,721	$ 35,033,003	$ 37,732,588	$ 16,734,289	123,380,601
State of Oregon local government investment pool					45,345,458
Construction escrow					1,159,369
Cash and deposits with financial institutions					6,822,794
					$ 176,708,222

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, 2014, 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 composite minimum weighted average credit quality rating for the Fund's holdings are the equivalent of AA for Standard and Poor's.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $9,741,321. Of these deposits, $250,000 was covered by federal depository insurance and $9,491,321 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:	2014			2013
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 58,440	$ 52,114,812	$ 52,173,252	$ 41,530,170
Unrestricted equity in pooled investments	92,478,808	120,053,105	212,531,913	213,507,383
Restricted cash and equity in pooled investments	175,870,347	4,540,305	180,410,652	178,311,274
	$ 268,407,595	$ 176,708,222	$ 445,115,817	$ 433,348,827

3. Cash and Investments, continued:

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $3,150,000 at June 30, 2014 and $3,150,000 at June 2013, 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, 2014 and 2013, approximately $183,885,000 and $153,644,000, 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, an international marine container terminal management company, and international steamship lines/agents. 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 $14,200,000 at June 30, 2014 and $15,000,000 at June 30, 2013. Total trade receivables for the marine shipping industry were approximately $2,300,000 at June 30, 2014 and $2,300,000 at June 30, 2013. Total grants receivable for the Airport were approximately $2,200,000 at June 30, 2014 and $12,200,000 at June 30, 2013. Total grant receivables for marine and other were approximately $4,800,000 at June 30, 2014 and $1,700,000 at June 30, 2013. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Airport:					
Capital assets being depreciated:					
Land improvements	$ 677,122,287		$ (61,200,207)	$ 34,144,249	$ 650,066,329
Buildings and equipment	1,325,899,502		(69,103,868)	7,913,844	1,264,709,478
Total capital assets being depreciated	2,003,021,789		(130,304,075)	42,058,093	1,914,775,807
Less accumulated depreciation:					
Land improvements	370,333,889	$ 29,135,089	(60,499,869)		338,969,109
Buildings and equipment	591,481,618	49,803,367	(68,597,333)		572,687,652
Total accumulated depreciation	961,815,507	78,938,456	(129,097,202)		911,656,761
Total capital assets being depreciated, net	1,041,206,282	(78,938,456)	(1,206,873)	42,058,093	1,003,119,046
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	77,681,515	54,890,700		(42,058,093)	90,514,122
Total capital assets not being depreciated	145,723,682	54,890,700		(42,058,093)	158,556,289
Airport capital assets, net	$ 1,186,929,964	$ (24,047,756)	$ (1,206,873)	$	$ 1,161,675,335
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 250,773,561		$ (8,074,348)	$ 1,118,672	$ 243,817,885
Buildings and equipment	233,886,245		(20,217,062)	16,401,407	230,070,590
Total capital assets being depreciated	484,659,806		(28,291,410)	17,520,079	473,888,475
Less accumulated depreciation:					
Land improvements	159,316,299	$ 8,695,542	(8,051,007)		159,960,834
Buildings and equipment	172,160,990	10,218,234	(20,094,683)		162,284,541
Total accumulated depreciation	331,477,289	18,913,776	(28,145,690)		322,245,375
Total capital assets being depreciated, net	153,182,517	(18,913,776)	(145,720)	17,520,079	151,643,100
Capital assets not being depreciated:					
Land	75,780,023		410,747		76,190,770
Construction in progress	57,549,779	27,993,827		(17,520,079)	68,023,527
Total capital assets not being depreciated	133,329,802	27,993,827	410,747	(17,520,079)	144,214,297
Marine & Other capital assets, net	$ 286,512,319	$ 9,080,051	$ 265,027	$	$ 295,857,397

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. In Marine & Other, the Port has granted a lender a first lien on two watercraft used by its navigation activity as security for related loans.

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, 2014 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 22,202,002	$ 22,202,002
Building & equipment	$ 664,768,220	38,782,811	703,551,031
	664,768,220	60,984,813	725,753,033
Accumulated depreciation	(347,960,584)	(28,945,117)	(376,905,701)
	$ 316,807,636	$ 32,039,696	$ 348,847,332

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

	Airport	Marine & Other	Total Port
2015	$ 40,502,000	$ 20,123,000	$ 60,625,000
2016	37,946,000	19,918,000	57,864,000
2017	16,416,000	16,959,000	33,375,000
2018	11,605,000	16,745,000	28,350,000
2019	11,204,000	15,770,000	26,974,000
Thereafter	65,842,000	179,219,000	245,061,000
Total	$ 183,515,000	$ 268,734,000	$ 452,249,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2014 and 2013:

	Airport	Marine & Other	Total Port
2014	$ 58,300,000	$ 3,200,000	$ 61,500,000
2013	$ 59,300,000	$ 2,400,000	$ 61,700,000

In prior years, Marine & Other leased certain equipment under capital leases; there were no capital leases at the Airport. The following is a summary of Marine & Other assets leased under capital leases at June 30:

	2014	2013
Equipment	$ 0	$ 3,217,739
Less: accumulated depreciation	0	(214,516)
	$ 0	$ 3,003,223

6. Long-Term Debt:

At June 30, 2014, long-term debt consisted of the following:

	Bonds Payable at June 30, 2014		
Limited Tax Pension bonds:	Pension	Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
7.15% to 7.41%, due serially through fiscal 2020	$ 5,213,665		
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):			
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.06%, due fiscal 2027		$ 55,185,000	
currently 0.09%, due fiscal 2027		55,190,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		11,035,000	
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	
Series Twenty (issued in fiscal 2011, original issue $157,050,000):			
4.0% to 5.0%, due serially through fiscal 2029		86,345,000	
3.0% to 5.0%, due serially through fiscal 2031		27,970,000	
4.25%, due fiscal 2041		16,640,000	
Series Twenty-One A and B (issued in fiscal 2011, original issue $56,770,000):			
4.0% to 5.0%, due serially through fiscal 2016		2,135,000	
5.0%, due serially through fiscal 2019		37,405,000	
Series Twenty-One C (issued in fiscal 2012, original issue $27,685,000):			
4.375% to 5.0%, due serially through fiscal 2024		27,685,000	
Passenger Facility Charge revenue bonds:			
Series 2011A (issued in fiscal 2012, original issue $75,670,000):			
3.0% to 5.5%, due serially through fiscal 2032			$ 73,490,000
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):			
currently 0.856%, due fiscal 2019			57,630,000
Series 2012B (issued in fiscal 2013, original issue $25,070,000):			
5.0%, due serially through fiscal 2019			22,680,000
Totals, including $1,436,100, $25,760,000, and $5,600,000, respectively, due within one year	$ 66,738,665	$ 432,385,000	$ 153,800,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2014
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 $43,246 due on July 1, 2014 to $55,887 due on April 1, 2023, including $534,151 due within one year	$ 5,779,156
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, 2015 through March 31, 2021, including $200,000 due within one year	1,400,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $7,427,000), 0.0%, payable in annual installments of $742,700 due July 1, 2015 through July 1, 2022	5,941,600
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 2.00% to 4.00%, payable in annual installments ranging from $344,143 due December 1, 2014 to $573,262 due December 1, 2030, including $344,143 due within one year	7,465,027
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2009, original amount available $1,500,000), 5.13%, payable in semi-annual installments ranging from $24,897 due January 1, 2015 to $116,327 due July 1, 2031, including $24,897 due within one year	1,384,551
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2010, original amount available $1,500,000), 5.13%, payable in semi-annual installments ranging from $22,768 due January 1, 2015 to $109,108 due January 1, 2032, including $22,768 due within one year	1,321,406
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $61,787 due August 1, 2014 to $115,011 due June 1, 2028, including $756,927 due within one year	14,308,064
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount $2,303,000), 2.84%,payable in monthly installments ranging from $30,395 due August 1, 2014 to $35,193, due October 1, 2019, including $369,530 due within one year	2,062,406
Total, including $2,252,416 due within one year	$ 39,662,210

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 Bonds		Passenger Facility Charge Revenue Bonds		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 25,760,000	$ 15,590,974	$ 5,600,000	$ 5,225,511	$ 3,688,516	$ 6,445,727
2016	25,585,000	14,804,397	6,160,000	4,958,012	4,673,993	6,615,654
2017	28,095,000	13,968,416	6,770,000	4,646,720	4,874,100	6,716,603
2018	27,665,000	13,048,469	7,445,000	4,304,318	5,083,690	6,818,357
2019	28,765,000	12,083,348	7,830,000	3,979,559	5,304,267	6,932,637
2020-2024	122,045,000	48,708,263	44,740,000	18,121,380	40,454,418	21,728,565
2025-2029	86,605,000	31,081,392	44,695,000	13,429,524	40,503,241	6,214,148
2030-2034	36,645,000	18,312,750	30,560,000	2,562,401	1,818,650	131,870
2035-2039	47,315,000	7,330,904				
2040-2043	3,905,000	167,769				
	$ 432,385,000	$ 175,096,682	$ 153,800,000	$ 57,227,425	$ 106,400,875	$ 61,603,561

6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 616,005,000		$ (29,820,000)	$ 586,185,000
less: current portion	(29,820,000)	$ (31,360,000)	29,820,000	(31,360,000)
Long-term portion outstanding	$ 586,185,000	$ (31,360,000)	$ -	$ 554,825,000
Marine & Other:				
Long-term debt outstanding	$ 108,279,791	$ 2,303,000	$ (4,181,916)	$ 106,400,875
less: current portion	(3,152,150)	(3,688,517)	3,152,150	(3,688,517)
Long-term portion outstanding	$ 105,127,641	$ (1,385,517)	$ (1,029,766)	$ 102,712,358

In addition, at June 30, 2014 and 2013, the Port has accrued $6,050,851 and $6,354,543, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet. Within the Airport activity, $14,090,831 and $16,732,615 in unamortized bond issuance premium is included in long-term debt on the balance sheet at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the Port has recorded $17,914,510 and $19,700,519, respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded as a deferred outflow of resources on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans in Marine & Other 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 8). 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 8). 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.

6. Long-Term Debt, continued:

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:

- 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 5f 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, 2014 and 2013.

On July 1, 2010, 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, 2015 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level, and 2) increases, contingent on Airport coverage ratio thresholds. The discount amount was increased by $3,956,899 for fiscal 2014 and by $3,689,277 for fiscal 2013.

Series Twenty-One C bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series Twenty-One C bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

Series Twenty-One A and B bonds are not subject to redemption prior to maturity.

Series Twenty bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. Series Twenty bonds maturing on or after July 1, 2021 are redeemable at the option of the Port, at par, in part, by lot, on or after July 1, 2020.

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.

Series Eighteen variable rate demand bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12 percent. 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 plus 1 percent, the federal funds rate plus 2 percent, or 7.5 percent.

6. Long-Term Debt, continued:

All Airport revenue bonds 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 2013, the Port issued Series 2012A Passenger Facility Charge Variable Rate Refunding bonds, the proceeds of which were used to redeem the 2009A PFC Variable Rate bonds. The Series 2012A bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 75 basis points plus 70 percent of 1 month LIBOR, and cannot exceed 12 percent. The Series 2012A bonds have a maturity date of July 1, 2024 and are subject to mandatory sinking account payments prior to maturity. The Series 2012A bonds were directly purchased by a single buyer for an initial purchase period ending August 1, 2016. Series 2012A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part. At the end of the initial purchase period, the Port may repurchase the outstanding bonds at par, or redeem the bonds in installments over a three year period with an interest rate based on the greater of the prime rate plus 1 percent, the federal funds rate plus 2 percent, or 7.0 percent.

In fiscal 2013, the Port issued Series 2012B Passenger Facility Charge Refunding Revenue bonds, the proceeds of which were used to refund all of the outstanding PFC Series 1999B bonds and to pay costs of issuing the 2012B bonds and refunding the 1999B bonds. The bonds have a coupon rate of 5 percent with maturities ranging from 2014 to 2018. The Series 2012B bonds are not subject to redemption prior to their stated maturities.

Series 2011A bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series 2011A bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

PFC revenue bonds principal and interest are payable solely from PFC revenues.

6. Long-Term Debt, continued:

DERIVATIVE INSTRUMENTS

At June 30, 2014, 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	$ 5,095,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (739,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 5,095,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (739,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$48,910,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (7,089,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$48,910,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (7,089,000)

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. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was $(15,656,000) at June 30, 2014 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $742,910 and a noncurrent liability of $3,364,096 at June 30, 2014. Hedge accounting is applied to the derivatives, and accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) were recorded as deferred outflows of $15,656,000, which is a decrease of $2,050,000 from the June 30, 2013 amount.

The fair values of the at-market 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 two separate counterparties for these 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 June 30, 2014 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A and C	A+ / Aa3
Derivative B and D	AAA / Aa2

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, 2014, 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; this is offset substantially by decreases in the Airport's interest payments on the bonds.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps A, B, C, and D 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

6. Long-Term Debt, continued:

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 0.075 percent, while 68 percent of 1 month LIBOR is approximately 0.1055 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, 2014; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2014, the Airport had the following investment derivative instruments outstanding:

Item	Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
E	Pay-fixed interest rate swap	$ 34,578,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,541,000)
F	Pay-fixed interest rate swap	$ 23,052,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,639,000)

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 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. The fair value of the derivatives was $(9,180,000) at June 30, 2014 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $587,187 and a noncurrent liability of $3,556,363 at June 30, 2014. In fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E and F were refunded; therefore, for accounting and financial reporting purposes, these derivatives are considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of $525,000 during fiscal 2014 was recorded as interest revenue on the statement of revenues, expenses, and changes in net position.

The fair values of the at-market 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 two separate counterparties for these 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 June 30, 2014 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative E	A+ / Aa3
Derivative F	A- / Baa2

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, 2014, none of the Airports interest rate swaps were exposed to credit risk.

6. Long-Term Debt, continued:

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted–average interest rate on the Airport's index rate bonds is approximately 0.8561 percent, while 68 percent of 1 month LIBOR is approximately 0.1055 percent.

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, 2014, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for this derivative instrument. 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 F has a negative fair value at June 30, 2014; therefore, the Airport has posted $5,650,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport's balance sheet).

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, 2014:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2015	$7,970,000	$76,805	$4,648,013	$12,694,818
2016	9,710,000	69,522	4,182,636	13,962,158
2017	10,165,000	61,898	3,736,044	13,962,942
2018	8,865,000	55,250	3,315,365	12,235,615
2019	9,025,000	48,480	2,879,502	11,952,982
2020-2024	43,075,000	139,265	7,973,680	51,187,945
2025-2029	21,565,000	15,853	866,947	22,447,800
	$ 110,375,000	$ 467,073	$ 27,602,187	$ 138,444,260

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2015	$ 100,000	$ 492,486	$ 2,795,890	$ 3,388,376
2016	105,000	491,587	2,790,660	3,387,247
2017	110,000	490,645	2,785,066	3,385,711
2018	120,000	489,618	2,714,291	3,323,909
2019	2,790,000	465,734	2,452,955	5,708,689
2020-2024	54,405,000	1,233,355	6,128,070	61,766,425
	$ 57,630,000	$ 3,663,425	$ 19,666,932	$ 80,960,357

7. 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:

	2014	2013
Bonds issued for:		
Airport industrial facilities	$ 17,300,000	$ 17,300,000
Marine & Other facilities	109,100,000	109,100,000
Total bonds payable	$ 126,400,000	$ 126,400,000

8. 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 9.56 percent of annual covered payroll for fiscal year 2014, and 9.26 percent of annual covered payroll for fiscal years 2013 and 2012. 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 decreased the balance of Port pension assets by $589,389, $290,813, and $25,824, for fiscal years 2014, 2013, and 2012, respectively, of which $284,477, $142,887, and $11,938, 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 $1,338,640, $1,227,268, and $1,111,148, in fiscal 2014, 2013, and 2012, respectively, of which $678,184, $618,852, and $557,277, were applicable to the Airport.

For fiscal years 2014, 2013, and 2012 the Port's annual PERS contributions were $5,556,741, $5,637,363, and $5,829,454, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $2,637,953, $2,641,655, and $2,673,730, for fiscal years 2014, 2013, and 2012, 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,

8. Pension Plans and Deferred Compensation Plan, continued:

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, set periodically by PERS based on actuarial valuations, was 6.27 percent of annual covered payroll for general service members and 9.0 percent for police and fire members for fiscal 2014, and 6.13 percent of annual covered payroll for general service members and 8.84 percent for police and fire members for fiscal years 2013 and 2012. The Port's fiscal 2014, 2013, and 2012 OPSRP contributions were $3,376,060, $3,180,130, and $2,861,680, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $1,401,551, $1,293,467, and $1,128,957, for fiscal years 2014, 2013, and 2012, respectively, were applicable to the Airport.

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.

9. 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 is not offered to any employees that did not meet 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:

9. Postemployment Healthcare Benefits, continued:

	Airport	Marine & Other
Annual required contribution	$ 251,000	$ 223,000
Interest on net OPEB obligation	46,000	0
Adjustment to annual required contribution	(67,000)	0
Annual OPEB cost (expense)	230,000	223,000
Contributions made	(226,000)	(349,000)
Increase (decrease) in net OPEB obligation	4,000	(126,000)
Net OPEB obligation - beginning of year	1,154,000	1,000
Net OPEB obligation (asset) - end of year	$ 1,158,000	$ (125,000)

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 (Asset)
Airport:			
2014	$ 230,000	98.3%	$ 1,158,000
2013	382,000	84.0%	1,154,000
2012	382,000	84.6%	1,093,000
Marine & Other:			
2014	$ 223,000	156.5%	$ (125,000)
2013	374,000	113.1%	1,000
2012	380,000	112.1%	50,000

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:	7/1/2013	$ 0	$ 2,739,000	$ 2,739,000	0%	N/A	N/A
Marine & Other:	7/1/2013	0	2,705,000	2,705,000	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, 2013 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2013 actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after seven years. Healthcare cost trends are also modified to reflect the expected impact of the Affordable Care Act excise tax starting in 2018. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

10. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions.

The 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 the statutory limit per loss (unlimited) 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,	
	2014	2013
Beginning liability	$ 1,293,957	$ 1,653,266
Current year claims and changes in estimates	413,542	373,249
Claim payments	(473,929)	(732,558)
Ending liability	$ 1,233,570	$ 1,293,957

Approximately $624,300 and $723,600 of the liability was applicable to the Airport at June 30, 2014 and 2013, respectively.

11. Commitments and Contingencies:

At June 30, 2014, land acquisition and construction contract commitments aggregated approximately $39,500,000 for the Airport, $6,500,000 for Marine & Other, and $46,000,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Although litigation is inherently uncertain, 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 $9,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2014. 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

11. Commitments and Contingencies, continued:

Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $21,600,000 in estimated remaining costs for this cleanup at June 30, 2014. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2014. Both these sites are accounted for within the Marine & Other activity.

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:

	2014			2013		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,771,489	$ 49,867,023	$ 51,638,512	$ 1,780,000	$ 49,033,235	$ 50,813,235
Accruals	3,203,511	2,603,927	5,807,438		891,911	891,911
Reclassifications (to) from current		(1,031,509)	(1,031,509)	(8,511)	(58,123)	(66,634)
Ending liability	$ 4,975,000	$ 51,439,441	$ 56,414,441	$ 1,771,489	$ 49,867,023	$ 51,638,512

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 2017. Total rental expense (all minimum rentals) for operating leases approximated $194,000 and $192,000 for Marine & Other in 2014 and 2013, respectively, and $414,000 and $312,000 for the Airport in 2014 and 2013, 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
2015	$ 303,356	$ 172,821	$ 476,177
2016	2,105	42,947	45,052
2017	0	1,249	1,249
2018	0	0	0
2019	0	0	0
Total	$ 305,461	$ 217,017	$ 522,478

12. Net Position Deficit and Budget Overexpenditures:

The Port has a net position deficit of $117,490,384 in the Airport PFC Fund (a fund within the Airport activity) as of June 30, 2014. 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 General Fund, the Port overexpended four budget appropriation items. An overexpenditure of $218,323 for Navigation operating expenditures resulted from additional costs incurred for spare parts purchased for a reimbursable contract, which is billed to the U.S. Army Corps of Engineers (Corps). The General Aviation division overexpended an operating expenditure budget appropriation by $152,106 as a result of higher than anticipated expense accruals associated with a master planning effort. An appropriation for long-term debt payments was overexpended by $2,652,709 as a result of refinancing a debt obligation to obtain a more favorable interest rate; this type of overexpenditure is allowed for under ORS 294.338(4)c. An overexpenditure in the Other Environmental division of $473,017 was caused by revision of an estimated environmental liability, and does not represent a cash overexpenditure.

13. Subsequent Event:

Subsequent to June 30, 2014, the Airport issued Series Twenty-Two Airport revenue bonds. The Series Twenty-Two bonds were issued September 4, 2014 for a face amount of $90,050,000 to pay for costs of construction at the Airport, to pay a portion of the interest to accrue on the Series Twenty-Two bonds during the construction period, and to fund issuance costs and a debt service reserve.

REQUIRED SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR DEFINED-BENEFIT HEALTHCARE PLAN

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						
7/1/2009	$0	$3,182,000	$3,182,000	0%	N/A	N/A
7/1/2011	$0	$3,908,000	$3,908,000	0%	N/A	N/A
7/1/2013	$0	$2,739,000	$2,739,000	0%	N/A	N/A
Marine & Other						
7/1/2009	$0	$3,394,000	$3,394,000	0%	N/A	N/A
7/1/2011	$0	$4,096,000	$4,096,000	0%	N/A	N/A
7/1/2013	$0	$2,705,000	$2,705,000	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

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.

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, interest on investments, and a property tax levy for Port improvements.

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, 2014

	Budgetary (Accrual) Basis *		Excess
	Revenues	Expenditures	Revenues (Expenditures)
Port Funds:			
General Fund	$ 71,111,066	$ 104,023,609	$ (32,912,543)
Bond Construction Fund	16,058,578	24,013,987	(7,955,409)
Airport Revenue Fund	208,118,626	83,570,261	124,548,365
Airport Revenue Bond Fund	20,659	46,939,400	(46,918,741)
Airport Construction Fund	11,981,868	43,007,003	(31,025,135)
PFC Fund	31,131,902	8,001	31,123,901
PFC Bond Fund	24,924	13,758,412	(13,733,488)
Totals - budgetary reporting basis	$ 338,447,623	$ 315,320,673	23,126,950
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			67,020,990
Internal costs on capital projects			14,069,660
Interest expense capitalized			2,336,594
Depreciation and amortization expense			(97,852,232)
Expenses that will be expended in future years			(4,653,929)
Contributions from governmental agencies			(17,437,744)
Bond sale and loan proceeds			(16,228,631)
Bond and contract payable principal expenditures			40,676,584
Difference between property sale proceeds and loss on sales			(1,308,202)
Difference between income and proceeds from sales of land			(543,880)
Change in unearned revenues and certain rents, notes, and contracts receivable			(561,961)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,050,698)
Expensed capital outlay expenditures			(229,664)
Other			(439,257)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 5,924,580

* 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, 2014

	Budgetary (Accrual) Basis *		Excess Revenues (Expenditures)
	Revenues	Expenditures	
Airport Funds:			
Airport Revenue Fund	$ 208,118,626	$ 83,570,261	$ 124,548,365
Airport Revenue Bond Fund	20,659	46,939,400	(46,918,741)
Airport Construction Fund	11,981,868	43,007,003	(31,025,135)
PFC Fund	31,131,902	8,001	31,123,901
PFC Bond Fund	24,924	13,758,412	(13,733,488)
Totals - budgetary reporting basis	$ 251,277,979	$ 187,283,077	63,994,902
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			43,007,003
Internal costs on capital projects			924,415
Interest expense capitalized			2,336,594
Depreciation and amortization expense			(78,938,456)
Expenses that will be expended in future years			(3,207,511)
Contributions from governmental agencies			(11,667,048)
Bond principal expenditures			34,001,784
Allocation of pension debt service			(3,108,711)
Difference between property sale proceeds and loss on sales			(1,163,883)
Change in unearned revenues and certain rents, notes, and contracts receivable			(284,796)
Amortization of bond issuance costs and deferred charges on refunding bonds			(1,978,776)
Intra-Port services received, provided, and overhead			(22,986,589)
Other			(644,026)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 20,284,902

* 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, 2014

	Resources				Over (Under)
	Original	Transfers In (Out)	Budget	Actual	Budget
REVENUES:					
Operating revenues:					
Administration	$ 153,000		$ 153,000	$ 9,832	$ (143,168)
Marine and Industrial Development	56,839,290		56,839,290	36,776,736	(20,062,554)
Navigation	12,371,488		12,371,488	12,380,449	8,961
General Aviation	3,352,453		3,352,453	3,179,921	(172,532)
	72,716,231		72,716,231	52,346,938	(20,369,293)
Interest	1,291,050		1,291,050	2,274,313	983,263
Debt proceeds				16,243,631	16,243,631
Fixed asset sales and other				246,184	246,184
Total revenues	74,007,281		74,007,281	71,111,066	(2,896,215)
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	2,731,763		2,731,763	3,958,715	1,226,952
Airport Construction Fund	7,344,058	$ 1,300,000	8,644,058	8,881,653	237,595
Airport Revenue Fund	25,653,733	1,500,000	27,153,733	27,491,684	337,951
Total transfers	35,729,554	2,800,000	38,529,554	40,332,052	1,802,498
Total revenues and transfers	109,736,835	2,800,000	112,536,835	111,443,118	(1,093,717)
BEGINNING WORKING CAPITAL	148,147,409		148,147,409	137,040,643	(11,106,766)
Total resources	$ 257,884,244	$ 2,800,000	$ 260,684,244	$ 248,483,761	$ (12,200,483)

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2014

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Administration	$ 46,617,280		$ 46,617,280	$ 44,117,789	$ 2,499,491
Marine and Industrial Development	30,778,362	$ 2,000,000	32,778,362	30,259,641	2,518,721
Navigation	9,561,843		9,561,843	9,780,166	(218,323)
General Aviation	2,107,711	200,000	2,307,711	2,459,817	(152,106)
Long-term debt payments	10,225,125	150,000	10,375,125	13,027,834	(2,652,709)
System development charges/other	30,000		30,000		30,000
Other environmental	3,905,346		3,905,346	4,378,363	(473,017)
Contingencies	133,200,183	300,000	133,500,183		133,500,183
Total expenditures	236,425,850	2,650,000	239,075,850	104,023,609	135,052,241
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	20,822,989		20,822,989	5,000,822	15,822,167
Airport Revenue Fund	635,405	150,000	785,405	384,792	400,613
Total transfers	21,458,394	150,000	21,608,394	5,385,614	16,222,780
Total expenditures and transfers	$ 257,884,244	$ 2,800,000	$ 260,684,244	109,409,223	$ 151,275,021
ENDING WORKING CAPITAL				$ 139,074,538	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 94,725	$ 122,318	$ 27,593
Grants	16,191,866	5,770,696	(10,421,170)
	16,286,591	5,893,014	(10,393,577)
Tax and tax items:			
Current property tax levy - net	9,744,994	10,115,129	370,135
Interest on taxes		50,435	50,435
	9,744,994	10,165,564	420,570
Total revenues	26,031,585	16,058,578	(9,973,007)
TRANSFERS FROM OTHER FUNDS:			
General Fund	20,822,989	5,000,822	(15,822,167)
Airport Revenue Fund	5,768,184	5,207,215	(560,969)
Total transfers	26,591,173	10,208,037	(16,383,136)
BEGINNING WORKING CAPITAL	10,000,000	16,012,117	6,012,117
Total resources	$ 62,622,758	42,278,732	$ (20,344,026)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 49,858,683	24,013,987	$ 25,844,696
Contingencies	10,000,000		10,000,000
Total expenditures	59,858,683	24,013,987	35,844,696
TRANSFERS TO OTHER FUNDS:			
General Fund	2,731,763	3,958,715	(1,226,952)
Airport Revenue Fund	32,312	33,341	(1,029)
Total transfers	2,764,075	3,992,056	(1,227,981)
Total expenditures and transfers	$ 62,622,758	28,006,043	$ 34,616,715
ENDING WORKING CAPITAL		$ 14,272,689	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Resources				
	Original	Transfers In (Out)	Revised	Actual	Over (Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 190,042,732		$ 190,042,732	$ 200,511,067	$ 10,468,335
Customer Facility Charges revenue				5,646,246	5,646,246
Interest and other	474,175		474,175	1,961,313	1,487,138
Total revenues	190,516,907		190,516,907	208,118,626	17,601,719
TRANSFERS FROM OTHER FUNDS:					
General Fund	635,405	$ 150,000	785,405	384,792	(400,613)
Bond Construction Fund	32,312		32,312	33,341	1,029
Airport Construction Fund	1,124,030		1,124,030	891,074	(232,956)
Total transfers	1,791,747	150,000	1,941,747	1,309,206	(632,541)
Total revenues and transfers	192,308,654	150,000	192,458,654	209,427,832	16,969,178
BEGINNING WORKING CAPITAL	35,000,000		35,000,000	76,048,947	41,048,947
Total resources	$ 227,308,654	$ 150,000	$ 227,458,654	285,476,779	$ 58,018,125

	Appropriations				
	Original	Transfers In (Out)	Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Operating expenditures	$ 84,314,286		$ 84,314,286	83,565,622	$ 748,664
Other	5,000		5,000	4,639	361
Contingencies	36,500,000		36,500,000		36,500,000
Total expenditures	120,819,286		120,819,286	83,570,261	37,249,025
TRANSFERS TO OTHER FUNDS:					
General Fund	25,653,733	$ 1,500,000	27,153,733	27,491,684	(337,951)
Bond Construction Fund	5,768,184		5,768,184	5,207,215	560,969
Airport Construction Fund	27,656,814	(1,350,000)	26,306,814	28,001,733	(1,694,919)
Airport Revenue Bond Fund	47,410,637		47,410,637	46,996,026	414,611
Total transfers	106,489,368	150,000	106,639,368	107,696,658	(1,057,290)
Total expenditures and transfers	$ 227,308,654	$ 150,000	$ 227,458,654	191,266,919	$ 36,191,735
ENDING WORKING CAPITAL				$ 94,209,860	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 20,925	$ 20,659	$ (266)
Bond sale proceeds	4,400,000		(4,400,000)
Total revenues	4,420,925	20,659	(4,400,266)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	47,410,637	46,996,026	(414,611)
Airport Construction Fund	2,200,000		(2,200,000)
Total transfers	49,610,637	46,996,026	(2,614,611)
Total revenues and transfers	54,031,562	47,016,685	(7,014,877)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	21,039,577	21,097,051	57,474
Total resources	$ 75,071,139	68,113,736	$ (6,957,403)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 49,631,562	46,939,400	$ 2,692,162
Total expenditures	49,631,562	46,939,400	$ 2,692,162
UNAPPROPRIATED BALANCE	25,439,577		
	$ 75,071,139		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 21,174,336	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Resources				Over (Under)
	Original	Transfers In (Out)	Revised	Actual	Budget
REVENUES:					
Grants	$ 6,153,671		$ 6,153,671	$ 11,667,048	$ 5,513,377
Interest and other	337,725		337,725	314,820	(22,905)
Bond sale proceeds	46,200,000		46,200,000		(46,200,000)
Total revenues	52,691,396		52,691,396	11,981,868	(40,709,528)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	27,656,814	$ (1,350,000)	26,306,814	28,001,733	1,694,919
PFC Fund	21,089,250		21,089,250	134,903	(20,954,347)
Total transfers	48,746,064	(1,350,000)	47,396,064	28,136,636	(19,259,428)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	33,966,426		33,966,426	59,295,951	25,329,525
Total resources	$ 135,403,886	$ (1,350,000)	$ 134,053,886	99,414,455	$ (34,639,431)

	Appropriations				(Over) Under
	Original	Transfers In (Out)	Revised	Actual	Budget
EXPENDITURES:					
Capital outlay	$ 73,710,798	$ (1,300,000)	$ 72,410,798	43,007,003	$ 29,403,795
Contingencies	51,025,000	(1,350,000)	49,675,000		49,675,000
Total expenditures	124,735,798	(2,650,000)	122,085,798	43,007,003	79,078,795
TRANSFERS TO OTHER FUNDS:					
General Fund	7,344,058	1,300,000	8,644,058	8,881,653	(237,595)
Airport Revenue Fund	1,124,030		1,124,030	891,074	232,956
Airport Revenue Bond Fund	2,200,000		2,200,000		2,200,000
Total transfers	10,668,088	1,300,000	11,968,088	9,772,726	2,195,362
Total expenditures and transfers	$ 135,403,886	$ (1,350,000)	$ 134,053,886	52,779,729	$ 81,274,157
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 46,634,726	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 48,600	$ 225,247	$ 176,647
Passenger facility charges	28,882,964	30,906,655	2,023,691
Total revenues	28,931,564	31,131,902	2,200,338
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	32,416,677	20,168,454	(12,248,223)
Total resources	$ 61,348,241	51,300,356	$ (10,047,885)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 10,000	8,001	$ 1,999
Contingencies	25,948,187		25,948,187
Total expenditures	25,958,187	8,001	25,950,186
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	14,300,804	13,745,278	555,526
Airport Construction Fund	21,089,250	134,903	20,954,347
Total transfers	35,390,054	13,880,181	21,509,873
Total expenditures and transfers	$ 61,348,241	13,888,182	$ 47,460,059
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 37,412,174	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest & other	$ 28,575	$ 24,924	$ (3,651)
Total revenues	28,575	24,924	(3,651)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,300,804	13,745,278	(555,526)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	15,476,035	14,315,858	(1,160,177)
Total resources	$ 29,805,414	28,086,060	$ (1,719,354)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 14,329,379	13,758,412	$ 570,967
Total expenditures	14,329,379	13,758,412	$ 570,967
UNAPPROPRIATED BALANCE	15,476,035		
	$ 29,805,414		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,327,648	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2014

		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	$ 52,173,252	$ 52,114,812	$ 52,065,736	$ 49,076	$ 58,440	$ 58,440				
Equity in pooled investments	212,531,913	120,053,105	108,939,587	11,113,518	92,478,808	92,478,808				
Restricted Cash and equity in pooled investments	49,322,366	50,000	50,000		49,272,366		$ 34,902,165	$ 5,481,610	$ 587,187	$ 8,301,404
Receivables, net of allowance for doubtful accounts	22,744,965	13,224,171	7,776,943	5,447,228	9,520,794	9,520,794				
Prepaid insurance and other assets	5,589,849	2,119,556	2,119,556		3,470,293	3,470,293				
Total current assets	342,362,345	187,561,644	170,951,822	16,609,822	154,800,701	105,528,335	34,902,165	5,481,610	587,187	8,301,404
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	131,088,286	4,490,305	4,490,305		126,597,981	12,747,198	21,161,094	44,735,134	33,642,828	14,311,727
Receivables	11,809,730				11,809,730	6,111,629	13,242	1,899,592	3,769,346	15,921
Total restricted assets	142,898,016	4,490,305	4,490,305		138,407,711	18,858,827	21,174,336	46,634,726	37,412,174	14,327,648
Land held for sale	57,325,632	57,325,632	57,325,632							
Depreciable properties, net of accumulated depreciation	1,154,762,146	151,643,100	151,643,100		1,003,119,046	1,003,119,046				
Nondepreciable properties	302,770,586	144,214,297	76,190,770	68,023,527	158,556,289	68,042,167		90,514,122		
Unamortized bond issue costs	1,792,135	236,376	236,376		1,555,759	1,230,223			325,536	
Pension assets	74,639,993	36,890,237	36,890,237		37,749,756	37,749,756				
Due from other funds		32,595,580 *	32,595,580 *							
Other noncurrent assets	809,074	809,074	809,074							
Total noncurrent assets	1,734,997,582	428,204,601	360,181,074	68,023,527	1,339,388,561	1,129,000,019	21,174,336	137,148,848	37,737,710	14,327,648
Deferred outflows of resources:										
Deferred charges on refunding bonds	17,914,510				17,914,510	5,513,440			12,401,070	
Cumulative decrease in fair value of hedging derivative	15,656,000				15,656,000		15,656,000			
Total deferred outflows of resources	33,570,510				33,570,510	5,513,440	15,656,000		12,401,070	
Total assets	$ 2,110,930,437	$ 615,766,245	$ 531,132,896	$ 84,633,349	$ 1,527,759,772	$ 1,240,041,794	$ 71,732,501	$ 142,630,458	$ 50,725,967	$ 22,629,052
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 3,688,515	$ 3,688,515	$ 3,688,515							
Accounts payable	27,997,437	19,636,504	17,299,371	$ 2,337,133	$ 8,360,933	$ 8,360,933				
Accrued wages, vacation and sick leave pay	14,750,924	8,110,105	8,110,105		6,640,819	6,640,819				
Workers' compensation and other accrued liabilities	4,555,817	2,729,293	2,729,293		1,826,524	1,826,524				
Total current liabilities (payable from current assets)	50,992,693	34,164,417	31,827,284	2,337,133	16,828,276	16,828,276				
Restricted liabilities (payable from restricted assets):										
Current portion of long-term debt and other	32,690,097				32,690,097		$ 26,502,910		$ 587,187	$ 5,600,000
Accrued interest payable	11,100,659				11,100,659		8,399,255			2,701,404
Accounts payable	5,164,514	50,000	50,000		5,114,514			$ 5,114,514		
Contract retainage payable	367,096				367,096			367,096		
Total restricted current liabilities (payable from restricted assets)	49,322,366	50,000	50,000		49,272,366		34,902,165	5,481,610	587,187	8,301,404
Total current liabilities	100,315,059	34,214,417	31,877,284	2,337,133	66,100,642	16,828,276	34,902,165	5,481,610	587,187	8,301,404
Noncurrent liabilities:										
Long-term environmental and other accruals	82,646,070	51,677,070	51,677,070		30,969,000	6,133,000	15,656,000		9,180,000	
Long-term debt	677,679,044	108,763,213	108,763,213		568,915,831	414,023,030			154,892,801	
Unearned revenue and other	71,374,099	27,728,990	27,728,990		43,645,109	36,724,650	3,364,096		3,556,363	
Due to other funds					32,595,580 *	32,595,580 *				
Total noncurrent liabilities	831,699,213	188,169,273	188,169,273		676,125,520	489,476,260	19,020,096		167,629,164	
Total liabilities	932,014,272	222,383,690	220,046,557	2,337,133	742,226,162	506,304,536	53,922,261	5,481,610	168,216,351	8,301,404
NET POSITION										
Net investment in capital assets	906,756,108	320,695,720	252,672,193	68,023,527	586,060,388	641,964,295	(5,716,506)	92,448,093	(137,035,494)	(5,600,000)
Restricted for capital and debt service	115,082,923	3,330,936	3,330,936		111,751,987	4,051,728	23,526,746	44,700,755	19,545,110	19,927,648
Unrestricted	157,077,134	69,355,899	55,083,210	14,272,689	87,721,235	87,721,235				
Total net position	1,178,916,165	393,382,555	311,086,339	82,296,216	785,533,610	733,737,258	17,810,240	137,148,848	(117,490,384)	14,327,648
Total liabilities and net position	$ 2,110,930,437	$ 615,766,245	$ 531,132,896	$ 84,633,349	$ 1,527,759,772	$ 1,240,041,794	$ 71,732,501	$ 142,630,458	$ 50,725,967	$ 22,629,052

* 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, 2014

Operating revenues:	
Airline revenues	$ 90,822,905
Concessions and other rentals	106,861,512
Other	1,472,044
	199,156,461
Interest income - revenue fund and revenue bond fund	961,129
	200,117,590
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	41,717,666
Contract, professional and consulting services	31,233,575
Materials and supplies	4,791,960
Utilities	7,908,964
Equipment rents, repair and fuel	1,403,651
Insurance	1,533,292
Rent	(13,257)
Travel and management expense	1,065,294
Allocation of general and administration expense of the Port of Portland	19,276,298
Other	2,998,165
	111,915,608
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 88,201,982

* 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, 2014

Section 16(ii) of Ordinance No. 155 and Section 5f 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 prior lien bond (PLB) and subordinate lien bond (SLB) debt service requirements, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds. The Airport paid off the last of the PLBs in 1993, and has covenanted not to issue any further PLBs.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		$ 88,201,982
SLB debt service requirement:		
Interest and principal amount	$ 46,985,402	
	x 130%	
Total net revenues required		61,081,023
Excess of net revenues over 130% of SLB debt service requirement		$ 27,120,959

Section 5f of Ordinance No. 323 also requires that in a fiscal year when there is excess principal due, as defined in Section 5f of Ordinance No. 323, the net revenues in excess of 130% of the SLB debt service requirement equal 100% of such excess principal amount.

Excess of net revenues over 130% of SLB debt service requirement		$ 27,120,959
Excess principal amount	$	
	x 100%	
Total additional net revenues required		
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 27,120,959

In addition, Section 5f of Ordinance No. 323 requires that the net nevenues, together with other amounts that are available to pay other swap obligations, as defined in Ordinance No. 323, are sufficient to pay all other swap obligations and junior lien obligations (Other Obligations) when due.

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 27,120,959
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		27,120,959
Other swap obligations	$	
Junior lien obligations		
Total Other Obligations		
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		$ 27,120,959

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2014

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2013	$ 4,757,070	$
Interest income	24,648	
	4,781,718	
Construction expenditures	2,847,747	
Construction account, June 30, 2014	$ 1,933,971	$

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, 2014

Net revenues, per accompanying schedule of net revenues	$	88,201,982	
Less revenue bond fund interest income		(20,660)	
Applied to General Account, available to be applied to debt service of bonds	$	88,181,322	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	46,985,402	(2)
Ratio (1)/(2)		1.88	
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, 2014

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2013	$ 5,157	$ 14,310,701	$ 20,168,454
PFC revenues:			
PFC bond account	13,745,278		
Capital account			17,161,377
Interest earnings		24,924	202,952
Transfer from reserve account to bond account	24,924	(24,924)	
Bond payments to trustee	(13,758,412)		
Costs of approved PFC projects			(134,903)
Other, net			14,294
Balances at June 30, 2014	$ 16,947	$ 14,310,701	$ 37,412,174

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, 2014

Fiscal Year	Property Taxes Receivable June 30, 2013	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2014	Interest Collected
2013-14		$ 10,261,791	$ (9,730,718)	$ (264,241)	$ (24,377)	$ 242,455	$ 3,408
2012-13	$ 256,598		(119,241)		(6,231)	131,126	7,186
2011-12	145,348		(45,726)		(98)	99,524	7,229
2010-11	94,141		(38,212)		907	56,836	9,343
2009-10	56,021		(15,935)		(1,005)	39,081	4,888
2008-09 and prior	17,122		(3,215)		(2,289)	11,618	1,418
	$ 569,230	$ 10,261,791	$ (9,953,047)	$ (264,241)	$ (33,093)	$ 580,640	$ 33,472

Reconciliation to income from property taxes:

Current levy	$ 10,261,791
Deduct discounts allowed	(264,241)
Cancellations and adjustments	(33,093)
	$ 9,964,457

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2014

			2013-2014 Transactions			Outstanding June 30, 2014	
	Maturity Date	Outstanding at June 30, 2013	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 6,042,305		$ 828,640	$ 828,640	$ 5,213,665	$ 846,101
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	18,510,000		510,000	510,000	18,000,000	590,000
Total Limited Tax Pension Bonds		68,077,305		1,338,640	1,338,640	66,738,665	1,436,101
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 0.06% *	07/01/26	58,230,000		3,045,000	3,045,000	55,185,000	3,985,000
Series 18B, 0.09% *	07/01/26	58,230,000		3,040,000	3,040,000	55,190,000	3,985,000
Series 19, 4.00% to 5.50%	07/01/38	126,295,000		2,465,000	2,465,000	123,830,000	2,585,000
Series 20A, 3.00% to 5.00%	07/01/40	27,870,000		4,000,000	4,000,000	23,870,000	2,360,000
Series 20B, 2.00% to 4.50%	07/01/40	21,175,000		435,000	435,000	20,740,000	445,000
Series 20C, 4.00% to 5.00%	07/01/28	90,260,000		3,915,000	3,915,000	86,345,000	3,840,000
Series 21A, 3:00% to 5.00%	07/01/15	3,855,000		1,720,000	1,720,000	2,135,000	1,770,000
Series 21B, 2.00% to 5.00%	07/01/18	44,695,000		7,290,000	7,290,000	37,405,000	6,790,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Total Portland Int'l Airport Revenue Bonds		458,295,000		25,910,000	25,910,000	432,385,000	25,760,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	74,915,000		1,425,000	1,425,000	73,490,000	1,475,000
Series 2012A 0 .86% *	07/01/24	57,725,000		95,000	95,000	57,630,000	100,000
Series 2012B 5.00% to 5.75%	07/01/18	25,070,000		2,390,000	2,390,000	22,680,000	4,025,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		157,710,000		3,910,000	3,910,000	153,800,000	5,600,000
Total Port Bonds		$ 684,082,305		$ 31,158,640	$ 31,158,640	$ 652,923,665	$ 32,796,101
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 6,285,692		$ 506,536	$ 506,536	$ 5,779,156	$ 534,151
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	1,600,000		200,000	200,000	1,400,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/23	6,684,300			742,700	5,941,600	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	7,803,010		337,983	337,983	7,465,027	344,143
Oregon Business Development Dept., 040-188, 5.13%	07/01/31	1,432,492		23,667	47,941	1,384,551	24,897
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	1,365,247		21,643	43,842	1,321,406	22,768
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19		$ 2,303,000	240,594	240,594	2,062,406	369,530
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	15,031,745		723,681	723,681	14,308,064	756,927
Total Contracts & Loans Payable		$ 40,202,486	$ 2,303,000	$ 2,054,104	$ 2,843,276	$ 39,662,210	$ 2,252,416
TOTAL PORT LONG-TERM DEBT		$ 724,284,791	$ 2,303,000	$ 33,212,744	$ 34,001,916	$ 692,585,875	$ 35,048,516

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2014. 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, 2014

		2013 - 14 Transactions				
	Outstanding at June 30, 2013	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2014	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 12,077,696		$ 1,086,360		$ 10,991,336	$ 1,288,900
Series 2002B, 6.60% to 6.85%	34,948,528		2,965,950		31,982,578	2,965,950
Series 2005, 4.00% to 5.50%	8,818,609		917,254		7,901,355	893,463
Total Limited Tax Pension Bonds	55,844,833		4,969,564		50,875,269	5,148,313
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 0.06% *	329,889		45,055	$ 98,021	186,813	30,720
Series 18B, 0.09% *	256,614		41,249	(64,895)	280,260	46,085
Series 19, 4.00% to 5.50%	107,037,230		6,575,663		100,461,567	6,462,338
Series 20A, 3.125% to 5.00%	11,731,066		1,098,906		10,632,160	945,806
Series 20B, 2.00% to 4.50%	14,319,538		845,399		13,474,139	828,863
Series 20C, 4.00% to 5.00%	39,510,075		4,357,150		35,152,925	4,202,050
Series 21A, 3.00% to 5.00%	177,625		114,850		62,775	53,650
Series 21B, 2.00% to 5.00%	6,905,625		2,052,500		4,853,125	1,700,500
Series 21C, 4.375% to 5.00%	11,313,881		1,320,963		9,992,918	1,320,962
Total Portland Int'l Airport Revenue Bonds	191,581,543		16,451,735	33,126	175,096,682	15,590,974
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 2011, 2.50% to 5.50%	54,485,400		3,743,150		50,742,250	3,699,650
Series 2012A 0.86% *	4,302,439		506,197	(132,817)	3,663,425	492,486
Series 2012B 5.00% to 5.75%	4,015,500		1,193,750		2,821,750	1,033,375
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	62,803,339		5,443,097	(132,817)	57,227,425	5,225,511
Total Port Bonds	$ 310,229,715		$ 26,864,396	$ (99,691)	$ 283,199,376	$ 25,964,798
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 1,781,320		$ 322,166		$ 1,459,154	$ 294,552
Oregon Business Development Dept., B08005, 2.00% to 4.00%	2,951,122		258,049		2,693,073	251,289
Oregon Business Development Dept., 040-188, 5.13%	801,179		72,880		728,299	35,514
Oregon Business Development Dept., 040-189, 5.13%	786,483		69,482		717,001	33,895
Banc of America Leasing & Capital, LLC, 2.84%		$ 201,624	41,618		160,006	53,787
Banc of America Leasing & Capital, LLC, 4.5%	5,632,383		661,624		4,970,759	628,378
Total Contracts & Loans Payable	$ 11,952,487	$ 201,624	$ 1,425,819		$ 10,728,292	$ 1,297,415
TOTAL PORT LONG-TERM DEBT	$ 322,182,202	$ 201,624	$ 28,290,215	$ (99,691)	$ 293,927,668	$ 27,262,213

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2014. 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, 2014

		Date of Issue	Total Requirements	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 to 2023-24	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2039-40 to 2043-44
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	$ 5,213,665	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	$ 832,780				
2.00% to 7.41%	-Interest		10,991,336	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						18,535,000	$ 24,990,000			
6.60% to 6.85%	-Interest		31,982,578	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	13,085,397	4,067,431			
Series 2005	-Principal	09/23/05	18,000,000	590,000	680,000	775,000	875,000	985,000	6,875,000	7,220,000			
4.00% to 5.50%	-Interest		7,901,355	893,463	864,795	831,753	794,096	751,580	2,907,982	857,686			
Total Limited Tax Pension Bonds	-Principal		$ 66,738,665	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 26,242,780	$ 32,210,000			
Total Limited Tax Pension Bonds	-Interest		$ 50,875,269	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 18,285,599	$ 4,925,117			
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:													
Series 18A	-Principal	06/11/08	$ 55,185,000	$ 3,985,000	$ 4,855,000	$ 5,080,000	$ 4,435,000	$ 4,510,000	$ 21,540,000	$ 10,780,000			
0.06% **	-Interest		186,813	30,720	27,807	24,759	22,098	19,392	55,698	6,339			
Series 18B	-Principal	06/11/08	55,190,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	21,535,000	10,785,000			
0.09% **	-Interest		280,260	46,085	41,715	37,139	33,152	29,088	83,567	9,514			
Series 19	-Principal	11/13/08	123,830,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	17,945,000	23,115,000	$ 29,770,000	$ 38,870,000	
4.00% to 5.50%	-Interest		100,461,567	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	27,094,100	21,798,699	14,940,837	5,573,424	
Series 20A	-Principal	11/02/10	23,870,000	2,360,000	1,235,000	1,590,000	1,660,000	1,745,000	3,635,000	4,285,000	2,630,000	3,240,000	$ 1,490,000
3.125% to 5.00%	-Interest		10,632,160	945,806	864,919	797,381	716,131	631,006	2,664,853	1,984,551	1,290,988	672,562	63,963
Series 20B	-Principal	11/02/10	20,740,000	445,000	460,000	485,000	505,000	525,000	2,950,000	3,505,000	4,245,000	5,205,000	2,415,000
2.00% to 4.50%	-Interest		13,474,139	828,863	808,500	788,450	768,650	748,050	3,413,563	2,848,414	2,080,925	1,084,918	103,806
Series 20C	-Principal	11/02/10	86,345,000	3,840,000	4,000,000	5,590,000	5,860,000	6,165,000	26,755,000	34,135,000			
4.00% to 5.00%	-Interest		35,152,925	4,202,050	4,025,250	3,785,500	3,499,250	3,198,625	12,008,375	4,433,875			
Series 21A	-Principal	04/05/11	2,135,000	1,770,000	365,000								
3.00% to 5.00%	-Interest		62,775	53,650	9,125								
Series 21B	-Principal	04/05/11	37,405,000	6,790,000	7,120,000	7,455,000	7,830,000	8,210,000					
2.00% to 5.00%	-Interest		4,853,125	1,700,500	1,352,750	988,375	606,250	205,250					
Series 21C	-Principal	08/10/11	27,685,000						27,685,000				
4.375% to 5.00%	-Interest		9,992,918	1,320,962	1,320,962	1,320,962	1,320,963	1,320,962	3,388,107				
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 432,385,000	$ 25,760,000	$ 25,585,000	$ 28,095,000	$ 27,665,000	$ 28,765,000	$ 122,045,000	$ 86,605,000	$ 36,645,000	$ 47,315,000	$ 3,905,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 175,096,682	$ 15,590,974	$ 14,804,397	$ 13,968,416	$ 13,048,469	$ 12,083,348	$ 48,708,263	$ 31,081,392	$ 18,312,750	$ 7,330,904	$ 167,769
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	$ 73,490,000	$ 1,475,000	$ 1,505,000	$ 1,560,000	$ 1,650,000	$ 1,710,000	$ 595,000	$ 34,435,000	$ 30,560,000		
2.50% to 5.50%	-Interest		50,742,250	3,699,650	3,647,425	3,578,325	3,506,325	3,430,575	16,888,025	13,429,524	2,562,401		
Series 2012A	-Principal	08/15/12	57,630,000	100,000	105,000	110,000	120,000	2,790,000	44,145,000	10,260,000			
0.86%**	-Interest		3,663,425	492,486	491,587	490,645	489,618	465,734	1,233,355				
Series 2012B	-Principal	10/31/12	22,680,000	4,025,000	4,550,000	5,100,000	5,675,000	3,330,000					
5.00% to 5.75%	-Interest		2,821,750	1,033,375	819,000	577,750	308,375	83,250					
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 153,800,000	$ 5,600,000	$ 6,160,000	$ 6,770,000	$ 7,445,000	$ 7,830,000	$ 44,740,000	$ 44,695,000	$ 30,560,000		
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 57,227,425	$ 5,225,511	$ 4,958,012	$ 4,646,720	$ 4,304,318	$ 3,979,559	$ 18,121,380	$ 13,429,524	$ 2,562,401		
Total Port Bonds	-Principal		$ 652,923,665	$ 32,796,100	$ 33,286,806	$ 36,517,546	$ 36,878,815	$ 38,481,618	$ 193,027,780	$ 163,510,000	$ 67,205,000	$ 47,315,000	$ 3,905,000
Total Port Bonds	-Interest		$ 283,199,376	$ 25,964,798	$ 25,096,348	$ 24,140,293	$ 23,074,018	$ 21,998,820	$ 85,115,242	$ 49,436,033	$ 20,875,151	$ 7,330,904	$ 167,769

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2014

		Date of Issue	Total Requirements	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 to 2023-24	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2039-40 to 2043-44
CONTRACTS & LOANS PAYABLE:													
City of Portland LID	-Principal	04/01/03	$ 5,779,156	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 2,800,889				
5.32%	-Interest		1,459,154	294,552	265,432	234,724	202,342	168,195	293,909				
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	1,400,000	200,000	200,000	200,000	200,000	200,000	400,000				
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	5,941,600		742,700	742,700	742,700	742,700	2,970,800				
Oregon Business Development Dept. B08005	-Principal	08/31/10	7,465,027	344,143	355,326	361,532	367,763	379,332	2,068,566	$ 2,460,620	$ 1,127,745		
2.00% to 4.00%	-Interest		2,693,073	251,289	244,406	237,300	230,069	220,875	917,369	525,159	66,606		
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,384,551	24,897	51,725	54,413	57,241	60,214	351,381	452,653	332,027		
5.13%	-Interest		728,299	35,514	69,095	66,408	63,581	60,606	252,721	151,448	28,926		
Oregon Business Development Dept. 040-189	-Principal	09/10/09	1,321,406	22,768	47,303	49,760	52,346	55,065	321,334	413,952	358,878		
5.13%	-Interest		717,001	33,894	66,022	63,564	60,978	58,258	245,282	152,665	36,338		
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	2,062,406	369,530	380,162	391,101	402,353	413,930	105,330				
2.84%	-Interest		160,006	53,787	43,155	32,216	20,963	9,386	499				
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	14,308,064	756,927	791,700	828,070	866,112	905,901	5,193,338	4,966,016			
4.5%	-Interest		4,970,759	628,378	593,605	557,234	519,193	479,404	1,733,186	459,759			
Total Contracts & Loans Payable	-Principal		$ 39,662,210	$ 2,252,416	$ 3,132,187	$ 3,221,554	$ 3,314,875	$ 3,417,649	$ 14,211,638	$ 8,293,241	$ 1,818,650		
Total Contracts & Loans Payable	-Interest		$ 10,728,292	$ 1,297,414	$ 1,281,715	$ 1,191,446	$ 1,097,126	$ 996,724	$ 3,442,966	$ 1,289,031	$ 131,870		
TOTAL PORT LONG-TERM DEBT	-Principal		$ 692,585,875	$ 35,048,516	$ 36,418,993	$ 39,739,100	$ 40,193,690	$ 41,899,267	$ 207,239,418	$ 171,803,241	$ 69,023,650	$ 47,315,000	$ 3,905,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 293,927,668	$ 27,262,212	$ 26,378,063	$ 25,331,739	$ 24,171,144	$ 22,995,544	$ 88,558,208	$ 50,725,064	$ 21,007,021	$ 7,330,904	$ 167,769

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

** Interest rate at June 30, 2014. 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, 0.26%*	-Interest		$ 49,530	$ 49,530									
Other Industrial Development Revenue Bonds:													
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000							$ 17,300,000			
1997 Series, 0.04%*	-Interest		89,383	$ 6,920	$ 6,920	$ 6,920	$ 6,920	$ 6,920	$ 34,600	20,183			
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000									$ 71,000,000	
2006 Series, 0.09%*	-Interest		1,386,630	63,900	63,900	63,900	63,900	63,900	319,500	319,500	$ 319,500	108,630	
Total Other	-Principal		$ 88,300,000							$ 17,300,000		$ 71,000,000	
Total Other	-Interest		$ 1,476,013	$ 70,820	$ 70,820	$ 70,820	$ 70,820	$ 70,820	$ 354,100	$ 339,683	$ 319,500	$ 108,630	
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 126,400,000	$ 38,100,000						$ 17,300,000		$ 71,000,000	
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 1,525,543	$ 120,350	$ 70,820	$ 70,820	$ 70,820	$ 70,820	$ 354,100	$ 339,683	$ 319,500	$ 108,630	

* Interest rate at June 30, 2014. 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, 2014

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-3-41-0048-66	09/09/11 - 06/30/14	20.106	$ 1
AIP-3-41-0048-69	09/19/12 - 06/30/14	20.106	1,437,327
AIP-3-41-0048-70	09/16/13 - 06/30/14	20.106	5,403,034
AIP-3-41-0048-71	09/20/13 - 06/30/14	20.106	2,387,391
AIP-3-41-0025-24	08/25/11 - 06/30/14	20.106	(50,389)
AIP-3-41-0025-25	09/07/12 - 06/30/14	20.106	4,084,437
AIP 3-41-0061-15	08/08/12 - 06/30/14	20.106	1,818
			13,263,619
U.S. Department of Homeland Security:			
Office of Domestic Preparedness			
Urban Area Security Initiative FY11	07/01/10 - 06/30/14	97.067	33,612
Urban Area Security Initiative FY12	07/01/11 - 06/30/14	97.067	11,310
Port Security Grant Program	11/21/12 - 06/30/14	97.056	267,073
Transportation Security Administration			
National Explosives Detection Canine Team Program	04/01/08 - 06/30/14	97.072	264,075
Law Enforcement Officer Reimbursement Program FY12-13	07/01/13 - 09/30/13	97.090	36,800
Law Enforcement Officer Reimbursement Program FY13-14	10/01/13 - 06/30/14	97.090	109,200
			722,070
Equitable Sharing Program			
U.S.Department of Treasury	07/01/13 - 06/30/14	16.922	72,682
U.S. Department of Justice	07/01/13 - 06/30/14	16.922	2,700
			75,382
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/13 - 06/30/14	39.003	6,465
U.S. Army Corps of Engineers (M):			
Direct:			
Contract Dredging	07/01/13 - 06/30/14	W9127N-11-C-0028	12,876,644
Total Expenditures of Federal Awards			$ 26,944,180

(M) Major federal programs as defined by OMB Circular A-133

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Minimum Standards for Audits of Oregon Municipal Corporations

To the Board of Commissioners of the Port of Portland:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, 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, 2014, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in Note 1 to the financial statements, the Port adopted the new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The financial statements as of and for the year ended June 30, 2013 have been restated for this change. Our opinions are not modified with respect to this matter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of various depositories to secure the deposit of public funds
- The requirements relating to debt
- The requirements relating to the preparation, adoption, and execution of the annual budgets
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies
- The statutory requirements pertaining to the investment of public funds
- The requirements pertaining to the awarding of public contracts and the construction of public improvements

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporation, as prescribed by the Secretary of State.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

By: _____

Michael MacBryde
Portland, OR
October 27, 2014

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-Three 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-Three Bonds had a subordinate claim on the Revenues when Ordinance No. 323 originally was 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. Certain provisions of the Airport Revenue Bond Ordinances were amended pursuant to Ordinance No. 455-B, enacted by the Board of Commissioners of the Port on September 10, 2014 (the "Amending Ordinance"). Those amendments (the "2014 Amendments") became effective on November 11, 2014, following receipt of required consents, including consents from credit facility providers and swap counterparties. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs" in the front portion of this Official Statement.

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 front portion of this 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, (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) customer facility charges (or any portion thereof) that may be levied by the Port and collected by rental car companies from their customers; and in no event does the term "Revenues" include tax revenues or tax-derived revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of 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 Ordinance" means Ordinance No. 323, as amended, restated and supplemented.

"SLB Principal and Interest Account" means the SLB Principal and Interest Account in the SLB Fund.

"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.

As provided in the 2014 Amendments, for purposes of determining the Port's compliance with the rate covenants described above, non-cash, unrealized gains, losses, expenses and/or revenues, including fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded.

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. For purposes of determining the Port's compliance with such rate covenants, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded. The Port is required to 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. One of the 2014 Amendments clarifies 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.

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 Principal and Interest Account and the SLB Reserve Account.

SLB Principal and Interest Account. The SLB Trustee shall maintain a separate account in the SLB Fund to be known as the "SLB Principal and 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 Principal and 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 Principal and 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 Principal and 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 Principal and Interest Account: (a) an amount that, together with any other moneys previously deposited and available in the SLB Principal and 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 Principal and 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 Principal and Interest Account.

4. If, at any time, the amounts in the SLB Principal and 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 Principal and Interest Account to pay, on a pro rata basis, interest on SLBs and any amounts due in respect of Scheduled Swap Obligations.

On the first business day of each month, so long as any SLBs are Outstanding, commencing with the month which is 12 months prior to the first principal payment of any SLB maturing serially or the date on which SLBs are subject to scheduled mandatory redemption, the Port shall pay to the SLB Trustee, from moneys in the General Account for deposit in the SLB Principal and Interest Account, an amount 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 or the next date upon which SLBs are subject to scheduled mandatory redemption (excluding any principal due as Excess Principal), the aggregate of the amounts on deposit in this account will equal the amount of principal on such SLBs on such principal payment date.

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 Principal and Interest 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 Principal and Interest Account.

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 Trustee for deposit to the SLB Principal and Interest Account, until all required deposits to that account have been made;

SECOND: to the Trustee for deposit to the SLB Reserve Account, until all required deposits to that account have been made;

THIRD: to the Port for deposit in the Junior Lien Obligation Fund (the "JLO Fund") described below, until all required deposits to that fund have been made; and

FOURTH: to the Port for deposit in the Third Lien Obligation Fund (the "TLO Fund") described below, 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 and applied 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 the General Aviation Airports, to pay or secure the payment of Special Obligation Bonds and for any other lawful use or purpose necessary to carry out the Airport Revenue Bond Ordinances, including making payments or credits to pay Costs of Operation and Maintenance of the Airport and making payments of credits to other funds or accounts.

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.

The Airport Revenue Bond Ordinances provide that when determining compliance with the conditions to the issuance of Additional SLBs, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products, shall be disregarded.

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 SLBs," (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 SLBs" 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 SLBs" above are required.

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

Qualified Swaps

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

SLB Ordinance to Constitute Contract

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

Special Facilities, Special Obligation Bonds and Net Rent Leases

The Airport Revenue Bond Ordinances provide that 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 Airport Revenue Bond Ordinances provide that 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.

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, provided that to the extent any Net Revenues remain after making all deposits and transfers described above under "Flow of Funds, the Port may apply such remaining Net Revenues toward the payment of such Special Obligations. 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 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).

(16) 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

PENSION AND OTHER POST-RETIREMENT BENEFIT PROGRAMS

Pension Plans-General. The Port is one of many employers in the statewide Oregon Public Employees' Retirement System, a multiple-employer, cost-sharing pension system ("PERS" or the "System"). The Port participates in three retirement pension benefit programs and in a retirement healthcare benefit program (the Retirement Health Insurance Account program or "RHIA") sponsored by PERS. The three PERS pension programs are composed of two defined benefit programs and one program that has features similar to a defined contribution plan. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of employer contributions determined by the Public Employees Retirement Board (the "PERS Board") based upon the results of actuarial valuations, employee contributions and investment earnings fund the PERS pension programs. Employee contributions, which to date the Port has elected to pay, are determined by statute and currently are 6% of salaries.

Most Port employees, after six months of employment, are participants in PERS. Employees hired before January 1, 1996 are known as "Tier 1" participants. Retirement benefits applicable to Tier 1 participants are based primarily on a defined benefit model. Employees hired on or after January 1, 1996 and before August 29, 2003 are "Tier 2" participants. The Tier 2 program also is a defined benefit program but with lower expected costs to employers than under the Tier 1 benefit program. Employees hired on or after August 29, 2003 are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs"), known as the Oregon Public Service Retirement Plan (the "OPSRP").

PERS also offers an Individual Account Program (the "IAP") that has features similar to a defined contribution benefit. Effective January 1, 2004, active T1/T2 and OPSRP employees become members of the IAP, and the IAP Account receives all employee contributions after that date.

Pensions – Valuations and Funded Status. State statutes require an actuarial valuation of the System at least once every two years. PERS' current practice is to obtain actuarial valuations annually, although only valuations as of the end of each odd-numbered year are used to determine annual required employer contribution rates. Valuations are performed for the entire System and for each participating employer, including the Port, and are released approximately one year after the valuation date. Milliman, Inc. ("Milliman"), the current PERS actuary, replaced the prior actuary in January 2012.

Milliman's most recent valuation of the System as a whole was the valuation as of December 31, 2013, released in September 2014 (the "2013 System Valuation"). Milliman's most recent valuation for the Port (the "2013 Port Valuation"), also released in September 2014, reflects the Port's share of PERS' assets and liabilities as of December 31, 2013, was based upon the 2013 System Valuation. Both valuations were adjusted to take into account changes enacted by the Oregon Legislative Assembly in 2013 and changes directed by the PERS Board. The 2013 System Valuation was the basis for contribution rates for July 1, 2015 through June 30, 2017, adopted by the PERS Board in September 2014.

In connection with the T1/T2 Pension Programs, the Port is pooled with the State of Oregon and with certain other local government and community college district public employers (the "State and Local Government Rate Pool" or "SLGRP"), and the Port's share of assets, liabilities and the unfunded actuarial liability (the "UAL") of the SLGRP is based upon the Port's proportionate share of the SLGRP payroll as of the valuation date. In connection with the OPSRP program, the assets and liabilities are pooled on a program-wide basis, and the Port's allocated share is based upon the Port's proportionate

share of total System payroll as of the valuation date. An employer's UAL is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

Table D-1 summarizes the adopted methods and assumptions used as the basis for the valuation for the System as a whole as of December 31, 2011 (the "2011 System Valuation"), released in 2012, and the valuation for the Port as of December 31, 2011 (the "2011 Port Valuation"), upon which contribution rates for fiscal years 2014 and 2015 were based; the adopted methods and assumptions, including and the changes to the methods and assumptions implemented by the PERS Board in September 2013 and reflected in the advisory valuations as of December 31, 2012 and the 2013 System Valuations and in the 2012 advisory Port valuation and 2013 Port Valuations. As described below, these changes reduced contribution rates for the biennium ending June 30, 2015 but increased employer contribution rates for the 2015-2017 biennium.

TABLE D-1
ACTUARIAL ASSUMPTIONS AND METHODS

Assumption/ Method	Previous (2011 Valuation)	Current (2012 and 2013 Valuations)
Actuarial Cost Method	Projected Unit Credit	Entry-Age Normal
T1/T2 Programs UAL Amortization Method	Level Percentage of Payroll over 20 years (fixed)	Unchanged [1]
OPSRP UAL Amortization Method	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method	Market Value [3]	Unchanged
Investment Rate of Return	8.00%	7.75%
Payroll Growth Rate	3.75%	Unchanged
Inflation Level	2.75%	Unchanged
Contribution Rate Stabilization Method	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 80% and 120%. At a funded status of 70% or less, or 130% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 70% and 80% or 120% and 130%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.

[1] Although the UAL Amortization method remains unchanged, the PERS Board directed Milliman to reamortize the UAL for the T1/T2 Programs from the 2007, 2009 and 2011 valuation to restart the 20-year amortization period for those UALs effective with the 2013 valuation report.

[2] Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Table D-2 summarizes the actuarial value of assets and liabilities, UALs and surpluses and funded ratios for the PERS pension plans Systemwide as of December 31, 2009 through 2013, and Table D-3 summarizes the Port's share of the System's UALs for the same years.

The Port's allocated shares include credits for amounts on deposit in the Port's UAL side account (the "UAL Side Account"). The UAL Side Account was funded with net proceeds of approximately $55 million aggregate principal amount of limited tax pension obligations issued by the Port in 2002 and approximately $20 million aggregate principal amount of limited tax pension obligations issued by the Port in 2005, of which approximately $25.5 million and approximately $11.2 million, respectively, are allocable to the Airport. Proceeds received from the sale of the pension obligations, plus investment earnings thereon, were applied to finance a portion of the Port's estimated share of the T1/T2 UAL (approximately $54 million as of April 1, 2002 and approximately $20 million as of October 1, 2005). Those deposits to the Port's UAL side Account are recorded as pension assets and reduce the Port's contribution rates to the T1/T2 Pension programs. See Note 8 in Appendix B.

TABLE D-2
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SYSTEMWIDE PENSION HISTORICAL ACTUARIAL FUNDED RATIOS
(IN MILLIONS) [1]

Calendar Year Ending	Actuarial Value Of Assets[2]	Actuarial Value of Liability	Unfunded Actuarial Liability	Funded Ratio[3]
2009	$48,729.2	$56,810.6	$8,081.4	85.8
2010*	51,583.6	59,329.5	7,745.9	86.9
2011	50,168.2	61,198.4	11,030.2	82.0
2012[4]*	54,784.1	60,405.2	5,621.1	90.7
2013[4]	60,014.1	62,593.6	2,579.5	95.9

* Advisory.
[1] Composed of Tier 1/Tier 2 and OPSRP pensions but excludes retiree healthcare subsidies of RHIA described below and RHIPA (a healthcare program applicable only to State employees).
[2] Includes proceeds of pension obligations issued by Oregon local governments and the State.
[3] Funded ratios are based on "mark to market" accounting procedures.
[4] Reflects the legislative changes of the 2013 Legislative Session and assumptions and methods changed by the PERS Board. See Table D-1 above and "—Changes to PERS" below.
Sources: Actuarial valuations of the System for calendar years 2009 and 2010 (advisory); the 2011 System Valuation, the 2012 System Valuation (advisory) and the 2013 System Valuation.

TABLE D-3
PORT SHARE OF THE SYSTEM'S UNFUNDED ACTUARIAL ACCRUED LIABILITY

	2009 Port Valuation	2010 Port Valuation*	2011 Port Valuation	2012 Port Valuation*	2013 Port Valuation
Net Port Pension UAAL	**$ 28,825,475**	**$ 25,632,590**	**$ 52,939,606**	**$ 22,290,595**	**$ 2,639,375**
Allocated pooled SLGRP T1/T2 UAL	74,070,812	70,981,972	96,760,279	64,126,769	46,140,920
Allocated pre-SLGRP pooled liability/(surplus)[1]	(11,752,220)	(11,328,970)	(12,385,459)	(12,410,263)	(11,756,912)
Transition liability/(surplus) [2]	(929,052)	(923,822)	(911,980)	(896,284)	(881,232)
Allocated pooled OPSRP UAL	580,255	684,244	1,035,635	4,414,462	4,302,838
Port UAL Side Account	33,144,320	33,780,834	31,558,869	32,944,089	35,166,239
Combined valuation payroll	54,820,816	55,108,776	60,697,033	62,631,811	60,855,267
Net Pension UAL as % of payroll	53%	47%	87%	36%	4%
Allocated Pooled RHIA UAL	$1,913,129	$1,982,727	$1,572,387	$1,314,042	$842,302

* Advisory valuation-rates are not set by these valuations.
[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 SLGRP.
Sources: 2009 Port Valuation, 2010 Port Valuation, 2011 Port Valuation, 2012 Port Valuation and 2013 Port Valuation.

The funded status of the PERS pension plans will change depending in part upon market performance of investments of the System assets. Table D-4 summarizes annual Retirement Fund investment returns (before administrative expenses) for the seven calendar years ended December 31, 2013.

TABLE D-4
OREGON PUBLIC EMPLOYEES
RETIREMENT FUND INVESTMENT RETURNS[1]

Calendar Year Ending	Net Returns
2007	9.7%
2008	(27.0)
2009	19.4
2010	12.6
2011	2.2
2012	14.3
2013	15.6

[1] Before administrative expenses.
Source: Office of the Oregon State Treasurer. For descriptions of the methodologies applied by the Office of the Oregon State Treasurer to determine the market value of Oregon Public Employees Retirement Fund investments, see Notes 1.D and Note 2 in the State of Oregon Comprehensive Financial Report for the fiscal year ended June 30, 2013.

Pensions – Contribution Rates. Employer contribution rates are calculated by the PERS Board as a percent of actuarially determined, covered payroll, and are based upon 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 fiscal year, resulting in an 18-month time lag. Employer contribution rates are subject to future adjustment as a result of subsequent actuarial valuations, changes in benefits and/or changes in methods resulting from legislative modifications or changes directed by the PERS Board. As described below, a number of changes implemented in 2013 resulted in an increase of the funded ratio and a decrease in contribution rates for the two fiscal years ending June 30, 2015 and in increased contribution rates for the two fiscal years ending June 30, 2017. 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 contribution rates expressed as percentages of actuarially determined payroll for PERS pension and PERS sponsored healthcare costs for the 2013-2015 biennium (based upon the 2011 Port Valuation) and for the 2015-2017 biennium (based upon the 2013 Port Valuation) are set forth in Table D-5.

TABLE D-5
PORT CONTRIBUTION RATES[1]

Payrolls Paid	2013-2015	2015-2017
T1/T2	9.56%	14.40%
OPSRP General Service	6.27	7.33
OPSRP Police and Fire	9.00	11.44

[1] Excludes UAL amortization contribution rates of 0.24% for fiscal years July 1, 2013 through June 30, 2015 and (1.79%) for fiscal years beginning July 1, 2015 and ending June 30, 2017.
Sources: Port 2011 Valuation and Port 2013 Valuation.

Changes to PERS. During the 2013 Legislative session and the 2013 special Legislative session, the Oregon Legislative Assembly enacted Senate Bills 822, 861 and 862 (the "2013 PERS Bills") that together, limit annual benefits cost of living adjustments ("COLAs") for PERS retirees, eliminate a benefit increase for out-of-state retirees based on Oregon income tax, exclude salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and to reduce legislators' participation in PERS. The 2013 PERS Bills are expected to reduce the amount of future benefit payments from the System and reduce the unfunded actuarial liability of the System by approximately $5 billion. After enactment of the 2013 PERS Bills, the PERS Board reduced employer contribution rates by 4.28 percent of payroll on a Systemwide average basis for the 2013-2015 biennium.

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the System by approximately $2.5 billion (the "2013 Board Changes"). The 2013 Board Changes include reducing the assumed earnings rate of the investment fund from 8.00 percent to 7.75 percent and changing the actuarial cost method used to allocate benefit costs over a member's working lifetime from Projected Unit Credit to Entry Age Normal.

As shown in Table D-3, the unfunded actuarial liability of the System decreased from $11.03 billion as of December 31, 2011 to $5.62 billion as of December 31, 2012 and to $2.58 billion as of December 31, 2013. That decrease reflects the combined effects of the 2013 PERS bills, the 2013 Board Changes, changes in the actuarial value of the System assets, 2013 investment returns above the assumed earnings of 7.75% and other factors Milliman took into account in its formal valuation of the System.

Challenges to PERS Reforms. Several cases have been filed on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits that were enacted by the Legislative Assembly in the 2013 Legislative Session. SB 822, adopted in the 2013 Legislative Session, limits the amount of annual cost of living adjustments that may be received by retirees to 1.5 percent in 2013 and thereafter between 0.25 percent and 2 percent, depending upon the amount of benefit received. SB 822 also eliminated an additional payment made to retirees residing outside of Oregon. SB 861, enacted in the 2013 Special Session, further limited cost of living increases. Challenges to both SB 822 and SB 861 were filed directly to the Oregon Supreme Court. The petitioners allege that both constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. A special master was appointed to gather evidence and to establish findings of fact for the litigation. The special master presented its final report and findings of fact to the

Oregon Supreme Court on April 30, 2014. The parties filed briefs in the Oregon Supreme Court, which heard oral argument on October 14, 2014. The Port cannot predict when the Court will issue its ruling on the matter. If SB 822 and SB 861 are held unconstitutional, the anticipated savings from the PERS changes that were calculated by the actuary for future years may not be realized.

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 who did not meet 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 most recent actuarial valuation, prepared for the Port by AON Consulting, as of July 1, 2011, the total UAL of the OPEB Plan and the Port's implicit subsidy was approximately $5,444,000, of which approximately $2,739,000 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 also may receive a subsidy of approximately $60/month towards the payment of health insurance premiums under the PERS-sponsored Retirement Health Insurance Account Plan (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 2013 Port Valuation, the Port's allocated share of the RHIA program UAL was $842,302 as of December 31, 2013 and $1,314,042 as of December 31, 2012, based upon the 2013 Port Valuation. 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. As of December 31, 2013, the RHIA program had an unfunded actuarial liability of approximately $120 million and as of December 31, 2012 an unfunded actuarial liability of $180.2 million, representing a funded status of approximately 75% and 62%, respectively.

APPENDIX E

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series Twenty-Three Bonds. The Series Twenty-Three 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-Three Bond certificate will be issued for each maturity of the Series Twenty-Three Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series Twenty-Three Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Twenty-Three Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Twenty-Three 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-Three 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-Three Bonds, except in the event that use of the book-entry system for the Series Twenty-Three Bonds is discontinued.

To facilitate subsequent transfers, all Series Twenty-Three 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-Three 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-Three Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Series Twenty-Three 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.

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-Three Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Twenty-Three Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series Twenty-Three Bond documents. For example, Beneficial Owners of Series Twenty-Three Bonds may wish to ascertain that the nominee holding the Series Twenty-Three 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series Twenty-Three Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series Twenty-Three 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-Three Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series Twenty-Three 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.

DTC may discontinue providing its services as depository with respect to the Series Twenty-Three 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-Three Bond certificates are required to be printed and delivered.

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-Three Bond certificates will be printed and delivered to DTC.

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 F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "***Disclosure Certificate***") is executed and delivered by The Port of Portland (the "***Port***") in connection with the issuance of $109,440,000 aggregate principal amount of its Portland International Airport Refunding Revenue Bonds, Series Twenty-Three (the "***Series Twenty-Three Bonds***"). The Series Twenty-Three Bonds are being issued pursuant to (a) the provisions of Sections 778.145 through 778.175 and Chapter 287A of the Oregon Revised Statutes, as amended, (b) 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***"), (c) Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented ("***Ordinance No. 323***"), and (d) Port Ordinance No. 456-B, enacted by the Board on February 11, 2015 (the "***Series Twenty-Three Ordinance***," and collectively with Ordinance No. 155 and Ordinance No. 323, the "***Airport Revenue Bond Ordinances***"). The Port covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port for the benefit of the Owners and Beneficial Owners of the Series Twenty-Three Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Airport Revenue Bond 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 hereof.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series Twenty-Three Bonds (including persons holding Series Twenty-Three Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series Twenty-Three Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Port, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Port.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Port as its Fiscal Year.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the final official statement of the Port relating to the Series Twenty-Three Bonds.

"Owner" shall mean a registered owner of the Series Twenty-Three Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series Twenty-Three Bonds required to comply with the Rule in connection with offering of the Series Twenty-Three Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The Port shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Port, to, not later than nine (9) months after the end of each Fiscal Year of the Port (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 Fiscal Year ended June 30, 2015, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements 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 Fiscal Year for the Port changes, the Port shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Port does not provide the Annual Report to the MSRB by the time specified above, the Port shall instead file a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Port expects to file the Annual Report.

(c) If the Dissemination Agent is not the Port, the Dissemination Agent shall:

1. file a report with the Port certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Port.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The 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 as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB. If the Port's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the Port, the Annual Report also shall contain for the preceding Fiscal Year the following historical financial

information and operating data of the type set forth in the Official Statement under the heading "PORTLAND INTERNATIONAL AIRPORT":

(i) The airlines serving the Airport;

(ii) The number of origin and destination passengers at the Airport, but only to the extent the information is readily available to the Port;

(iii) The number of enplaned passengers (as shown in "TABLE 7 - HISTORICAL ENPLANED PASSENGERS");

(iv) In "TABLE 8 - ENPLANED PASSENGERS BY AIRLINE";

(v) In "TABLE 9 - HISTORICAL TOTAL CARGO TONNAGE";

(vi) In "TABLE 10 - HISTORICAL LANDED WEIGHT";

(vii) In "TABLE 11 – HISTORICAL FINANCIAL PERFORMANCE";

(viii) Management's Discussion of Results;

(ix) In "TABLE 12 – SLB DEBT SERVICE SCHEDULE"; and

(x) In "TABLE 13 – HISTORICAL DEBT SERVICE COVERAGE".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Port or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Significant Events.

(a) The Port shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series Twenty-Three Bonds not later than ten (10) 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. Adverse tax opinions with respect to the tax status of the Series Twenty-Three Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series Twenty-Three Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

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 an obligated person 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 obligated person, 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 obligated person.

(b) The Port shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series Twenty-Three Bonds, if material, not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series Twenty-Three Bonds or other material events affecting the tax status of the Series Twenty-Three Bonds;

2. Modifications to rights of the Owners of the Series Twenty-Three Bonds;

3. Optional, unscheduled or contingent Series Twenty-Three Bond calls;

4. Release, substitution or sale of property securing repayment of the Series Twenty-Three Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(c) The Port shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Port obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Port shall determine if such event would be material under applicable federal securities laws.

(e) If the Port learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Port shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Sections 5(a)(7) or 5(b)(3) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series Twenty-Three Bonds pursuant to the Airport Revenue Bond Ordinances.

Section 6. Termination of Obligation. The Port's obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series Twenty-Three Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Port with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Port's obligations hereunder shall terminate to a like extent. If termination occurs prior to the final maturity of the Series Twenty-Three Bonds, the Port shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The Port may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Port shall be the dissemination agent. The initial dissemination agent shall be the Port.

Section 8. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Port shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e) hereof.

Section 9. 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 notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Port chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Port shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Port to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series Twenty-Three Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Airport Revenue Bond Ordinances and the sole remedy under this Disclosure Certificate in the event of any failure of the Port to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Port to comply with this Disclosure Certificate.

No Owner or Beneficial Owner of the Series Twenty-Three Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Port satisfactory written

evidence of their status as such, and a written notice of and request to cure such failure, and the Port shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Port and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series Twenty-Three Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Port shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series Twenty-Three Bonds shall retain all the benefits afforded to them hereunder. The Port hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that tot 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.

IN WITNESS WHEREOF, the Port has executed this Continuing Disclosure Certificate this 31st day of March, 2015.

THE PORT OF PORTLAND

By: _____

Cynthia A. Nichol
Chief Financial Officer and Director of
Financial & Administrative Services

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

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March 31, 2015

The Port of Portland
Portland, Oregon

$109,440,000
The Port of Portland
Portland International Airport Refunding Revenue Bonds
Series Twenty-Three
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Port of Portland (the "Port") in connection with issuance of $109,440,000 aggregate principal amount of The Port of Portland, Portland International Airport Refunding Revenue Bonds, Series Twenty-Three (the "Bonds"), issued pursuant to the authority of Ordinance No. 456-B enacted on February 11, 2015, as supplemented by the Certificate of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Series Twenty-Three Bonds dated March 31, 2015 (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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used 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, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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. Our services did not include financial or other non-legal advice. 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 payable 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 Net 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 in the Ordinances.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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THE PORT OF PORTLAND (OREGON) • PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS, SERIES TWENTY-THREE (NON-AMT)

PORT OF PORTLAND

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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