



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
September 8, 2010
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – August 11, 2010

Executive Director

Approval of Executive Director's Report – August 2010

General Discussion

2009-2010 Environmental Performance

DOROTHY SPERRY

Action Items

1. OFFICE LEASE – GENERAL SERVICES ADMINISTRATION – PORTLAND INTERNATIONAL AIRPORT
Requests approval to enter into a new lease with the General Services Administration for lease of office space to support the Transportation Security Administration.
KEN ANDERTON
2. PUBLIC HEARING AND ENACTMENT OF ORDINANCE NO. 435-B TO ISSUE PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS, SERIES TWENTY
Requests approval of Ordinance No. 435-B to authorize the sale of Portland International Airport Revenue Bonds, Series Twenty.
SUGIE JOSEPH
3. FISCAL YEAR 2009-2010 EXECUTIVE DIRECTOR PERFORMANCE REVIEW AND FISCAL YEAR 2010-2011 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA
Requests review of the Fiscal Year 2009-2010 Executive Director performance criteria and approval of the Fiscal Year 2010-2011 criteria.
JUDI JOHANSEN

OFFICE LEASE – GENERAL SERVICES ADMINISTRATION – PORTLAND INTERNATIONAL AIRPORT

September 8, 2010

Presented by: Ken Anderton
Senior Manager
Aviation Business & Properties**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into a new lease with the General Services Administration (GSA) for lease of office space to support the Transportation Security Administration (TSA) operations in the State of Oregon and at Portland International Airport (PDX).

BACKGROUND

The TSA protects the Nation's transportation systems to ensure freedom of movement for people and commerce. TSA is a component of the Department of Homeland Security. With state, local and regional partners, the TSA oversees security for highways, railroads, buses, mass transit systems, pipelines, ports, and 450 U.S. airports, including PDX.

The GSA is the leasing agent for the TSA and currently leases approximately 7,462 square feet in the PDX Terminal building to support the TSA's PDX operation. The GSA also leases space off airport for TSA's administration functions and wishes to consolidate TSA's operation into one location at PDX. The proposed lease, described in this executive summary, will replace the GSA's current lease, which expires October 31, 2010.

Key business terms are outlined as follows:

- Term:** Five years, with one option to renew for five years. Effective date, November 1, 2010, or when tenant improvements are completed.
- Premises:** 20,496 square feet
- Tenant Improvements:** The Port will refurbish the leased space with new carpet and paint, separate the utilities, modify HVAC and construct demising walls necessary to separate the space into leasable suites. The costs of these improvements are estimated at \$598,000. The Port will also be constructing GSA-specific tenant improvements necessary for the TSA to take occupancy. These costs will be passed on to the GSA as described below in the rent section.

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Rent: The rent for premises is based on four parts consistent with GSA leasing policies, which include shell rent, operating expenses, parking and amortized tenant improvements (TIs). Each rent category is explained below in more detail:

- Shell rent: \$30 per square foot per year, which is based on a survey of market rents for similar space in the Portland metropolitan area. The shell rent is escalated annually by 3% per year. The annual shell rent is estimated at \$614,880.
- Operating rent: Is based on Port operating expenses to provide essential services to the leasehold including utilities, HVAC and janitorial services. The operating rent is set at \$8.17 per square foot per year and is escalated annually based on changes in the Consumer Price Index (CPI). The annual operating rent is estimated at \$167,452.
- Parking: The GSA will pay for 58 parking permits, which is estimated at \$55,680 annually.
- Amortized tenant improvements: The Port will construct for the GSA tenant improvements estimated at \$188,000. The GSA requested to amortize these tenant improvements (TI) over the initial five-year term at 6% interest. The annual TI payment is estimated at \$43,620.
- Lump sum TI payment: The Port will construct security upgrades for the GSA. The GSA will reimburse the Port for the actual costs of these upgrades, estimated at \$384,000.
- Annual total rent (which includes all four rent categories): Estimated at approximately \$881,632.

Standard Lease Provisions: The lease includes other standard provisions regarding environmental, insurance, and indemnity obligations.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into a new lease with the General Services Administration, on behalf of the Transportation Security Administration, for lease of office space in the terminal building at Portland International Airport, on the terms and conditions described herein; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

PUBLIC HEARING AND ENACTMENT OF ORDINANCE NO. 435-B TO ISSUE PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS, SERIES TWENTY

September 8, 2010

Presented by: Sugie S. Joseph
Senior Manager
Financial Analysis & Projects**EXECUTIVE SUMMARY**

This agenda item requests approval of Ordinance No. 435-B to authorize the sale of Portland International Airport Revenue Bonds, Series Twenty. Up to \$130 million aggregate principal amount of bonds may be issued to fund capital projects in the Airline Cost Center. Additionally, Ordinance No. 435-B authorizes the issuance of bonds to fund the Senior Lien Bonds (SLB) Reserve Account, capitalize interest, pay costs of issuance, and to refund the outstanding Series 12A, 12B and 12C revenue bonds. Ordinance No. 435-B also contains approval to defease the Series 1999B Passenger Facility Charge (PFC) Revenue bonds with available PFC funds.

BACKGROUND

The Airline Cost Center requires debt financing to fund capital projects for the next two years. The Airline Cost Center, which is primarily funded by the rates and charges assessed to the airlines for the use of the airport facilities, is expected to need financing for In-Line Baggage Screening Improvements, completion of the North Runway Extension, South Runway, Deicing, and other terminal and airfield improvements.

Due to the industry-wide downgrades of the bond insurers, the Port of Portland (Port) currently anticipates issuing the Series Twenty Bonds without bond insurance, although Ordinance 435-B authorizes the Port to obtain bond insurance and the Port will evaluate whether there is any benefit to obtaining bond insurance at the time the Series Twenty bonds are sold. The underlying credit rating for uninsured bonds is very important. The Port currently has "AA-" rating from Standard & Poor's rating agency on the airport revenue bonds, which is among the highest underlying ratings for airport revenue bonds.

As a result of the American Recovery and Reinvestment Act, the Port is considering issuing a combination of tax-exempt bonds and Build America Bonds as part of the Series Twenty financing. The Build America Bonds would be sold as taxable bonds and the Port would be eligible for a 35% interest subsidy from the federal government to offset the higher taxable interest rate. The effective interest rate on Build America Bonds (after taking the federal subsidy into account) will be less than the rate on a comparable maturity of traditional, tax-exempt bonds. There is some possibility that the federal government could change the availability of this subsidy and the Port would not realize the benefits of the Build America Bond program. The Port is planning to mitigate that risk to the extent possible. The decision on whether to issue Build America Bonds will be made at the time the Series Twenty bonds are sold, based on whether they appear to be cost-effective at that time.

PUBLIC HEARING AND ENACTMENT OF ORDINANCE NO. 435-B TO ISSUE PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS, SERIES TWENTY

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The Airport revenue bond ordinances require the establishment of an SLB Reserve Account for security purposes. In today's market, the Port anticipates meeting this need with cash funded with bond proceeds from Series Twenty; however, Ordinance 435-B authorizes the Port to obtain a surety bond for the SLB Reserve Account and the Port will evaluate whether there is any benefit to obtaining a surety bond at the time the Series Twenty bonds are sold. The Series Twenty bonds will bear interest at fixed rates. We expect to price and close the Series Twenty bonds in late October.

As part of the Series Twenty bond issue, the Port is also anticipating refunding the Series 12 A, B and C Airport Revenue Bonds. The Port would monitor the savings achieved at the time of pricing and determine if the savings would warrant refunding. Currently, there are savings available to refund all or a part of Series 12A, 12B and 12C.

As mentioned in Ordinance No. 435-B, the Port is also considering defeasing the Passenger Facility Charge (PFC) 1999B bonds with available PFC funds at some point in the future. If there are enough PFC funds available, the Port would defease these bonds in the near term in order to reduce debt service cost and create further capacity for the use of PFC funds.

Plan of Finance

The current plan of finance anticipates a two-step approach. The first step is to issue a fixed-rate bond to fund In-Line Baggage Screening Improvements, completion of the North Runway Extension, and other terminal and airfield improvements.

The second step is to execute an interim financing facility in the fall/winter of 2010 which will fund South Runway and Deicing project expenditures through summer of 2011. This will enable the Port to go through the Federal Aviation Administration's (FAA) PFC application process and seek approval to fund the South Runway and Deicing projects with PFC revenues. We anticipate having a decision from FAA in the summer of 2011. If the application is approved, the Port expects to issue stand-alone PFC bonds or some other long-term debt instrument to take out the interim financing facility.

We are in the process of evaluating the type and terms of an interim financing facility. One alternative is to issue a fixed-rate bond with a short-term call provision. This bond could be taken out with long-term bonds repaid with PFC revenues once PFC approval is received from the FAA. This agenda item requests Commission approval to issue a fixed-rate bond with a short-term call as the interim financing plan.

Port staff is also considering a second alternative to implement a short-term financing mechanism in the form of a line of credit. If it is determined that the line of credit has the best value for the Port, staff will return to the Commission to describe and ask approval for that program. In that case, the Port would not issue the fixed-rate bond with a short-term call provision as part of the Series Twenty bond issue. We would, however, still proceed with the fixed-rate bond issue to fund the In-Line Baggage Screening, North Runway Extension projects, and other terminal and airfield improvements.

Delegation of Authority

Section 4 of Ordinance No. 435-B delegates authority to take actions and sign the documents that are required to issue, sell and deliver the Series Twenty Bonds.

Participants in the Transaction

In addition to the Port, these are the primary firms involved in the transaction:

- Goldman Sachs & Co. and Bank of America Merrill Lynch are the co-senior managing investment bankers.
- The Bank of New York Mellon Trust Company, N.A., will be the Trustee.
- K&L Gates LLP is bond counsel to the Port.
- Ricondo & Associates, Inc., is the Airport Consultant.
- Standard & Poor's is the rating agency.
- Seattle-Northwest Securities Corporation is the financial advisor to the Port.
- PricewaterhouseCoopers, is the auditor of the Port.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

1. That Ordinance No. 435-B, in the form presented to the Port of Portland Commission, be read by title only; and
2. That a public hearing be held prior to adopting Ordinance No. 435-B in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended; and
3. That the proposed Ordinance No. 435-B, in the form presented to the Port of Portland Commission, be enacted by a roll call vote.

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

FISCAL YEAR 2009-2010 EXECUTIVE DIRECTOR PERFORMANCE REVIEW AND FISCAL
YEAR 2010-2011 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA

September 8, 2010

Presented by: Judi Johansen
Commission President

Attached is the Commission approved Fiscal Year 2009-2010 Executive Director Performance Criteria.

It is recommended that the Commission review and establish Fiscal Year 2010-2011 Executive Director Performance Criteria.

COMMISSION PRESIDENT'S RECOMMENDATION

The Commission President recommends that the following resolution be adopted:

BE IT RESOLVED, That the Port of Portland Commission adopt the Executive Director Performance Criteria to be used for Fiscal Year 2010-2011.

**2009-2010
PERFORMANCE CRITERIA
EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following criteria that arise while leading an organization in a very competitive environment.

Leadership – Provide the vision and the leadership that enables the Port of Portland (Port) to carry out its mission.

One Port – Maximize the organizational and regional benefits of a consolidated port authority that owns and operates marine, aviation and industrial facilities.

Marine – Develop and maintain a world-class seaport serving Portland, the State of Oregon and inland points.

Industrial Land Acquisition and Development – Seek opportunities to acquire, develop, and market land in support of Port financial, operational and trade initiatives.

Aviation – Maintain and enhance Portland International Airport as a world-class airport focused on outstanding and cost-competitive facilities and customer service. Recruit and retain passenger and air cargo service to strategic markets. Efficiently operate the Hillsboro and Troutdale airports to meet the increasing demands of business aviation services.

Environmental – Strengthen the Port’s commitment to outstanding environmental performance through awareness, responsiveness and leadership.

Security – Enhance the Port’s security systems and management practices, interagency collaboration and communication to improve Port adherence to regulatory requirements.

Workforce Practices – Sustain and increase Port performance by attracting, retaining, developing and rewarding a quality workforce. Provide a safe, healthy and diverse work environment for our employees.

Information Technology – Provide performance-enhancing processes and tools by optimizing current computing operations and expanding capacity to support and enhance information management.

Financial Viability – General Fund: Maintain the Port’s financial viability by generating cash flow sufficient to cover operating costs while optimizing the Port’s direct contribution to its capital investments. Aviation: Maintain compliance with bond ordinance requirements for the Airport while meeting airline agreement cost metrics and capital expenditure limitations. The Port Cost Center will maintain cash flow sufficient to meet our minimum debt service coverage target. Maintain AA- rating on Airport Revenue Bonds.

**2010-2011
PERFORMANCE CRITERIA
EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following criteria that arise while leading an organization in a very competitive environment.

Leadership – Provide the vision and the leadership that enables the Port of Portland (Port) to carry out its mission.

One Port – Maximize the organizational and regional benefits of a consolidated port authority that owns and operates marine, aviation and industrial facilities.

Marine – Develop and maintain a world-class seaport serving Portland, the State of Oregon and inland points.

Industrial Land Acquisition and Development – Seek opportunities to acquire, develop, and market land in support of Port financial, operational and trade initiatives.

Aviation – Maintain and enhance Portland International Airport as a world-class airport focused on outstanding and cost-competitive facilities and customer service. Recruit and retain passenger and air cargo service to strategic markets. Efficiently operate the Hillsboro and Troutdale airports to meet the increasing demands of business aviation services.

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Financial Viability – General Fund: Maintain the Port's financial viability by generating cash flow sufficient to cover operating costs while optimizing the Port's direct contribution to its capital investments. Aviation: Maintain compliance with bond ordinance requirements for the Airport while meeting airline agreement cost metrics and capital expenditure limitations. The Port Cost Center will maintain cash flow sufficient to meet our minimum debt service coverage target. Maintain AA- rating on Airport Revenue Bonds.

ORDINANCE NO. 435-B

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS TO FINANCE PROJECTS AND TO REFUND OUTSTANDING PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS; AUTHORIZING AMENDMENTS TO THE PORT'S AIRPORT REVENUE BOND ORDINANCE NO. 155 AND AIRPORT REVENUE BOND ORDINANCE NO. 323 AND AUTHORIZING AND PROVIDING FOR RELATED MATTERS AND DOCUMENTS.

WHEREAS, Oregon Revised Statutes (“ORS”) Sections 778.145 to 778.175 and applicable provisions of ORS Chapter 287A (collectively, the “Statutes”) permit The Port of Portland (the “Port”) to authorize revenue bonds for the purpose of carrying into effect all or any of the powers granted to ports, and to secure those bonds with any revenues or other property of the Port; and,

WHEREAS, ORS Sections 778.145 to 778.175, 287A.360 and other applicable provisions of ORS Chapter 287A (collectively, the “Refunding Statutes”) authorize the Port to refund its outstanding revenue bonds; and,

WHEREAS, the Statutes permit the Port to authorize revenue bonds by enacting a nonemergency ordinance, but prohibit the sale of those revenue bonds until the ordinance takes effect, thus allowing citizens to prevent the sale of the bonds by referring the ordinance and voting against its enactment; and,

WHEREAS, the Board of Commissioners of the Port (the “Board”) has determined and does hereby determine that authorizing the issuance of revenue bonds under the Statutes to pay or to reimburse the Port for the payment of costs of constructing, acquiring, equipping and installing improvements at the Portland International Airport and related costs and to fund certain reserves will be advantageous to the Port; and

WHEREAS, the Port issued its Portland International Airport Revenue Bonds, Series Twelve A, B and C (collectively, the “Series Twelve Bonds”) on December 1, 1998 and now finds it advantageous to authorize the refunding of all or a portion of the Series Twelve Bonds; under the Refunding Statutes and

WHEREAS, on June 4, 2010, the Port declared its intention to reimburse itself with proceeds of the Series Twenty Bonds for expenditures of Port funds to pay costs of capital construction and capital improvements in connection with airport improvements at the Port's Portland International Airport;

NOW THEREFORE, BE IT ENACTED BY THE PORT OF PORTLAND:

Section 1. Terms Defined in Ordinance No. 155 and Ordinance No. 323.

1.1 As used in this Ordinance No. 435-B (the “Ordinance”), the following terms shall have the meanings defined for such terms in the following ordinances of the Port:

<u>Term:</u>	<u>Defined in Ordinance No.</u>
Airport Fund	155
Airport	155
Credit Facility	323
General Account	155
Investment Securities	155
Net Revenues	155
Port	155
Rebate Account	323
SLB Fund	323
SLB Interest Account	323
SLB Reserve Account	323
SLB Reserve Fund Requirement	323
SLB Serial Bond Principal Account	323
SLB Term Bond Principal Account	323

1.2 In addition to the terms defined as provided in Section 1.1 of this Ordinance, the following terms shall have the following meanings:

“Executive Director” means the Executive Director of the Port, the Director of Financial and Administrative Services/Chief Financial Officer of the Port, or the person designated in writing by the Executive Director to act on behalf of the Port under this Ordinance.

“Ordinance No. 155” means Ordinance No. 155 of the Port, enacted on November 10, 1971, as it has been and may be amended, restated and supplemented.

“Ordinance No. 323” means Ordinance No. 323 of the Port enacted on October 9, 1985, as amended and restated on March 8, 2006 and as it has been and may be amended, restated and supplemented.

“Outstanding” refers to any Series Twenty Bonds that have been issued and delivered under this Ordinance except:

(a) Series Twenty Bonds that have been canceled by the Trustee because of payment or redemption or that have been surrendered to the Trustee for cancellation; or

(b) Series Twenty Bonds that are no longer deemed outstanding because of the application of Section 17 of Ordinance No. 323.

“Owner” means a registered owner of a Series Twenty Bond, as shown on the registration books maintained by the Trustee.

“Senior Lien Bonds” means bonds and other obligations that qualify as “Subordinate Lien Bonds” as that term is defined in Ordinance No. 323.

“Series Twenty Bonds” means the Senior Lien Bonds of each series authorized by Section 2.1 of this Ordinance.

“Series Twenty Projects” means the Costs of Construction of additions, expansions and improvements at the Airport that are financed with the Series Twenty Bonds. At the time this Ordinance is enacted the Series Twenty Projects are expected to consist primarily of the in-line baggage screening project, completion of the North Runway extension project, the South Runway rehabilitation project, deicing system improvements, and other terminal and airfield improvements.

“SLB Construction Account” means the Subordinate Lien Revenue Bond Construction Account in the Construction Fund created under Section 8 of Ordinance No. 323.

“Trustee” means the “Subordinate Lien Bond Trustee” as defined in Ordinance No. 323.

Section 2. Authorization and Security of Bonds.

2.1 Pursuant to the provisions of Ordinance No. 155 and Ordinance No. 323, the Board hereby authorizes the Port to issue Portland International Airport Revenue Bonds (i) in an aggregate principal amount of up to \$130,000,000 to pay, or to reimburse the Port for the payment of, costs of the Series Twenty Projects, (ii) in an amount sufficient to refund all or any portion of the Series Twelve Bonds, (iii) to pay capitalized interest on the Series Twenty Bonds, (iv) to make deposits to the SLB Reserve Account, and (v) to pay other costs related to issuing the Series Twenty Bonds and refunding of Series Twelve Bonds. The Series Twenty Bonds authorized by this Section 2.1 shall be issued as fixed-rate bonds and may be issued in one or more series.

2.2 The Series Twenty Bonds shall be issued pursuant to Section 10 of Ordinance No. 323 and shall be payable solely from the Net Revenues of the Airport that are available for deposit in the General Account and from moneys in the SLB Fund and SLB Construction Account as provided in Section 4 of Ordinance No. 323 and in the documents authorized by Section 4 of this Ordinance.

2.3 The Board also authorizes the Port to obtain one or more Credit Facilities for all or a portion of the Series Twenty Bonds, to enter into one or more reimbursement agreements with the provider or providers of such Credit Facilities and to enter into the agreements and other documents referred to in Section 4.

Section 3. Procedure.

The Series Twenty Bonds shall not be sold until the period for referral of this nonemergency Ordinance has expired and this ordinance takes effect. If this Ordinance is referred, the Port may not sell the Series Twenty Bonds authorized by Section 2.1 of this Ordinance unless the voters approve this Ordinance.

Section 4. Delegation.

Each Executive Director is hereby authorized, on behalf of the Port and without further action by the Board, to:

4.1 Issue the Series Twenty Bonds in one or more series.

4.2 Participate in the preparation of, approve, authorize the distribution of, and deem final disclosure documents for the Series Twenty Bonds.

4.3 Establish the final series designations, principal amounts, maturity schedules, interest rates or methods of determining interest rates, sale prices, optional and mandatory redemption provisions, notice provisions, payment terms and dates, record dates and other terms for each series of Series Twenty Bonds; provide for the Series Twenty Bonds to be held by or through the facilities of the Depository Trust Company; select one or more underwriters, negotiate terms of the sale of the Series Twenty Bonds with those underwriters and enter into one or more bond purchase agreements.

4.4 Undertake to provide continuing disclosure in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

4.5 Determine whether to purchase, and establish the terms of and obtain, one or more Credit Facilities for the Series Twenty Bonds and enter into agreements with providers of those Credit Facilities to repay any amounts paid under the Credit Facilities (plus fees and other costs of such providers) from the Net Revenues of the Airport in accordance with Ordinance No. 323.

4.6 Determine whether to obtain reserve sureties, deposit cash and investments in the SLB Reserve Account, substitute sureties for cash then on deposit in the SLB Reserve Account or substitute cash for sureties then credited to the SLB Reserve Account and take any other action necessary to satisfy the SLB Reserve Requirement.

4.7 Prepare, execute and deliver one or more certificates, bond declarations and supplemental actions specifying the terms under which the Series Twenty Bonds are issued, the form of the Series Twenty Bonds and the administrative provisions that apply to the Series Twenty Bonds. These documents may contain additional covenants for the benefit of the owners of the Series Twenty Bonds, providers of any Credit Facilities for the Series Twenty Bonds and providers of any reserve sureties.

4.8 Issue one or more series of the Series Twenty Bonds as tax-exempt obligations under the Internal Revenue Code of 1986, as amended, as obligations that bear interest that is includable in gross income for federal income tax purposes, as private activity bonds, or as taxable "Build America Bonds" or other types of borrowings that were authorized by the American Recovery and Reinvestment Tax Act of 2009 which are eligible for federal interest subsidies or tax credits.

4.9 Enter into covenants to maintain the tax status of each series of Series Twenty Bonds under the Internal Revenue Code of 1986, as amended.

4.10 Create special accounts and subaccounts within the SLB Fund that is held under Ordinance No. 323, as amended, for the Series Twenty Bonds and provide for deposits and withdrawals of amounts in those subaccounts.

4.11 Provide for the application and investment of proceeds of the Series Twenty Bonds, including the payment of interest to accrue on a portion of Series Twenty Bonds as specified by the Executive Director.

4.12 Execute and deliver one or more escrow deposit agreements, appoint one or more verification agents, and take any actions that are required to call, refund and defease all or any portion of Series Twelve Bonds.

4.13 Apply for ratings for the Series Twenty Bonds.

4.14 Appoint, and enter into contracts with financial advisors, trustees, escrow agents and other service providers related to the Series Twenty Bonds.

4.15 Execute any documents and take any other action in connection with the Series Twenty Bonds which the Executive Director finds will be advantageous to the Port.

Section 5. Amendments to Ordinance No. 323 and to Ordinance 155.

5.1 The Port may amend and restate Ordinance No. 323 and Ordinance No. 155 to delete the final paragraph of Section 9 of Ordinance No. 323 and to remove all other references in those ordinances to “Excess Principal.”

5.2 As the Port has done in the ordinances authorizing all currently outstanding series of Subordinate Lien Bonds, the Port hereby provides and clarifies that the Port may amend Ordinance No. 155 and Ordinance No. 323 without the consent of the Owners of the Series Twenty Bonds for any of the purposes listed in this Section 5.2.

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

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

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

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

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

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

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

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

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

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

(k) To combine Ordinance No. 155 and 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 Senior Lien Bonds, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

5.3 As the Port has done in the ordinance authorizing the Port’s Airport Revenue Bonds, Series Nineteen, in addition to the amendments provided in Sections 5.1 and 5.2, the Port may amend Ordinance No. 155 and Ordinance No. 323 without the consent of the Owners of the Series Twenty Bonds for any of the purposes listed in this Section 5.3.

(a) 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.”

(b) To amend Ordinance No. 323 to provide that for purposes of determining compliance with Section 10 of Ordinance No. 323, 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 Senior Lien Bonds and to the payment of Scheduled Swap Obligations or that are held by the Trustee for the sole purpose of paying debt

service on Senior Lien Bonds 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.

(c) To delete Section 17(c) of Ordinance No. 155.

(d) 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.

(e) 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 (as defined in Ordinance 155), subject in each case to the covenants and other provisions then applicable to or in connection with Outstanding Senior Lien Bonds, Scheduled Swap Obligations and Junior Lien Obligations.

(f) 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.

(g) 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 by Section 7 of Ordinance 323 have been made as of the last day of the immediately preceding fiscal year).

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

5.4 The American Recovery and Reinvestment Tax Act of 2009 allows the Port to receive federal interest subsidies for certain kinds of obligations, such as "build America bonds" and "recovery zone economic development bonds." It is desirable to allow the Port to reduce its "SLB Debt Service Requirement" by the amount of those federal interest subsidies when the Port issues Senior Lien Bonds that are eligible for those subsidies. In addition to the amendments provided in Sections 5.1, 5.2 and 5.3, the Port may amend Ordinance No. 155 and Ordinance No. 323 without the consent of the Owners of the Series Twenty Bonds to:

(a) reduce the "SLB Debt Service Requirement" by the amount of (i) any federal interest subsidies, such as the federal interest subsidies that are available for "build America bonds" and "recovery zone economic development bonds;" and (ii) the amount of any passenger facility charges that are used to pay Senior Lien Bonds; and,

(b) pledge federal interest subsidies for Senior Lien Bonds and passenger facility charges to pay Senior Lien Bonds, but exclude those federal interest subsidies and

passenger facility charges from the definition of “Revenues” so that the subsidies and charges are not both added to Revenues and applied to reduce annual debt service.

(c) To amend the provisions of Ordinance No. 155 and Ordinance No. 323 that affect obligations that are secured by a lien on the Net Revenues that is subordinate to the lien that secures the Senior Lien Bonds, to provide that federal interest subsidies and passenger facility charges may be applied to reduce debt service requirements, so long as the subsidies are not both counted as Revenues and used to reduce debt service.

Section 6. Defeasance of PFC Bonds.

The Port currently receives passenger facility charge revenues that exceed debt service on the Port’s outstanding passenger facility charge revenue bonds. The Port was expecting to spend those passenger facility charge revenues on Airport projects. Planning for the Series Twenty Bonds and subsequent Airport financings led to the conclusion that the Port may benefit by using those passenger facility charge revenues to defease passenger facility charge revenue bonds. The Executive Director is therefore hereby authorized in the Executive Director’s discretion to use those passenger facility charge revenues to call and defease outstanding passenger facility charge revenue bonds, and to execute and deliver one or more escrow deposit agreements, appoint one or more verification agents, and take any actions that are required to call and defease all or any portion of the Port’s outstanding passenger facility charge revenue bonds.

Section 7. Formal Matters.

7.1 The power granted in Section 5 to amend Ordinance No. 155 and Ordinance No. 323 supplements and clarifies, and does not limit, the power of the Port to amend Ordinance No. 155 under its Section 20 and Ordinance No. 323 under its Section 12.

7.2 The Executive Director may determine that the providers of Credit Facilities for the Series Twenty Bonds shall be treated as Owners of the Series Twenty Bonds secured by those Credit Facilities for purposes of consenting to amendments to Ordinance No. 155, Ordinance No. 323 and the documents relating to the Series Twenty Bonds.

7.3 Provisions of the documents that are executed pursuant to Section 4 shall have the same effect as if those provisions were included in this Ordinance.

7.4 The Port may restate Ordinance No. 323 and Ordinance No. 155 to include the amendments contained in this Ordinance and may combine Ordinance No. 155 and Ordinance No. 323 without the consent of any Owner or beneficial owner, Credit Facility provider or swap provider.

7.5 A concise summary of this Ordinance, including the location within the Port where a complete copy of this Ordinance may be obtained without charge, shall be published within five (5) days after passage in a newspaper of general circulation within the boundaries of the Port.

PASSED AND ENACTED by the Board of Commissioners of The Port of Portland at a meeting held on September 8, 2010, and signed by its President.

THE PORT OF PORTLAND

Judi Johansen
Commission President

Approved as to Form:

K&L Gates LLP
Bond Counsel