

**NEW ISSUE—COMPETITIVE via PDXAuction.com
BOOK-ENTRY ONLY**

**RATING: Moody's Aaa
(Ambac-Insured)**

In the opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2005 Series A Bonds is excluded from the gross income of the owners of the 2005 Series A Bonds for federal income tax purposes under existing law. Interest on the 2005 Series A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2005 Series A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX EXEMPTION" and "OTHER FEDERAL TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2005 Series A Bonds is exempt from Oregon personal income tax and is also exempt from personal income taxation by Multnomah County, Oregon, under existing law.

City of Portland, Oregon
\$45,370,000
Airport Way
Urban Renewal and Redevelopment Refunding Bonds
2005 Series A

BASE CUSIP: 736746

DATED: Date of Delivery

DUE: June 15, as shown on inside cover

The Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A (the "2005 Series A Bonds") will be issued in registered book-entry only form, without coupons, in denominations of \$5,000 or integral multiples thereof. The 2005 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2005 Series A Bonds. While Cede & Co. is the registered owner of the 2005 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2005 Series A Bonds. See "Book-Entry System" herein.

MATURITIES, AMOUNTS AND INTEREST RATES AS SHOWN ON THE REVERSE HEREOF

The 2005 Series A Bonds will bear or accrue interest at the rates as set forth on the inside cover. The 2005 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2005 Series A Bonds will be payable semiannually on June 15 and December 15 of each year, beginning December 15, 2005. While the 2005 Series A Bonds are in book-entry form, interest on the 2005 Series A Bonds will be paid through DTC. See "Book-Entry System" herein.

The 2005 Series A Bonds are being issued to refund certain maturities of the City's outstanding Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A (Tax-Exempt) (the "2000 Series A Bonds"), to fund the Reserve Requirement, and to pay issuance costs.

Payment of the principal of and interest on the 2005 Series A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2005 Series A Bonds.

Ambac

THE 2005 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY WHICH ARE SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES, AMOUNTS IN THE TAX INCREMENT FUND, AND AMOUNTS AVAILABLE FROM ANY RESERVE EQUIVALENT (COLLECTIVELY, THE "SECURITY") AS PROVIDED IN THE BOND DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES LIMITATION. THE 2005 SERIES A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The 2005 Series A Bonds are subject to redemption prior to maturity. See "OPTIONAL REDEMPTION OF THE 2005 SERIES A BONDS" herein.

The 2005 Series A Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Preston Gates & Ellis LLP, Bond Counsel, Portland, Oregon, and to certain other conditions. The City expects that the 2005 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 29, 2005.

Official Statement Dated September 20, 2005

MATURITY SCHEDULE

\$45,370,000

**Airport Way Urban Renewal and Redevelopment Refunding Bonds
2005 Series A**

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No. 736746</u>
2006	\$825,000	3.00%	2.85%	SC 3
2007	245,000	3.00	2.98	SD 1
2008	250,000	3.00	3.07	SE 9
2009	260,000	3.00	3.15	SF 6
2010	120,000	3.00	3.23	SG 4
2011	3,530,000	4.00	3.38	SH 2
2012	3,675,000	4.00	3.50	SJ 8
2013	3,815,000	5.00	3.61	SK 5
2014	4,010,000	5.00	3.70	SL 3
2015	4,210,000	5.00	3.78	SM 1
2016	4,420,000	5.00	3.86 †	SN 9
2017	4,640,000	5.00	3.92 †	SP 4
2018	4,875,000	5.00	3.96 †	SQ 2
2019	5,120,000	5.00	4.00 ††	SR 0
2020	5,375,000	4.00	4.25	SS 8

† Priced to call on June 15, 2015.

†† Priced to call on June 15, 2016.

**OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND
MULTNOMAH, WASHINGTON AND CLACKAMAS COUNTIES
OREGON**

\$45,370,000

**Airport Way
Urban Renewal and Redevelopment Refunding Bonds
2005 Series A**

CITY COUNCIL

Tom Potter,
Mayor and Commissioner of Finance and Administration

Sam Adams, Commissioner of Public Utilities
Dan Saltzman, Commissioner of Public Affairs
Erik Sten, Commissioner of Public Works
Randy Leonard, Commissioner of Public Safety

CITY OFFICIALS

Gary Blackmer, City Auditor
David E. Thurman, City Treasurer
Linda Meng, City Attorney

Timothy Grewe, Chief Administrative Officer, Office of Management and Finance
Kenneth L. Rust, Chief Financial Officer, Office of Management and Finance
Eric H. Johansen, Debt Manager

PORTLAND DEVELOPMENT COMMISSION

Eric E. Parsons, Commissioner and Chair
Douglas C. Blomgren, Commissioner and Secretary
Mark Rosenbaum, Commissioner and Acting Secretary
Bertha Ferrán, Commissioner
Sal Kadri, Commissioner

Bruce A. Warner, Executive Director
Mark W. Murray, Interim Chief Financial Officer

BOND COUNSEL

Preston Gates & Ellis LLP
Portland, Oregon



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Bond Counsel’s review of this document is limited; see “Legal Matters” herein. This Official Statement has been deemed final as of its date by the City pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. 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, the underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

All estimates and assumptions set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2005 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The 2005 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have the 2005 Series A Bonds been registered under the securities laws of any state.

In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the 2005 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.

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**OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
RELATED TO**

**\$45,370,000
AIRPORT WAY
URBAN RENEWAL AND REDEVELOPMENT REFUNDING BONDS
2005 SERIES A**

INTRODUCTION

This Official Statement provides information concerning the City of Portland, Oregon (the “City”), the Portland Development Commission (the “Commission”), the Airport Way Urban Renewal Area (the “Area”), the tax increment revenues for the Airport Way Urban Renewal Area, and the City’s Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A (the “2005 Series A Bonds”). The 2005 Series A Bonds will be issued in accordance with City Ordinance No. 179518 (the “Ordinance”) adopted on August 24, 2005, which authorizes the City to issue the 2005 Series A Bonds.

The City’s Debt Manager executed a bond declaration (the “Original Bond Declaration”) which memorializes the terms and conditions of the City’s Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A and B (the “2000 Bonds”) and the City’s covenants relating to the 2000 Bonds. The Original Bond Declaration established the terms under which the City may issue future obligations (see “Parity Indebtedness” and “Subordinate Indebtedness”) which have a lien on the Tax Increment Revenues.

In October 2002, the City issued its Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2002 Series A (the “2002 Series A Bonds”) as Parity Indebtedness. The City’s Debt Manager executed a supplemental bond declaration which established specific terms and conditions and covenants relating to the 2002 Series A Bonds.

The 2005 Series A Bonds are being issued as Parity Indebtedness with the 2000 Bonds and the 2002 Series A Bonds. Pursuant to the Ordinance, the City’s Debt Manager has executed a Supplemental Bond Declaration (the “Supplemental Bond Declaration”) which establishes specific terms and conditions of the 2005 Series A Bonds and the City’s covenants relating to the 2005 Series A Bonds. The body of this Official Statement briefly summarizes many of the provisions of the Original Bond Declaration and the Supplemental Bond Declaration (collectively, the “Bond Declaration”) and does not purport to be complete. The Ordinance and the Supplemental Bond Declaration are found in Appendix A and the Original Bond Declaration is found in Appendix B. Capitalized terms that are used but not defined in the body of this Official Statement have the meanings defined for those terms in the Bond Declaration.

THE 2005 SERIES A BONDS

DESCRIPTION

The 2005 Series A Bonds will be issued in registered book-entry form only, without coupons, in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the 2005 Series A Bonds are insured by Ambac Assurance Corporation. The 2005 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee for the Depository Trust Company, New York, New York (“DTC”). Interest on the 2005 Series A Bonds is payable semi-annually on June 15 and December 15 of each year beginning December 15, 2005. While the 2005 Series A Bonds are in book-entry form, principal of and interest on the 2005 Series A Bonds will be paid through DTC. See “Book-Entry System” in Appendix F.

AUTHORIZATION AND PURPOSE

The 2005 Series A Bonds are being issued under the authority of Article IX, Section 1c and Article XI, Section 11(16) of the Oregon Constitution, Oregon Revised Statutes Chapter 457 and the City Charter. The City Council has adopted the Ordinance, which authorizes the 2005 Series A Bonds. The 2005 Series A Bonds also are being issued in accordance with the Bond Declaration. The 2005 Series A Bonds are being issued to refund certain maturities of the 2000 Series A Bonds, to fund the Reserve Requirement, and to pay issuance costs. See “Refunding Plan” and “Estimated Sources and Uses of Bond Proceeds” below.

FORM

The 2005 Series A Bonds will be issued in fully-registered form without coupons in denominations of \$5,000 or integral multiples thereof. The 2005 Series A Bonds will be issued subject to the Book-Entry System of registration, transfer and payment operated by The Depository Trust Company, New York, New York (“DTC”), and will be subject in all respects to the rules, regulations and agreements pertaining to such Book-Entry System. In accordance with the Book-Entry System, the 2005 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2005 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2005 Series A Bonds. While Cede & Co. is the registered Owner of the 2005 Series A Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2005 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2005 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2005 Series A Bonds under the Bond Declaration or applicable law. So long as the 2005 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2005 Series A Bonds will be made only through the Book-Entry System. See Appendix F herein for a discussion of the Book-Entry System.

MATURITY AND PAYMENT

The 2005 Series A Bonds mature on June 15 of the years and in the aggregate principal amounts set forth on the inside cover page of this Official Statement and will bear interest from the Date of Delivery. Accrued and unpaid interest on the 2005 Series A Bonds will be due and payable semiannually on June 15 and December 15 of each year, commencing December 15, 2005.

So long as the 2005 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2005 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank N.A. (the “Paying Agent”) directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2005 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2005 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See “Book-Entry System” in Appendix F herein.

OPTIONAL REDEMPTION OF 2005 SERIES A BONDS

The 2005 Series A Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after June 15, 2015, in any order of maturity and by lot within a maturity, at the following prices, plus accrued interest and unpaid interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 15, 2015 through June 14, 2016	101.00%
June 15, 2016 and thereafter	100.00%

In the case of any redemption of less than all of the outstanding 2005 Series A Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.

Selection of 2005 Series A Bonds for Redemption

While the 2005 Series A Bonds are subject to the BEO System, if less than all of the outstanding 2005 Series A Bonds of a particular maturity are to be redeemed, DTC will select the particular 2005 Series A Bonds of such maturity to be redeemed.

Notice of Redemption

So long as the 2005 Series A Bonds are subject to the BEO System, notice of any redemption shall be given by the Paying Agent only to DTC in accordance with the agreement entered into among the City, the Paying Agent, and DTC. It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above.

REFUNDING PLAN

A portion of the proceeds of the 2005 Series A Bonds will be placed in an irrevocable escrow fund to be held by U.S. Bank, N.A. (the "Escrow Agent") and invested in United States Government obligations maturing in amounts sufficient to pay the principal of, interest on, and any redemption premium on the 2000 Series A Bonds. The accuracy of the mathematical computations will be verified by Grant Thornton LLP.

The following table lists the outstanding maturities of bonds to be refunded with the proceeds of the 2005 Series A Bonds.

Table 1
CITY OF PORTLAND, OREGON
Refunding Plan for Outstanding Airport Way Urban Renewal
and Redevelopment Bonds, 2000 Series A

CUSIP No.	Refunded	Principal	Redemption Date	Redemption
736682	Maturity	Amount		Price
CR4	6/15/2010	\$1,070,000	At Maturity	N.A.
CS2	6/15/2011	3,320,000	6/15/2010	101.00%
CT0	6/15/2012	390,000	6/15/2010	101.00%
DF9	6/15/2012	3,105,000	6/15/2010	101.00%
CU7	6/15/2013	590,000	6/15/2010	101.00%
DG7	6/15/2013	3,110,000	6/15/2010	101.00%
CV5	6/15/2014	280,000	6/15/2010	101.00%
DH5	6/15/2014	3,640,000	6/15/2010	101.00%
CW3	6/15/2015	820,000	6/15/2010	101.00%
DJ1	6/15/2015	3,335,000	6/15/2010	101.00%
CX1	6/15/2016	4,400,000	6/15/2010	101.00%
CY9	6/15/2017	4,665,000	6/15/2010	101.00%
CZ6	6/15/2018	4,930,000	6/15/2010	101.00%
DA0	6/15/2019	5,215,000	6/15/2010	101.00%
DB8	6/15/2020	5,515,000	6/15/2010	101.00%
	<i>Total</i>	<u>\$44,385,000</u>		

Source: City of Portland.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The anticipated sources and uses of proceeds from the 2005 Series A Bonds are itemized in the following table.

Table 2
CITY OF PORTLAND, OREGON
Estimated Sources and Uses of Bond Proceeds

SOURCES:	
Par amount of bonds	\$ 45,370,000.00
Original issue premium/(discount)	2,974,854.45
Cash contribution	1,340,000.00
Other issuer contribution	<u>10,000.00</u>
TOTAL SOURCES	<u>\$ 49,694,854.45</u>
USES:	
Deposit to escrow	\$ 48,908,215.01
Underwriters' discount	215,513.29
Costs of issuance (1)	<u>571,126.15</u>
TOTAL USES	<u>\$ 49,694,854.45</u>

Notes:

(1) Includes bond insurance premium.

Source: City of Portland.

The following table presents the combined debt service on Parity Indebtedness as of the closing date of the 2005 Series A Bonds.

Table 3
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Bonds
Scheduled Debt Service on Parity Indebtedness

Fiscal Year Ending June 30	Outstanding Parity Indebtedness (1)	2005 Series A		Total
		Principal	Interest	
2006	\$3,068,788	\$825,000	\$1,499,520	\$5,393,308
2007	3,068,788	245,000	2,083,950	5,397,738
2008	3,065,613	250,000	2,076,600	5,392,213
2009	3,061,113	260,000	2,069,100	5,390,213
2010	3,343,050	120,000	2,061,300	5,524,350
2011		3,530,000	2,057,700	5,587,700
2012		3,675,000	1,916,500	5,591,500
2013		3,815,000	1,769,500	5,584,500
2014		4,010,000	1,578,750	5,588,750
2015		4,210,000	1,378,250	5,588,250
2016		4,420,000	1,167,750	5,587,750
2017		4,640,000	946,750	5,586,750
2018		4,875,000	714,750	5,589,750
2019		5,120,000	471,000	5,591,000
2020		5,375,000	215,000	5,590,000
Total	\$15,607,350	\$45,370,000	\$22,006,420	\$82,983,770

Notes:

(1) Excludes debt service on refunded 2000 Series A Bonds.

Source: City of Portland.

SECURITY FOR THE 2005 SERIES A BONDS

INTRODUCTION

The Oregon property tax system and the tax increment system were both substantially changed when the voters of Oregon approved Measure 50, an amendment to Article XI, Section 11 of the Oregon Constitution. Although Measure 50 generally reduced tax rates and Assessed Values (see “PROPERTY TAX AND VALUATION INFORMATION – Section 11” herein), it was not intended to reduce tax increment collections. Measure 50’s tax and Assessed Value reductions would have reduced tax increment collections substantially. To prevent any unintended reduction in tax increment collections, Measure 50 also states:

“...The Legislative Assembly shall enact laws that allow collection of ad valorem property taxes sufficient to pay, when due, indebtedness incurred to carry out urban renewal plans existing on December 5, 1996...” Oregon Constitution, Article XI, Section 11(16).

Under the authority of Article XI, Section 11(16), the Oregon Legislature authorized urban renewal agencies to impose special levies for urban renewal areas that had plans in existence on December 5, 1996. The urban renewal plan for the Area (the “Plan”) was in existence on December 5, 1996, and the 2005 Series A Bonds are being issued to carry out this Plan.

PLEDGE OF TAX INCREMENT REVENUES

The 2005 Series A Bonds are secured by the tax increment revenues (the “Tax Increment Revenues”) as defined in the Bond Declaration. The 2005 Series A Bonds are insured by Ambac Assurance Corporation. See “BOND INSURANCE” herein.

The Tax Increment Revenues consist of two types of taxes. The first is the amount of taxes calculated based on the increase in value of property in the Area (the “Divide the Taxes Revenues”). The Divide the Taxes Revenues are fixed for the Area at an annual amount of \$2,540,000. The second tax securing the 2005 Series A Bonds is a special, citywide levy (the “Special Levy”). Collected amounts from these two taxes and the earnings upon them are deposited into the Tax Increment Fund as described herein. (See “Funds and Accounts – The Tax Increment Fund” below.)

The sum of the Divide the Taxes Revenues and the Special Levy in any Fiscal Year cannot exceed the Maximum Tax Increment Revenues. (See “Maximum Tax Increment Revenues” below.)

Tax Increment Revenues are subject to compression by Article XI, Section 11b of the Oregon Constitution in a complex manner. Because the City does not currently impose all of the Special Levy available, current law authorizes the City or Commission to request a Special Levy in an amount sufficient to eliminate the effects of compression, but in no circumstance in an amount such that the sum of the Divide the Taxes Revenues and the Special Levy exceeds the Maximum Tax Increment Revenues. (See “RISKS TO BONDHOLDERS – Measure 5 Compression” and “PROPERTY TAX AND VALUATION INFORMATION – Section 11b and Urban Renewal Revenues.”)

THE 2005 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY WHICH ARE SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES, AMOUNTS IN THE TAX INCREMENT FUND, AND AMOUNTS AVAILABLE FROM ANY RESERVE EQUIVALENT (COLLECTIVELY, THE “SECURITY”) AS PROVIDED IN THE BOND DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES LIMITATION. THE 2005 SERIES A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The 2005 Series A Bonds are secured by a lien on, and a pledge of, the Security which is on a parity with the lien on, and pledge of, the Security which secures the 2000 Bonds and the 2002 Series A Bonds.

MAXIMUM TAX INCREMENT REVENUES

The Maximum Tax Increment Revenues limits the Divide the Taxes Revenues and the Special Levy, and is the maximum amount of tax increment revenues that can be collected in urban renewal areas in existence on December 5, 1996. The Maximum Tax Increment Revenues is the amount that could have been collected in the first year of Measure 50 if Measure 50 had not passed, adjusted for changes in the urban renewal area Incremental Assessed Value. The amount of the Maximum Tax Increment Revenues for the Area was \$20,967,727 in FY 2004-05. In any subsequent fiscal year the amount of the Maximum Tax Increment Revenues will be equal to the Maximum Tax Increment Revenues for the prior year, adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the prior year. The Maximum Tax Increment Revenues are reduced only if the Incremental Assessed Value of the Area is reduced.

DIVIDE THE TAXES REVENUES AND INCREMENTAL ASSESSED VALUE

Laws implementing Measure 50 allowed the City and the Commission (and other urban renewal agencies that had urban renewal areas with urban renewal plans in existence on December 5, 1996) to determine what portion of the Maximum Tax Increment Revenues would be collected as the Divide the Taxes Revenues. The Divide the Taxes Revenues is calculated by multiplying the Incremental Assessed Value of an urban renewal area by the consolidated billing tax rate. The consolidated billing tax rate is the sum of the tax rates of taxing districts that overlap the Area. The Incremental Assessed Value is the difference between the Assessed Value of all taxable property in the Area for the year the Area was formed (1986), adjusted for amendments to the Plan (the "Frozen Base") and the current Assessed Value of all taxable property in the Area. (See "THE AIRPORT WAY URBAN RENEWAL AREA – Historical and Projected Assessed Values" herein.)

Measure 50 permitted urban renewal agencies to elect to collect a lower amount of Divide the Taxes Revenues than would result by applying the consolidated billing tax rate to the Incremental Assessed Value under certain collection options. Oregon law required the election to be made by the end of FY 1997-98, and states that the election is irrevocable. (See "PROPERTY TAX AND VALUATION INFORMATION, – Section 11 and Urban Renewal Revenues" herein.) The City and the Commission elected to limit the Divide the Taxes Revenues for the Area to \$2,540,000 each Fiscal Year, although actual collections may be less due to compression and delinquencies. Incremental Assessed Value not required to produce an amount equal to \$2,540,000 when the consolidated billing tax rate is multiplied by the Incremental Assessed Value is released to the overlapping taxing districts, thereby shifting tax dollars raised from the Incremental Assessed Value of the Area to the overlapping taxing districts. Released amounts of Incremental Assessed Value may vary from year to year depending on the Incremental Assessed Value for each year and the amount of Incremental Assessed Value needed to produce the Divide the Taxes Revenues. Urban renewal districts may collect taxes generated from all or a portion of this released Incremental Assessed Value through imposition of a "Special Levy," described below.

The Divide the Taxes Revenues can be reduced by changes in Incremental Assessed Value, changes in the consolidated billing tax rate and Measure 5 compression. (See "RISKS TO BONDHOLDERS" herein.)

THE SPECIAL LEVY

Laws implementing Measure 50 allowed the City and the Commission (and other urban renewal agencies that had urban renewal areas with urban renewal plans in existence on December 5, 1996) to impose a citywide Special Levy for the Area. The City and the Commission qualified the Area for the Special Levy, which is collected in the three counties (Multnomah, Washington, and Clackamas) falling within the City's corporate boundaries. Each Fiscal Year, the City and the Commission are authorized to impose a Special Levy for each urban renewal area that has been qualified for the Special Levy in an amount which, when added to the Divide the Taxes Revenues for that Fiscal Year, does not exceed the amount of the Maximum Tax Increment Revenues for that urban renewal area. The City and the Commission determine the amount of the Special Levy that will be imposed each year as part of the budget process; the Bond Declaration establishes the minimum amount of the Special Levy to be allocated to the Area and the Special Levy cannot exceed the limitations of the Maximum Tax Increment Revenues. (See "THE PORTLAND DEVELOPMENT COMMISSION – Urban Renewal Areas – Collection Options" herein.) For FY 2005-06, the City certified a Special Levy of \$3,836,913 for the Area. The Special Levy can be reduced by changes in the Incremental Assessed Value of the Area and may be subject to compression. (See "RISKS TO BONDHOLDERS" herein.)

The City and the Commission have covenanted to impose a Special Levy each year which produces an amount in excess of the amount required to pay the Outstanding Bonds. (See "Other Covenants – Collection Covenant" below.) The City and the

Commission expect that the Maximum Tax Increment Revenues will substantially exceed the debt service on the Outstanding Bonds in each year these bonds are outstanding. (See “THE AIRPORT WAY URBAN RENEWAL AREA – Tax Increment Historical and Projected Revenues, Debt Service, and Maximum Tax Increment Revenues” herein.)

MAXIMUM INDEBTEDNESS

To qualify the Area for the Special Levy, the City and the Commission were required to establish a Maximum Indebtedness amount for the Area. The Maximum Indebtedness amount for the Area is \$72,638,268, which has fully been issued. No additional indebtedness may be incurred in the Area. The Maximum Indebtedness limitation applies to debt issued on or after December 5, 1996, but does not include refunding debt, including the 2005 Series A Bonds. See “THE AIRPORT WAY URBAN RENEWAL AREA – Maximum Indebtedness” below. Oregon law does not clearly indicate the consequences if the City or Commission issue indebtedness for the Area that exceeds the Maximum Indebtedness amount; however, it is possible that City and the Commission would lose the power to impose a Special Levy for the Area. The City and the Commission have covenanted to refrain from taking any action that would cause the Commission or the City to cease to be able to impose the Special Levy for the Area. See Appendix B, ORIGINAL BOND DECLARATION, Section 7 – “General Covenants.”

OTHER COVENANTS

Covenant Not to Issue Additional Prior Lien Bonds

The City covenants for the benefit of the Owners of the 2005 Series A Bonds and any Parity Indebtedness not to issue obligations on a parity with the Prior Lien Bonds (“Parity Obligations” as defined in City Ordinance No. 167549) or any other obligations which have a lien or claim on the Security which is superior to the lien or claim of the Owners. Since no Prior Lien Bonds are outstanding, references to the covenants pertaining to the Prior Lien Bonds have not been included in the body of this Official Statement. For a complete discussion of covenants relating to the Prior Lien Bonds, see the Original Bond Declaration in Appendix B.

Collection Covenant

When the City and the Commission finalize their budgets for a Fiscal Year, the City and the Commission shall reasonably estimate the Divide the Taxes Revenues the City and the Commission will receive in that Fiscal Year. If the amount of this estimate is less than one hundred five percent (105%) of the Required Levy Amount for that Fiscal Year, (i.e., the sum of the amounts required to be deposited into the Scheduled Debt Service for the Outstanding Bonds, and any amounts needed to replenish the Reserve Account), the City and the Commission shall notify the assessors to impose a Special Levy for that Fiscal Year (to the extent that the Maximum Tax Increment Revenues are sufficient) in an amount which the City and the Commission reasonably estimate will result in the City and the Commission receiving Tax Increment Revenues for that Fiscal Year of at least one hundred five percent (105%) of the Required Levy Amount. See “FUNDS AND ACCOUNTS” and “INTERIM FINANCING” herein.

Reduction in Area

The City shall not reduce the Area unless the Area, after the reduction, is reasonably projected to have Maximum Tax Increment Revenues which are at least equal to 130% of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

Granting or Approving of Tax Exemption

To the extent the City controls property tax exemptions, the City shall not grant or approve any property tax exemption which may, at the time it is granted, reasonably be expected to prevent the City from collecting sufficient Tax Increment Revenues to pay the Outstanding Bonds and comply with its obligations under the Bond Declaration. However, many property tax exemptions do not require City approval, such as those granted by state statute for charitable or religious organizations.

FUNDS AND ACCOUNTS

The Tax Increment Fund

ORS 457.440(6)(b) and the Bond Declaration require the City to deposit all Tax Increment Revenues into the Tax Increment Fund. The Bond Declaration separates the Tax Increment Fund into a Parity Indebtedness Fund which includes the Debt Service Account and the Reserve Account, and a Subordinate Indebtedness Fund.

All Tax Increment Revenues deposited in the Tax Increment Fund must be credited:

- First, to the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Bond Debt Service due in that Fiscal Year;
- Second, to the Reserve Account, until the balance in the Reserve Account is equal to the Reserve Requirement (see “The Reserve Account” below); and
- Third, to the Subordinate Indebtedness Fund, to the extent that any amounts remain after the foregoing deposits have been made.

The Debt Service Account

Amounts in the Debt Service Account shall be used only to pay Bond principal, interest and premium.

The Reserve Account

The City covenants to fund and maintain a balance in the Reserve Account at least equal to the Reserve Requirement. The Reserve Requirement is generally equal to the Maximum Annual Debt Service on all Outstanding Bonds or the amount the City was required to maintain in the Reserve Account prior to issuing a Series of Bonds, plus the largest amount of proceeds of tax-exempt bonds the City may use to fund a reserve under the Internal Revenue Code of 1986, as amended. Amounts credited to the Reserve Account shall be used only to pay Bond principal, interest and premium, but only if amounts in the Debt Service Account are not sufficient.

At the Closing of the 2005 Series A Bonds, the City will fund the Reserve Account with a Reserve Equivalent. The City must maintain the value in the Reserve Account at the Reserve Requirement from Tax Increment Revenues as provided in the Bond Declaration. See Appendix B, ORIGINAL BOND DECLARATION, Section 2, definitions of “Reserve Equivalent,” “Reserve Requirement” and “Tax Maximum” and Section 4.3, “Reserve Account.”

Reserve Account Ambac Assurance Surety Bond

The Bond Declaration requires the establishment of a Reserve Account in an amount equal to the Reserve Requirement. The Bond Declaration authorizes the City to obtain a Surety Bond in place of fully funding the Reserve Account. Accordingly, application has been made to Ambac Assurance Corporation (“Ambac Assurance”) for the issuance of a Surety Bond for the purpose of funding the Reserve Account. See Appendix B, ORIGINAL BOND DECLARATION, Section 4.4. The 2005 Series A Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the 2005 Series A Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Paying Agent certifying that provision for the payment of principal of or interest on the 2005 Series A Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the 2005 Series A Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the City is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the City is subordinate to the City’s obligations with respect to the 2005 Series A Bonds.

In the event the amount on deposit, or credited to the Reserve Account, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, the Reserve Account, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Bond Declaration provides that the Reserve Account shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Tax Increment Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be deposited from next available Tax Increment Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

BOND INSURANCE

The following information has been furnished by Ambac Assurance for use in this Official Statement. Reference is made to Appendix G for a specimen of the financial guaranty insurance policy provided by Ambac Assurance.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2005 Series A Bonds effective as of the date of issuance of the 2005 Series A Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2005 Series A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the 2005 Series A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2005 Series A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2005 Series A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2005 Series A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2005 Series A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on an 2005 Series A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2005 Series A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2005 Series A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2005 Series A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 2005 Series A Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$8,720,000,000** (unaudited) and statutory capital of approximately **\$5,287,000,000** (unaudited) as of **June 30, 2005**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the 2005 Series A Bonds.

Ambac Assurance makes no representation regarding the 2005 Series A Bonds or the advisability of investing in the 2005 Series A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;
6. The Company's Current Report on Form 8-K dated and filed on July 20, 2005;
7. The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005; and
9. The Company's Current Report on Form 8-K dated September 8, 2005 and filed on September 9, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

PARITY INDEBTEDNESS

The City has reserved the right to issue future Parity Indebtedness only if all of the following conditions are met:

1. As of the date of Closing of the Parity Indebtedness, no Event of Default under the Bond Declaration has occurred and is continuing.
2. On or before the date of Closing of the Parity Indebtedness the City provides either:
 - a. a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred ten percent (110%) of the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series; or,
 - b. a certificate or opinion of a Qualified Consultant:
 - i. stating the projected amount of the Maximum Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Maximum Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Parity Indebtedness is issued;
 - ii. concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in the preceding paragraph (a) are at least equal to one hundred thirty percent (130%) of the Scheduled Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series;
 - iii. stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Parity Indebtedness is issued; and,
 - iv. concluding that this projected amount described in the preceding paragraph (c) is at least equal to one hundred thirty percent (130%) of the Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series.

The City may issue Parity Indebtedness to refund Outstanding Bonds without complying with the preceding requirements if:

1. the refunded Bonds are defeased on the date of delivery of the refunding Parity Indebtedness; and,
2. the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.

In addition to allowing refunding of Parity Indebtedness which is not Interim Financing, the provisions allowing refunding of Parity Indebtedness permit Interim Financings to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service of the refunded Interim Financing (which is assumed to be amortized as provided in the definition of "Annual Debt Service") in any Fiscal Year by more than \$5,000.

INTERIM FINANCING

The Bond Declaration permits Parity Indebtedness in the form of Interim Financing that matures within three years after its date of issue. For purposes of calculating Scheduled Debt Service as it relates to the collection covenant described above, Interim Financings are assumed to be paid in whole or in part from the proceeds of refunding Bonds, and the City and the Commission are not obligated to collect amounts each year sufficient to pay Scheduled Debt Service on Interim Financings. However, the City and Commission are obligated to provide for payment of Interim Financings from the proceeds of Bonds or from Tax Increment Revenues. See Appendix B, ORIGINAL BOND DECLARATION, Section 5. For purposes of calculating Annual Debt Service when Parity Indebtedness is issued, Interim Financings are assumed to be amortized as provided in the definition of "Annual Debt Service."

SUBORDINATE INDEBTEDNESS

The City may issue Subordinate Indebtedness which shall not be payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or a subaccount of the Subordinate Indebtedness Fund. All Subordinate Indebtedness shall state clearly that it is secured by a lien on or pledge of the Security which is subordinate to the lien on, and pledge of, the Security for the Bonds. See Appendix B, ORIGINAL BOND DECLARATION, Section 6.

AMENDMENTS, DEFAULTS, AND REMEDIES

The City may amend the Bond Declaration for certain purposes without consent of Bondowners, and for other purposes with the consent of 51% of the Owners. The issuer of a municipal bond insurance policy which insures payment of all principal and interest due on one of more of the 2005 Series A Bonds may be treated as the Owner of all 2005 Series A Bonds insured by that policy for purposes of determining the percentage of Owners consenting to an amendment of the Bond Declaration. See Appendix B, ORIGINAL BOND DECLARATION, Section 8 and Section 10.

RISKS TO BONDOWNERS

GENERAL

The 2005 Series A Bonds are special, limited obligations of the City and the Commission and are not secured by the general, unrestricted funds of either the City or the Commission. The Tax Increment Revenues and other amounts pledged to pay the Bonds may not be sufficient to pay the 2005 Series A Bonds.

RECEIPT OF TAX INCREMENT REVENUES

The Tax Increment Revenues are generated from the operation of the Oregon property tax system. The City or the Commission must certify the levy for the Divide the Taxes Revenues and the Special Levy to the county assessors. The county assessors must impose and collect these taxes. Any circumstances that cause the property tax system to malfunction may prevent the City and the Commission from receiving Tax Increment Revenues in amounts and at times sufficient to pay the 2005 Series A Bonds. See "THE INITIATIVE PROCESS" herein.

DECLINES IN URBAN RENEWAL PROPERTY VALUES

If the Assessed Value of property in the Area declines substantially, the Tax Increment Revenues may not be sufficient to pay the 2005 Series A Bonds. The City and Commission are not permitted by law to collect Tax Increment Revenues in amounts that exceed the Maximum Tax Increment Revenues. The Maximum Tax Increment Revenues will be reduced if the Incremental Assessed Value of the Area is reduced.

The Incremental Assessed Value of the Area could be adversely affected by many factors, including but not limited to:

- (1) changes in the economy of the Portland metropolitan area or changes in the businesses operating in the Area (the Assessed Value of business property in the Area may vary with the income that is produced from that property).
- (2) general trends in real and personal property values.
- (3) fire, flood, earthquake, environmental contamination or other unforeseen event or disaster which destroys property inside the Area or substantially reduces its value.
- (4) legislation or other government action that affects property values, including but not limited to:
 - (a) changes in zoning and land use laws;
 - (b) changes in the method of calculating Assessed Value;
 - (c) increases in the types of property tax exemptions that are available for property inside the Area;
 - (d) changes in environmental laws which restrict activities in the Area or impose penalties that reduce property values in the Area; and
 - (e) changes in tax laws affecting businesses operating in the Area (the Assessed Value of business property in the Area may vary with the income that is produced from that property).
- (5) changes in the way property is used in the Area which affect its value for tax purposes, including changes that qualify the property for exemption from property taxation. See "SECURITY FOR THE 2005 SERIES A BONDS – Other Covenants – Granting or Approving of Tax Exemptions," herein.
- (6) reductions in the size of the Area. See "SECURITY FOR THE 2005 SERIES A BONDS – Other Covenants – Reduction in Area," herein.

CHANGES IN PROPERTY TAX SYSTEM

The 2005 Series A Bonds are payable from the Tax Increment Revenues, which are collected through the property tax system. Oregon law affecting the property tax system could change in ways that reduce the Tax Increment Revenues or make their collection less reliable.

ERRORS IN ASSESSMENT PROCESS

Because the Maximum Tax Increment Revenues are affected by the Incremental Assessed Value of the Area, errors in the assessment of property in the Area may adversely affect the collection of Tax Increment Revenues.

MEASURE 5 COMPRESSION

General

Divide the Taxes Revenues and Special Levies are subject to the limits of Article XI, Section 11b of the Oregon Constitution (“Measure 5”). Measure 5 limits the total amount of ad valorem property taxes and certain other property charges for general governmental purposes to \$10/\$1,000 of real market value. Collections that exceed that limit are reduced, or “compressed” so that total taxes do not exceed the limit.

The Divide the Taxes Revenues and Special Levies are included in the Measure 5 limit of \$10/\$1,000 of real market value.

Measure 5 compression reduced the Divide the Taxes Revenues collected in Fiscal Year 2004-2005 by approximately 7.8 percent, and reduced the Special Levy by 3.7 percent. (See “ANNUAL DISCLOSURE INFORMATION – Information Related to Divide the Taxes Collections for the Area – Divide the Taxes Revenue Reductions Due to Measure 5 Compression.”) If governments impose new taxes that are subject to the \$10/\$1,000 limit, those new taxes may increase the amount of compression of the Divide the Taxes Revenues and the Special Levy and reduce the Tax Increment Revenues that the City collects.

Compression of Divide the Taxes Revenues

The Divide the Taxes Revenues and similar charges by urban renewal agencies for other urban renewal areas are limited to \$10/\$1,000 by Measure 5 as discussed above. Those charges are referred to collectively in this discussion as “Divide the Taxes Charges.”

The method for calculating Measure 5 compression of Divide the Taxes Charges is complex. The Oregon Department of Revenue adopted administrative rules prescribing a method for calculating compression of Divide the Taxes Charges and those rules are now in effect. Those rules apply the same principles that were used to calculate compression of Divide the Taxes Charges before 1997. The calculations and projections of Divide the Taxes Revenues in this Official Statement have been done in compliance with those principles and administrative rules. However, the Oregon legislature, or voter initiative could change the method for calculating Measure 5 compression of Divide the Taxes Charges. Those changes could either reduce or increase the amount of Measure 5 compression of Divide the Taxes Charges.

See also “PROPERTY TAX AND VALUATION INFORMATION – Section 11b” herein.

THE AIRPORT WAY URBAN RENEWAL AREA

DESCRIPTION AND PURPOSE

The City annexed the Airport Way industrial area in the early 1980s and established the Airport Way Urban Renewal Area east of the Portland International Airport (“PDX”) in 1986. Work in the Area is managed by the Commission. See “THE PORTLAND DEVELOPMENT COMMISSION,” herein. The Area, which consists of 2,780 acres along the Columbia River, was formed to increase Portland’s inventory of developable land and to stimulate private investment by providing public infrastructure. A map of the Area is found on the following page.

ECONOMIC ACTIVITY

Employment

Over 530 employers, covering a wide range of sizes and industrial classifications, are currently located in the Area. Employment is estimated to be approximately 14,440 jobs. While industrial development has been the dominant land use, several other land use types have located there including hotel/motel facilities and a limited number of retailers and wholesalers. Major employers include Portland Habilitation Center, Costco Wholesale Corporation, Leatherman Tool Group, Vertis, The Home Depot, Multnomah Educational Service District, Harris Soup Company (Harry’s Fresh Foods), and John Q. Hammonds Hotels LP (Embassy Suites).

The Commission promotes job development by providing financial assistance to companies in the Area. Since January 2003, the Commission has provided assistance in the form of grants and loans to nine companies totaling \$3,510,675. The Commission estimates that this assistance has leveraged over \$74 million in private investment, will create over 700 jobs, and retain approximately 780 jobs. Companies that have benefited include Prologis, Portland Hospital, Thortex, Cannon, and Pierce Pacific.

Development

Activity Since Area Formation

The provision of public infrastructure has played an important role in attracting private investment to the Area since its formation. A key milestone was the extension and widening of Airport Way in 1992 to provide a fully operational east-west arterial connection. An extension of the region’s light rail line to PDX (“Airport MAX”) is the most recent visible project in the Area (see “Airport Light Rail and Cascade Station Project” below). Other key projects completed since the Area was formed in 1986 include:

- the Columbia Slough Trail, trailhead and boat dock;
- various transportation improvements including new bridges at 148th and 158th Avenues and east-west connector street improvements at Clark Street and Holman Avenue;
- environmental/ wetlands mitigation;
- the Natural Resources Management Plan;
- the Airport Way Secondary Infrastructure Plan;
- collaboration with the Planning Bureau on the Columbia South Shore Plan District and new industrial zoning for the area; and
- Cascade Station infrastructure (see “Airport Light Rail and Cascade Station Project” below).

This investment by the Commission, combined with private investment, has helped generate a \$708.7 million increase in Assessed Value since the formation of the Area.

Airport Way



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*Investing in
Portland's Future*



Private activity includes the completion of the \$46.5 million Hampton Inn Motel in 1996. John James completed a 230,000 square-foot industrial park along Airport Way, and the 172-room Embassy Suites hotel. Alderwood Corporate Center completed construction of its Phase I and II projects, which added 300,000 SF of warehouse/distribution space. Equity Development Inc. and P&C Construction Inc. completed a \$9.5 million Class A office building along Airport Way. The Red Roof Inn was completed in 2001. Catellus purchased 37 acres for warehouse/distribution, manufacturing and office space named the Southshore Corporate Park on Airport Way and Riverside Parkway. In 2002, new development in Southshore Corporate Park includes Harry's Fresh Foods, which added 80,000 square feet of manufacturing space. Alexander's Moving and Storage built a 90,000 square feet facility on Riverside Parkway.

Airport Light Rail and Cascade Station Project

In 1999, the Tri-County Metropolitan Transportation District of Oregon ("Tri-Met"), the Port of Portland ("Port") and the Commission agreed to finance Airport MAX to PDX. The Airport MAX was opened September 10, 2001. In exchange for the Commission's agreement to pay for a portion of the costs of the Airport MAX, the Port agreed to reserve approximately 120 acres of the Portland International Center ("PIC Site"), which is located near PDX, for mixed-use commercial development by the Commission ("Cascade Station Site"). The Commission, in turn, assigned the development rights to the Cascade Station Site to Cascade Station Development Company, LLC ("CSDC") in exchange for a promissory note and a subordinated revenue-sharing interest in development revenues of the Cascade Station Site up to \$14 million. CSDC is a joint venture formed by Ben UIC Holdings, Inc. ("Bechtel") and Trammel Crow Portland Development, Inc. ("TCPD") to develop the Cascade Station Site.

Due to the subsequent economic downturn and reduced demand for office space in the early part of the decade, no commercial development activity has occurred at the Cascade Station Site. In an effort to stimulate development, (a) the City Council amended the zoning code for the Cascade Station Site to allow large-format anchor retail tenants to locate at the Cascade Station Site and (b) Tri-Met, the Port, the Commission, CSDC and TCPD have been working collaboratively to effect a restructure of the Commission's financial interest in the Cascade Station development and a sale of Bechtel's interest in CSDC to TCPD (collectively, the "Proposed Restructure"). If, and when, the Proposed Restructure occurs, all tax increment revenue which is generated by commercial development at Cascade Station may be utilized to repay outstanding indebtedness of the Area. There is no guarantee that either the Proposed Restructure and/or commercial development at Cascade Station will ever occur.

Riverside Parkway Corporate Center

On January 11, 2002, the Commission purchased 38.85 acres located between Airport Way, NE 185th and a portion of Riverside Parkway, which represents one of the last large developable sites available. The new master-planned industrial development is intended to help achieve business retention and recruitment targets. The Riverside Parkway Corporate Center is envisioned as a high density industrial project providing high quality jobs to Portland area residents. The industrial buildings to be developed typically would be one- or two-story concrete tilt-up construction ranging from 50,000 square feet to 150,000 square feet. The project can accommodate a wide range of uses including manufacturing and light industrial. The development plan allows for flexible build-to-suit options. The project is divisible into six sites and is expected to create 800 new jobs over the next five years. The Commission approved a broker representation contract with the Grubb & Ellis Company in June 2005.

The Commission has undertaken \$1.7 million of infrastructure improvements including a half-street widening and sidewalk to NE 185th and a cul-de-sac extension of NE Portal Way, which are complete. Negotiations are currently underway for the dispositions of two parcels of approximately 10.76 acres to enable development of an approximately 175,000 square foot building for a major corporate headquarters.

THE COMMISSION'S PLANNED ACTIVITY

While no additional indebtedness can be incurred for the Area, the Commission will continue to appropriate other non-tax increment resources to fund current activities. The Commission's FY 2005-06 budget includes about \$8 million for activities in the Area based on available fund balances and program income (such as land sale proceeds), including the following:

- finalizing development plans for Cascade Station,
- redeveloping the Riverside Parkway Corporate Center for high quality/high density jobs, and

- continuing the Development Opportunity Services, Quality Jobs and Employment Opportunity Fund Programs.

MAXIMUM INDEBTEDNESS

The Maximum Indebtedness amount for the Area is \$72,638,268. (See “SECURITY FOR THE 2005 SERIES A BONDS – Maximum Indebtedness.”) All indebtedness for the Area has been incurred and the City may not issue additional bonds secured by the Tax Increment Revenues of the Area. Bonds issued to refund outstanding debt, including the 2005 Series A Bonds, do not count against the Maximum Indebtedness limitation.

HISTORICAL AND PROJECTED ASSESSED PROPERTY VALUES

The following table shows historical and projected taxable Assessed Value in the Airport Way urban renewal area. In May of 1997, Oregon voters passed Measure 50, which lowered Assessed Values statewide. The Frozen Base was adjusted as provided under statute. Between FY 1997-98 and FY 2004-05, the average annual compound increase in Assessed Value in the Area was 7.1 percent, and the average annual compound increase in Incremental Assessed Value was 9.0 percent. The decline in property value between FY 2002-03 and FY 2003-04 reflects modest growth in real property value, combined with reductions in utility property value (largely Qwest Wireless, which declined in value by \$16.4 million) and personal property (equipment and machinery) value for various taxpayers.

The Assessed Value of the Area is projected to grow at an average annual rate of 2.5 percent over the next five years. This projection is based on improvement in the regional economy and known development activity through FY 2009-10. The Assessed Value of the Area may be affected by voter initiatives. See “THE INITIATIVE PROCESS” herein.

Table 4
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
HISTORICAL AND PROJECTED ASSESSED PROPERTY VALUES
(FY 1997-98 through FY 2009-10)

Fiscal Year		Frozen Base	Incremental AV	% Change Increment. AV	Total AV	% Change Total AV
1997-98	(1)	\$129,701,177	\$387,340,344	16.27%	\$517,041,521	5.01%
1998-99		129,701,177	453,775,619	17.15	583,476,796	12.85
1999-00		129,701,177	516,668,515	13.86	646,369,692	10.78
2000-01		129,701,177	611,974,429	18.45	741,675,606	14.74
2001-02		129,701,177	671,716,792	9.76	801,417,967	8.06
2002-03		129,701,177	708,692,948	5.50	838,394,125	4.61
2003-04		129,701,177	701,262,921	-1.05	830,964,096	-0.89
2004-05		129,701,177	708,712,135	1.06	838,413,312	0.90
2005-06	projected	129,701,177	729,672,468	2.96	859,373,645	2.50
2006-07	projected	129,701,177	751,156,809	2.94	880,857,986	2.50
2007-08	projected	129,701,177	773,178,259	2.93	902,879,436	2.50
2008-09	projected	129,701,177	795,750,244	2.92	925,451,421	2.50
2009-10	projected	129,701,177	818,886,530	2.91	948,587,707	2.50

Notes:

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See “Property Tax and Valuation Information” herein.

Source: Multnomah County Tax Supervising and Conservation Commission; Portland Development Commission.

Property Types and Values

The following table shows Assessed Value for types of property in the Area.

Table 5
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
ASSESSED VALUE BY PROPERTY TYPE
(FY 2004-05)

Property Class	Assessed Value	% of Total
Real Property		
Residential	\$6,883,220	0.8%
Commercial	523,971,730	62.5%
Industrial	107,598,440	12.8%
Other Real Property	3,580,190	0.4%
Subtotal	642,033,580	76.6%
Personal Property	125,407,697	15.0%
Manufactured Property	21,820	0.0%
Utilities	70,950,215	8.4%
Total	\$838,413,312	100.0%

Source: Multnomah County Department of Assessment and Taxation.

HISTORICAL AND PROJECTED REVENUE TRENDS

Historical Trends in Tax Increment Revenues, Maximum Tax Increment Revenues, and Debt Service

The following table shows the amounts received in the Area from the Divide the Taxes Revenues and the Special Levy in the past five fiscal years.

Table 6
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
HISTORICAL TAX INCREMENT REVENUE COLLECTIONS,
MAXIMUM TAX INCREMENT REVENUES, AND ANNUAL DEBT SERVICE
 (Budgetary Basis)

	2000-01	2001-02	2002-03	2003-04	Unaudited 2004-05
Tax Increment Revenues					
Tax Collections (Current Year)	\$6,584,944	\$6,837,722	\$6,890,555	\$6,376,327	\$6,088,729
Tax Collections (Prior Years)	148,987	193,501	180,495	185,383	134,507
Investment Earnings	190,359	99,953	74,297	48,500	101,968
TOTAL	\$6,924,290	\$7,131,176	\$7,145,347	\$6,610,210	\$6,325,204
 Maximum Tax Increment Revenues	 \$18,105,677	 \$19,873,195	 \$20,967,159	 \$20,747,337	 \$20,967,727
 Debt Service					
Prior Lien Bonds (1)	\$1,684,133	\$1,682,692	\$0	\$0	\$0
Parity Indebtedness	3,174,653	4,145,816	5,657,705	5,656,168	5,651,417
TOTAL	\$4,858,786	\$5,828,508	\$5,657,705	\$5,656,168	\$5,651,417

Notes:

(1) Includes debt service on the bonds refunded with the 2002 Series Bonds. Excludes debt service payments for subordinate indebtedness such as “du jour bonds” and interim financing. There are currently no Prior Lien Bonds outstanding.

Source: City of Portland

Projected Tax Increment Revenue Collections, Maximum Tax Increment Revenues, and Debt Service

The following table projects for the current fiscal year and the next five years the amounts of Divide the Taxes Revenues and Special Levy to be collected and the annual debt service for Outstanding Bonds. The table also shows the Maximum Tax Increment Revenues, which are based on the projected growth in Incremental Assessed Value in the Area in each of the fiscal years. See “RISKS TO BONDOWNERS” regarding factors that could affect the Assessed Value of properties in the Area.

The table shows that the City and the Commission expect to collect adequate Tax Increment Revenues to pay projected debt service over the planning period.

Table 7
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
PROJECTED TAX INCREMENT REVENUE COLLECTIONS,
MAXIMUM TAX INCREMENT REVENUES, AND ANNUAL DEBT SERVICE

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Beginning Balance	\$1,370,221	\$1,745,347	\$1,349,618	\$1,346,285	\$1,347,744
Tax Increment Revenues					
Divide the Taxes	\$2,540,000	\$2,540,000	\$2,540,000	\$2,540,000	\$2,540,000
Special Levy	3,836,913	3,020,200	3,430,500	3,435,000	3,615,000
Less Compression, Delinq.	(608,479)	(558,191)	(581,621)	(583,329)	(598,703)
Total Tax Increment Rev.	\$5,768,434	\$5,002,009	\$5,388,879	\$5,391,671	\$5,556,297
Annual Debt Service					
2000 Bonds (1)	\$1,078,788	\$1,079,788	\$1,072,613	\$1,069,538	\$0
2002 Series A Bonds	1,990,000	1,989,000	1,993,000	1,991,575	3,343,050
2005 Series A Bonds	2,324,520	2,328,950	2,326,600	2,329,100	2,181,300
TOTAL	\$5,393,308	\$5,397,738	\$5,392,213	\$5,390,213	\$5,524,350
Ending Balance	\$1,745,347	\$1,349,618	\$1,346,285	\$1,347,744	\$1,379,691
Maximum Tax Increment Revenues	\$21,587,853	\$22,223,481	\$22,875,001	\$23,542,808	\$24,227,311

Notes:

(1) Excludes debt service on refunded 2000 Series A Bonds.

Source: City of Portland

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12), the City will provide annually the information presented in this section entitled “Annual Disclosure Information” to all NRMSIRs and SIDs, if any. (See Appendix E, “Continuing Disclosure Certificate” herein.)

BASIS OF ACCOUNTING

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City and the Commission conform to generally accepted accounting principles. Beginning with FY 2001-02, the City of Portland adopted the provisions of GASB Statement No. 34 (“GASB 34”), which establishes new requirements and a new reporting model for the annual financial reports of state and local governments.

FISCAL YEAR

July 1 to June 30.

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

KPMG LLP conducted audits of the financial statements of the City of Portland and related entities from FY 1995-96 through FY 2001-02. Moss Adams LLP has performed auditing services for FY 2002-03 and FY 2003-04, and is currently underway with the City’s FY 2004-05 audit.

A complete copy of the City’s FY 2003-04 audit is available on the City’s web site at <http://www.portlandonline.com/omf/index.cfm?c=36692>. The City’s web site is listed for reference only, and is not part of this Official Statement. A copy of the Commission’s FY 2003-04 audit is available from the Commission’s Accounting Manager, Portland Development Commission, 1900 S.W. Fourth Avenue, Suite 100, Portland, Oregon, 97201. Audited financial results for the Tax Increment Fund are found in Appendix C.

FINANCIAL REPORTING

The City has been awarded the Government Finance Officers Association (“GFOA”) Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to the GFOA, the Certificate of Achievement is the “highest form of recognition in the area of governmental financial reporting.” To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

BUDGETING PROCESS

The City prepares an annual budget that covers all bureaus in accordance with provisions of the Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration and public notice for public sector budgets. At the outset of the process, the City Council, along with City managers, convene to review overall goals and establish priorities. The Council conducts an extensive public information and survey process to obtain direct public input on City service priorities. In addition to this public outreach process, the City created the Portland Utilities Review Board (the “PURB”) in 1994. The PURB is an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, and solid waste financial plans and rates, which operates in an advisory capacity to the Council.

The information derived from the public outreach processes is used to finalize the Council’s goals, priorities, and action plan for the next budget cycle. The Council also adopts a five year financial forecast that serves as the basis for determining resources available for budgeting. The Council then holds work sessions with the City’s key bureaus to discuss short and long-term issues, and to review the five-year financial plans prepared for each major service area. This up-front planning ensures that each year’s budget responds to Council priorities not just for that specific year, but also in the long term.

Bureau budget requests are submitted to the Mayor who develops a Proposed Budget that addresses Council priorities, public input and balancing requirements. Following presentation of the Proposed Budget, community hearings are scheduled wherein summary budget information is presented for each major service area and public testimony is taken. Finally, formal public hearings are held by the City Council in various locations throughout the City. A budget summary and notice of hearing are published prior to the hearings. The City Council considers the testimony from the community and formal hearings and can alter the budget recommendations.

The Council approves transmittal of the budget to the Tax Supervising and Conservation Committee (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification of the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is through a majority vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

INSURANCE

The City is self-funded and administered in the areas of comprehensive general, fleet liability and worker's compensation insurance. The State of Oregon protects public bodies by disallowing claim payments greater than (i) \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence; (ii) \$200,000 to any claimant for all other claims arising out of a single accident or occurrence; (iii) \$500,000 for any number of claims arising out of a single accident or occurrence.

The City purchases insurance coverage for several other types of risk including all-risk property insurance, boiler and machinery insurance, marine hull and machinery insurance for fireboats, a public official bond for the City Treasurer, a crime policy, and a tuning and testing liability policy for Portland International Raceway. All sewage treatment and pumping facilities are insured for loss through purchased insurance coverage. Collection systems and interceptor sewer lines are not insured but are repaired and replaced as required through the maintenance program of the Bureau of Environmental Services.

PENSION PLANS

General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in the State of Oregon Public Employees Retirement System ("PERS") Plan or the newly created Oregon Public Service Retirement Plan ("OPSRP").

The PERS Plan is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for PERS Plan members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results. Beginning January 1, 2004, PERS Plan employee contributions were directed to an individual retirement account and will be part of a separate defined contribution program.

The 72nd Oregon Legislature created the OPSRP. Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in PERS. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Employers participating in the PERS Plan and OPSRP are required to remit contributions based on rates calculated by the PERS board. Rates are the amounts estimated by the board as necessary to pay the retirement and other pension obligations owed to employees when they retire, die, or become disabled. The employer contribution rates are set using the entry age actuarial cost method. Covered employees are required by state statute to contribute six percent of their annual salary to the PERS Plan or OPSRP, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the six percent employee contribution.

During the period between July 1, 2003 through June 30, 2005, the City was paying a total PERS/OPSRP rate of 9.70 percent. This rate comprises the 6 percent employee contribution rate, and the employer rate of 3.70 percent. At the March PERS Board meeting, the PERS actuary presented the rate increases for individual employers. The City's rate for FY 2005-

06 and FY 2006-07 is 14.07 percent of payroll (including the 6 percent employee contribution rate). The rate will increase to 18.29 percent of payroll in FY 2007-08. One percent of current payroll is equal to about \$2 million. The employer contribution rate is subject to future adjustment based upon the results of subsequent actuarial valuations or the effect of outcomes to legal challenges to recent PERS legislation. (See "Legal Challenges" below.)

The total pension plan contribution of the City charged to expenditures for FY 2004-05 was \$22,681,842. Additionally, each City bureau contributes a portion of the debt service on the City's \$300.8 million Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-00. These bonds were issued to fund the unfunded actuarial accrued liability with PERS as of December 31, 1997. In accordance with generally accepted accounting principles, the City has allocated the pension bond liability to all funds that have employees who are PERS members, including the Commission.

As of December 31, 2003, the actuarial value of the City's assets with the PERS exceeded its actuarial liability by \$28,240,751, which is calculated assuming legislative actions withstand legal challenges. (See "Legal Challenges" below.)

Legal Challenges

The 2003 Oregon Legislative Assembly enacted significant changes to PERS that were intended to reduce costs for participating employers, including the City (the "2003 PERS Legislation.") The 2003 PERS Legislation, among other things, provided that Tier One members would receive the PERS assumed annual earnings rate (currently 8%) on their accounts over the length of the members' service rather than on an annual basis; eliminated a requirement that employers make up any deficits in a gain loss reserve account; modified a member's ability to invest in a variable account; and changed the actuarial tables upon which life expectancies and benefits were based.

In July 2003, a number of Oregon public employees filed challenges to the 2003 PERS Legislation in federal district court and the Oregon Supreme Court. The lawsuits allege that the 2003 PERS Legislation violates PERS-covered employees' contractual rights under both the U.S. and State constitutions. In August 2004, a federal district court judge upheld the 2003 PERS Legislation as lawful under the U.S. constitution. The plaintiffs in that case have appealed, and the case is now pending before the Ninth Circuit Court of Appeals. In March 2005, the Oregon Supreme Court ruled on the cases filed in the Oregon Supreme Court (the "Strunk Decision"). The court held that Tier One members must continue to receive the PERS assumed annual interest rate on their existing accounts and that cost-of-living adjustments for current retirees could not be suspended. The court rejected all other challenges to the 2003 PERS Legislation. Several other cases remain pending in the Oregon circuit courts and may be governed by the Strunk Decision.

The 2003 PERS Legislation also provided a statutory remedy to a prior case, known as the *City of Eugene* case, which was brought in circuit court on behalf of certain local government public employers. In the *City of Eugene* case, the trial court ruled, among other things, that PERB had credited too much in 1999 earnings to member accounts and had not properly funded reserves, leading to certain retirees receiving excessive benefits. In an effort to address the trial court's ruling, the 2003 PERS Legislation suspended cost of living increases to retirees until excess benefit payments were off-set and provided that any excess amounts paid were to be classified as administrative expenses chargeable against future earnings of non-retired members' accounts. Some public employees filed an appeal in the *City of Eugene* case. Subsequent to the trial court's ruling, the parties' appeals, and the 2003 PERS Legislation, the PERB and various public employers entered into a settlement agreement in which the PERB agreed, in general, to comply with the trial court's ruling, as modified by the terms of the 2003 PERS Legislation.

The PERB actuary estimated at the end of March that as a result of the Strunk Decision, the system-wide unfunded actuarial liability ("UAL") as of December 31, 2003, increased by approximately \$2.1 billion and that system-wide employer contribution rates would need to increase by approximately 2.4% of covered payroll to eliminate the estimated increase in the UAL. The PERB actuary also previously determined that if the Oregon Supreme Court upholds the trial court ruling in the *City of Eugene* case, the estimated \$2.1 billion increase in the UAL could be substantially reduced. The PERB has not yet determined the amount of any change in employer contribution rates as a result of the Strunk Decision and the *City of Eugene* case.

Moreover, the UAL may be further increased, or decreased, depending on a variety of factors, including the investment performance of the PERS fund, the use of reserves, and the outcome of the federal cases and other cases challenging the PERB's settlement of the *City of Eugene* case. In the federal case, if the Ninth Circuit reverses the trial court, those portions of the 2003 PERS Legislation that were upheld by the Oregon Supreme Court in the Strunk Decision under the Oregon constitution would be overturned under the U.S. constitution. The City believes, however, that there are strong arguments for upholding the trial court's decision in the federal case. The PERB has the option to set aside sufficient reserves to off-set

all or nearly all of any estimated increase in the UAL. The PERB is not required to use its reserves to off-set any increase in the UAL and may choose to retain all or a portion of its reserves for other purposes.

The City does not expect any increase in employer contribution rates that may be imposed by the PERB to take effect before the 2007-2009 biennium.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Fund. The FPDR Fund is financed from a special property tax levy of not less than \$1.00 or more than \$2.80 per \$1,000 of real market value of property in the City. The FY 2004-05 levy of \$86,522,327 for pension purposes requires a tax rate of \$2.3950 per \$1,000 of assessed property value, or approximately \$1.47 per \$1,000 of real market value. The FPDR Fund actuary has estimated that the unfunded actuarial liability of the FPDR Fund was \$1,274,352,926 as of July 1, 2004.

In November 1989, the voters of the City agreed to amend the FPDR Plan to bring its provisions in line with PERS. Under state law, plans must be "equal to or better than" PERS. Basic retirement benefit changes involved reducing vesting from 25 years to 5 years, elimination of employee contributions, and elimination of termination of benefits to a surviving spouse that remarries. Disability benefits were modernized to cover conditions such as AIDS and Hepatitis B, vocational rehabilitation, wage offsets for outside earnings, and reduction of benefits when conditions become medically stationary and a person is capable of other employment. Calculation of disability pay was also changed from 100 percent of salary for the first year, 100 percent of First Class Patrol or Firefighter for the next 3 years and 60 percent of First Class pay thereafter, to 75 percent of salary until medically stable and capable of other employment.

AIRPORT WAY URBAN RENEWAL AREA TAX INCREMENT INFORMATION

Assessed Value Growth and Tax Collections

The following table presents trends in Assessed Value for the Area. The table also shows historical Maximum Tax Increment Revenues and the Tax Increment Revenues levied in recent fiscal years.

Table 8
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
ASSESSED VALUE GROWTH AND TAX INCREMENT LEVY

Fiscal Year	Assessed Value			Incremental AV % Change	Maximum Tax Increment Revenues (MTIR)	Tax Increment Extended (1)	Tax Increment Levy as % of MTIR
	Total	Base	Incremental				
1998-99	\$583,476,796	\$129,701,177	\$453,775,619	17.2%	\$13,425,258	\$6,170,000	46.0%
1999-00	646,369,692	129,701,177	516,668,515	13.9%	15,285,987	7,120,000	46.6%
2000-01	741,675,606	129,701,177	611,974,429	18.4%	18,105,677	7,240,000	40.0%
2001-02	801,417,967	129,701,177	671,716,790	9.8%	19,873,195	7,540,000	37.9%
2002-03	838,394,125	129,701,177	708,692,948	5.5%	20,967,159	7,640,000	36.4%
2003-04	830,964,096	129,701,177	701,262,919	-1.0%	20,747,337	7,160,000	34.5%
2004-05	838,413,313	129,701,177	708,712,135	1.1%	20,967,727	6,848,861	32.7%

Notes:

(1) Amount shown is before Measure 5 compression, and reflects policy decisions on collections of Tax Increment Revenues.

Sources: Multnomah County Department of Assessment and Taxation; City of Portland.

Outstanding Indebtedness

As of the Date of Delivery of the 2005 Series A Bonds, the City expects to have \$59,275,000 of outstanding long-term debt for the Airport Way Urban Renewal Area. The Area reached its Maximum Indebtedness limit in FY 2003-04, and the City is no longer permitted to issue additional debt for this urban renewal area.

Table 9
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF CLOSING OF 2005 SERIES A BONDS

Issue Name	Dated Date	Maturity Date	Amount Issued	Amount Outstanding
Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A	6/1/2000	6/15/2020	\$51,000,000	\$3,785,000
Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2002 Series A	10/1/2002	6/15/2010	\$13,500,000	\$10,120,000
Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A	9/29/2005	6/15/2020	\$45,370,000	\$45,370,000
Total			\$109,870,000	\$59,275,000

Source: City of Portland.

Historical Revenue Collections, Maximum Tax Increment Revenues, and Annual Debt Service

Historical collections of Tax Increment Revenues, Maximum Tax Increment Revenues, and Annual Debt Service for Prior Lien Bonds and Parity Indebtedness are shown in the following table.

Table 10
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
HISTORICAL TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES,
AND ANNUAL DEBT SERVICE BY FISCAL YEAR
(Budgetary Basis)

	2000-01	2001-02	2002-03	2003-04	Unaudited 2004-05
Tax Increment Revenues					
Tax Collections (Current Year)	\$6,584,944	\$6,837,722	\$6,890,555	\$6,376,327	\$6,088,729
Tax Collections (Prior Years)	148,987	193,501	180,495	185,383	134,507
Investment Earnings	190,359	99,953	74,297	48,500	101,968
TOTAL	\$6,924,290	\$7,131,176	\$7,145,347	\$6,610,210	\$6,325,204
 Maximum Tax Increment Revenues	 \$18,105,677	 \$19,873,195	 \$20,747,337	 \$20,967,727	 \$20,967,727
 Debt Service					
Prior Lien Bonds (1)	\$1,684,133	\$1,682,692	\$0	\$0	\$0
Parity Indebtedness	3,174,653	4,145,816	5,657,705	5,656,168	5,651,417
TOTAL	\$4,858,786	\$5,828,508	\$5,657,705	\$5,656,168	\$5,651,417

Notes:

- (1) The Prior Lien Bonds were refunded on November 8, 2002, with proceeds of the Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2002 Series A. The City has no Prior Lien Bonds outstanding.

Source: City of Portland.

Principal Taxpayers

Principal property taxpayers in the Area are listed in the following table.

Table 11
CITY OF PORTLAND, OREGON
Airport Way Urban Renewal Area
TOP TEN PROPERTY TAXPAYERS

Company Name	Type of Business	2004-05 Assessed Value	% of Total Assessed Value
Total Airport Way		\$838,413,312	
Verizon Wireless	Communications	\$45,222,712	5.4%
Copper Mountain Trust Corporation	Real estate (warehouse)	29,715,530	3.5%
Calwest Industrial Holdings	Real estate (warehouse)	21,220,720	2.5%
Prologis Trust	Real estate (warehouse)	19,222,460	2.3%
Port of Portland (leased Riggs National Bank)	Real estate (warehouse)	19,036,500	2.3%
Reality Associates Fund VI LP	Real estate (warehouse)	16,578,780	2.0%
Leatherman Tool Group Inc	Tool manufacturer	16,460,070	2.0%
Port of Portland (leased John Q. Hammons Hotels – Embassy Suites)	Hospitality	16,327,760	1.9%
Vertis Inc.	Advertising/marketing	13,321,610	1.6%
Shilo Inn Portland/205 L L C	Hospitality	13,320,740	1.6%
		<u>\$210,426,882</u>	<u>25.1%</u>

Source: Multnomah County Department of Assessment and Taxation.

The Tax Increment Fund

The following table presents audited financial statements for the Airport Way Debt Service Fund.

Table 12
CITY OF PORTLAND, OREGON
Airport Way Debt Service Fund (1)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGETARY BASIS)

	2000-01	2001-02	2002-03	2003-04	Unaudited 2004-05
Revenues					
Current Year Property Taxes	\$6,584,944	\$6,837,722	\$6,890,555	\$6,376,327	\$6,088,729
Prior Years' Property Taxes	148,987	193,501	180,495	185,383	134,507
Interest on Investments	190,359	99,821	74,201	48,500	101,968
Interest – Other	383	133	96	--	--
Total Revenues	6,977,562	6,924,673	7,131,176	7,145,347	6,325,204
Expenditures					
Debt Service:					
Principal	3,060,000	3,375,000	3,865,000	2,863,268	2,420,000
Interest	3,837,848	3,833,654	3,284,077	3,321,197	3,231,417
Total Expenditures	6,897,848	7,208,654	7,149,077	6,184,465	5,651,417
Revenues Over (Under) Expenditures	26,825	(77,478)	(3,730)	425,745	673,787
Other Financing Sources					
Transfers from other funds:					
Special Finance and Resource (2)	--	--	12,487	--	--
Bond and Note Sales (3)	--	--	13,755,100	--	--
Operating Transfers In (3)	--	--	--	--	--
Payments to refunding escrow (3)	--	--	(12,769,059)	--	--
Total other financing sources	--	--	998,528	--	--
Net changes in fund balances	26,825	(77,478)	994,798	425,745	673,787
Fund Balance, Beginning of Year	676,544	703,369	625,891	1,620,689	2,046,434
Fund Balance, End of Year	\$703,369	\$625,891	\$1,620,689	\$2,046,434	\$2,720,221

Notes:

- (1) This is the Tax Increment Fund. Information presented on a budgetary basis. The appendix presents tables on Generally Accepted Accounting Principles (GAAP) basis.
- (2) Reflects unspent proceeds transferred to pay interest on the bonds.
- (3) In FY 2002-03, amount reflects issuance of bonds to refund the Airport Way Series C bonds and to partially cash fund a reserve.

Source: City of Portland audited financial statements.

CITY ASSESSED PROPERTY VALUES AND PROPERTY TAXATION

The bonds for this urban renewal area are secured, in part, by a citywide Special Levy authorized for the Area. The following table presents historical trends in property Assessed Values in the City. The City's Assessed Value is derived from portions of Multnomah County, Washington County, and Clackamas County; however, over 99 percent of its Assessed Value is within Multnomah County.

Table 13
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Real Market Values
(000s)

Assessed Value					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
1997-98 (1)	26,413,250	111,212	1,764,211	28,288,673	(14.80%)
1998-99	27,900,438	128,750	1,988,740	30,017,928	6.11%
1999-00	29,221,639	133,939	2,144,205	31,499,783	4.94%
2000-01	30,536,310	142,710	2,744,898	33,423,918	6.11%
2001-02	31,724,086	152,421	3,258,040	35,134,547	5.12%
2002-03	32,412,271	158,690	3,557,116	36,128,077	2.83%
2003-04	33,166,845	160,207	3,981,438	37,136,519	2.79%
2004-05	34,214,710	179,226	4,093,296	38,487,232	3.64%

Real Market Value (2)					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Real Mkt. Value	Percent Change
1997-98 (1)	\$34,374,190	\$147,783	\$2,231,355	\$36,753,328	10.65%
1998-99	36,598,114	165,782	2,522,729	39,286,625	6.89%
1999-00	39,613,750	174,744	3,157,236	42,945,730	9.31%
2000-01	41,884,242	188,959	4,250,563	46,323,764	7.87%
2001-02	44,730,566	201,208	5,424,131	50,355,905	8.70%
2002-03	46,433,551	207,172	6,021,978	52,662,701	4.58%
2003-04	48,768,158	226,555	6,497,670	55,492,383	5.37%
2004-05	51,547,668	250,013	7,052,557	58,850,238	6.05%

Notes:

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area.
- (2) Allocation of Real Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City.

Sources: Multnomah County Department of Assessment and Taxation; City of Portland.

Major Taxpayers

The following table lists the largest taxpayer accounts within the City of Portland.

Table 14
CITY OF PORTLAND, OREGON
Principal Property Taxpayer Accounts
2004-05 Assessed Value

<u>Taxpayer Account</u>	<u>Type of Business</u>	<u>Property Assessed Value</u>	<u>% of Total Assessed Value</u>
Total City Assessed Value		\$38,487,231,667	100.00%
Qwest Corporation	Communications	\$539,613,192	1.40%
Portland General Electric	Energy	247,827,590	0.64%
Pacificorp (PP&L)	Energy	230,953,992	0.60%
Wacker Siltronic Corp.	Silicon wafer manufacturing	169,330,176	0.44%
LC Portland LLC	Real estate	134,660,374	0.35%
United Airlines Inc.	Airline	123,406,804	0.32%
Northwest Natural Gas Co.	Energy	121,439,800	0.32%
Alaska Airlines Inc.	Airline	117,000,000	0.30%
One Eleven Tower LLC	Real estate	106,511,128	0.28%
Oregon Arena Corp.	Entertainment	102,786,716	0.27%
		\$1,893,529,772	4.92%

Source: Multnomah County Department of Assessment and Taxation.

FACTORS AFFECTING TAX INCREMENT REVENUE COLLECTIONS

Tax Increment Revenue Reductions Due to Measure 5 Compression

Tax Increment Revenues may be reduced by Measure 5 compression effects. In FY 2004-05, Measure 5's \$10/\$1,000 of Real Market Value tax limitation was the primary factor in reducing the projected Divide the Taxes property tax collections in the Area to \$2,342,679 from the authorized amount of \$2,540,000, or by about 7.8 percent.

Special Levy collections also may be reduced by compression and delinquencies and discounts. The City or Commission are authorized to request a Special Levy in an amount sufficient to eliminate compression, but in no circumstance in an amount such that the sum of the Divide the Taxes Revenues and the Special Levy exceeds the Maximum Tax Increment Revenues. If the City and the Commission chose to impose the Special Levy to receive the Maximum Tax Increment Revenues, levies of other general governments would be subject to further compression so that the total general government levy fell within the \$10/\$1,000 cap.

The table below shows recent property tax losses for the Area due to compression.

Table 15
CITY OF PORTLAND, OREGON
Property Tax Levy Losses Due to Measure 5 Compression (1)

Fiscal Year	Divide the Taxes Extended	Special Levy Extended	Total Tax Increment Revenues Extended	Divide the Taxes Imposed (2)	Special Levy Imposed (2)	Total Tax Increment Revenues Imposed (2)
1998-99	\$2,540,000	\$3,630,000	\$6,170,000	\$2,422,228	\$3,421,135	\$5,843,363
1999-00 (3)	2,870,000	4,250,000	7,120,000	2,755,170	4,150,242	6,905,412
2000-01	2,540,000	4,700,000	7,240,000	2,427,518	4,570,405	6,997,923
2001-02	2,540,000	5,000,000	7,540,000	2,406,619	4,863,113	7,269,732
2002-03	2,540,000	5,100,000	7,640,000	2,427,518	4,889,670	7,327,188
2003-04	2,540,000	4,620,000	7,160,000	2,323,388	4,410,647	6,734,035
2004-05	2,540,000	4,308,861	6,848,861	2,342,679	4,151,179	6,493,858

Notes:

- (1) Taxes extended are before Measure 5 compression; taxes imposed are after Measure 5 compression.
- (2) Before losses due to delinquencies and discounts.
- (3) Due to an error in the taxation filing with Multnomah County, the Divide the Taxes certified levy was higher in FY 1999-00 than the amount agreed upon by the City Council for the Area.

Source: Multnomah County Department of Assessment and Taxation.

Tax Increment Revenue Reductions Due to Delinquencies

Property tax collections are also reduced by delinquencies. The following table shows property tax collections over the past ten fiscal years . In recent years, taxes collected in the year in which they were levied have generally exceeded 95 percent.

Table 16
CITY OF PORTLAND, OREGON
Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 6/30/05 (3)
1995-96	182,497	94.76%	99.99%
1996-97	208,823	96.75%	99.99%
1997-98	213,328	95.87%	99.98%
1998-99	228,449	96.87%	99.98%
1999-00	237,785	96.56%	99.97%
2000-01	257,865	96.35%	99.92%
2001-02	267,740	96.46%	99.73%
2002-03	283,978	96.57%	99.38%
2003-04	324,709	96.92%	98.88%
2004-05	332,887	97.11%	97.11%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.
- (3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections.

Sources: Multnomah County Department of Assessment and Taxation and City of Portland.

(End of Annual Disclosure Information)

PROPERTY TAX AND VALUATION INFORMATION

The property tax is used by Oregon cities, counties, schools and other special districts to raise revenue to partially defray the expense of local government. The State of Oregon has not levied property taxes for general fund purposes since 1941 and obtains its revenue principally from income taxation.

Oregon voters changed the Oregon property tax system substantially when they approved Ballot Measure 50 in May of 1997. Ballot Measure 50 was a citizen initiative that substantially amended Article XI, Section 11 of the Oregon Constitution (“Section 11”).

SECTION 11

Section 11 of the Oregon Constitution granted all local governments which levied property taxes for operations in FY 1997-1998 a permanent tax rate which was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City’s permanent tax rate is \$4.5770/\$1,000 of Assessed Value.

Section 11 provides that property which was subject to ad valorem taxation in FY 1997-1998 will have an Assessed Value in that fiscal year which is equal to 90 percent of its FY 1995-96 estimated market value. Section 11 limits annual increases in Assessed Value to three percent for fiscal years after 1997-98, unless the property changes because it is substantially improved, rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption.

New construction and changed property is not assessed at its estimated market value. (In Oregon, the assessor’s estimate of market value is called “Real Market Value.”) Instead, it receives an Assessed Value that is calculated by multiplying the Real Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Real Market Values of those properties. This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area.

Section 11 requires that new taxes be approved at an election that meets the voter participation requirements described below.

Local governments that have permanent tax rates cannot increase those rates. Non-school governments and community colleges, however, can obtain the authority to levy “local option taxes” (see below).

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements (see below).

In addition to permanent rate levies and local option levies, Section 11 allows:

- Some urban renewal areas which were in existence when Measure 50 was adopted to impose taxes throughout the boundaries of their creating city or county. See “SECURITY FOR THE 2005 SERIES A BONDS – The Special Levy” herein. The City has five urban renewal areas with this taxing authority.
- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to \$2.80/\$1,000 of Real Market Value under this exemption.
- Local governments to impose taxes to pay general obligation bonds (see below).

SECTION 11 AND URBAN RENEWAL REVENUES

Section 11 reduces property valuations from Real Market Value to Assessed Value and lowers local government tax rates for operations. However, Subsection 16 of Section 11 also requires the Legislature to allow the City or the Commission to collect ad valorem property taxes sufficient to pay, when due, indebtedness incurred to carry out the urban renewal plan for the Area, because that plan existed on December 5, 1996.

Legislation implementing Subsection 16 of Section 11 authorized the Special Levies and created the concept of “Maximum Tax Increment Revenues” for each existing urban renewal area.

That legislation also allowed the City to choose from among different collection options for each existing urban renewal area. The collection option does not affect the amount that can be collected for an urban renewal area, but does affect the

proportion of total collections that come from Divide the Taxes Revenues and the proportion of collections from Special Levies. “Option One” required collection of the maximum Divide the Taxes Revenues, and “Option Two” required that all tax increment collections be through Special Levies. “Option Three” limited the Divide the Taxes Revenues and permitted the difference between the maximum tax increment revenues and the Divide the Taxes Revenues to be collected through the imposition of Special Levies. The City selected Option Three for all of its existing urban renewal areas except the Central Eastside Urban Renewal Area, for which it selected Option One. The City selected “Option Three” for the Area, and limited Divide the Taxes Revenues for the Area to \$2,540,000 each fiscal year. Current law does not permit the City to change a collection option.

SECTION 11B

A citizen initiative which is often called “Measure 5,” was added to the Oregon Constitution as Article XI, Section 11b. This section (“Section 11b”) limits property tax collections by limiting the tax rates (based on Real Market Value) which are imposed for government operations.

Section 11b divides taxes imposed upon property into two categories: “non-school taxes” which fund the operations of local governments other than schools; and, “school taxes” which fund operations of the public school system and community colleges. Section 11b limits rates for combined non-school taxes to \$10 per \$1,000 of Real Market Value, and rates for school taxes to \$5 per \$1,000 of Real Market Value.

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then permanent rate levies, urban renewal levies and the City’s pension levy are reduced proportionately to bring taxes within the rate limit. Taxes levied to pay general obligation bonds that comply with certain provisions are not subject to the rate limits of Section 11b.

In addition to limiting ad valorem property taxes, Section 11b also restricts the ability of local governments to impose certain other charges on property and property ownership.

SECTION 11b AND URBAN RENEWAL REVENUES

In FY 2004-05, the City experienced some compression because of Section 11b. Because compression under Section 11b is based on Real Market Values, and Real Market Values are growing at a greater rate than Assessed Values, the City may be able to impose higher taxes in the future without increasing compression under Section 11b.

However, the City does not currently impose all taxes it is authorized to impose. Special Levies for the Area, similar levies for the City’s four other existing urban renewal areas, and the City’s fire and police disability and retirement system levy are all currently imposed at levels substantially below their legal limits.

Increases in Special Levies could increase compression under Section 11b of the City’s permanent rate levies, the City’s fire and police disability and retirement system levies, and Special Levies for other urban renewal areas.

In addition, the application of Section 11b to the Tax Increment Revenues has been revised a result of litigation. See “RISKS TO BONDOWNERS – Measure 5 Compression,” above and “LITIGATION,” below.

LOCAL OPTION TAXES

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of ten years for capital purposes, and a maximum of five years for operating purposes. Legislation was passed in the 1999 Session which allows school districts to use local option levies beginning October 23, 1999. In May 2000, voters approved a local option levy for the Portland School District to support the costs of teachers, science programs, and restoration of other reduced or eliminated school programs through FY 2004-05.

Local option levies are subject to the “special compression” under Section 11b. If operating taxes for non-school purposes exceed the \$10/\$1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by levies for urban renewal areas and the City’s pension levy.

Three local government local option levies are currently in place within Multnomah County. Voters approved two local option levies of the City, which total \$0.7926 per \$1,000 of Assessed Value in FY 2004-05. A Multnomah County local option levy for libraries also was approved at a rate of \$0.7550 per \$1,000 of Assessed Value. These local option levies took effect in FY 2003-04 and extend for five years.

VOTER PARTICIPATION

New local option levies, taxes to pay general obligation bonds (other than refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that meets the voter participation requirements established by Section 11. Section 11 requires those taxes to be approved by a majority of the voters voting on the question either: (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent (50%) of the registered voters eligible to vote on the question cast a ballot.

In many localities in Oregon, including the City, it is unusual for more than fifty percent of registered voters to cast ballots at an election other than a general election in an even numbered year.

Oregon law does not require voter approval to obtain the Divide the Taxes Revenues or to impose the Special Levies.

GENERAL OBLIGATION BONDS

Levies to pay the following general obligation bonds are exempt from the limits of Section 11 and 11b:

- 1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);
- 2) general obligation bonds issued on or before November 6, 1990;
- 3) general obligation bonds which were approved by a majority of voters after November 6, 1990 and before December 5, 1996, which are issued to finance capital construction or capital improvements;
- 4) general obligation bonds which were approved after December 5, 1996, which are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and
- 5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

The 2005 Series A Bonds are not general obligation bonds and any taxes the City levies to pay the 2005 Series A Bonds will be subject to the limits of Sections 11 and 11b.

COLLECTION

The county tax collectors extend authorized levies, compute tax rates, bill and collect all taxes and make periodic remittances of collections to tax levying units. County tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. Tax collectors then report to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted as needed with tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in application, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the County. Thus, an overall collection rate of 90 percent of the county-wide levy translates into a 90 percent tax levy collection for each taxing body.

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. (Due to the implementation of Measure 50, the first installment of property taxes for the tax year 1997-98 was due on December 19, 1997.) Under the partial payment schedule the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. A three-percent discount is allowed if full payment is made by the due date, two-percent for a two-thirds payment. For late payments interest accrues at a rate of 1.33 percent per month. Property is subject to foreclosure proceedings four years after the tax due date.

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. Qualifications include a minimum age of 62 and household income under \$19,500 for claims filed after January 1, 1991; \$18,500 if filed during 1990; or \$17,500 if filed prior to January 1, 1990. Taxes are paid by the State, which obtains a lien on the property and accrues interest at 6 percent.

THE PORTLAND DEVELOPMENT COMMISSION

The Portland Development Commission was created as a City agency in 1958 by Portland voters to deliver projects and programs that achieve the City's housing, economic development and redevelopment priorities and link citizens to jobs.

PURPOSE AND FUNCTIONS

The Commission is the City agency that helps provide sustained livability for the City and region. The mission is to bring together resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy, and quality jobs for all citizens.

In carrying out City policy, the Commission has developed and managed projects and programs that have played a major role in keeping Portland one of America's most livable cities. In the four decades since the Commission was established, City Council has created over 20 urban renewal areas in Portland neighborhoods to deliver a broad range of housing and neighborhood improvement programs, and has carried out a comprehensive range of economic development programs aimed at creating jobs for City residents. The Commission currently administers eleven urban renewal areas.

MANAGEMENT

The Commission is governed by a five-member citizen Board, appointed by the Mayor and approved by the City Council. Commission business is conducted at monthly public meetings and all Commission activities are guided by its annual budget. The Executive Director of the Commission as of August 1, 2005, is Bruce A. Warner. The Commission's Interim Chief Financial Officer is Mark W. Murray.

URBAN RENEWAL AREAS

Collection Options

The Commission currently has five urban renewal areas – Airport Way, Downtown Waterfront, Oregon Convention Center, South Park Blocks, and Central Eastside – that were in existence on December 5, 1996. The City and the Commission have complied with all legal requirements necessary to be able to impose the Special Levy.

Four of the five areas – Airport Way, Downtown Waterfront, Oregon Convention Center, and South Park Blocks – are Option 3 districts that impose a fixed amount of Divide the Taxes Revenues and may impose a Special Levy such that the sum of the Divide the Taxes Revenues and Special Levy does not exceed the Maximum Tax Increment Revenues. The Commission and the City selected Option 1 as the collection method for the Central Eastside urban renewal area. (See "PROPERTY TAX AND VALUATION INFORMATION – Section 11 and Urban Renewal Revenues" for an explanation of urban renewal options.)

The City and the Commission reached an agreement on collection options and amounts for existing urban renewal areas based on policy objectives. The City Council and the Commission set the total amount of Divide the Taxes Revenues for all five areas at approximately \$25 million. Additionally, the total amount of the Special Levies for the five areas was set at \$10 million in FY 1998-99, and grew to \$15 million by FY 2002-03, the maximum amount authorized by the City Council. The City Council, at its discretion but subject to the collection covenant and limits of the Maximum Tax Increment Revenues, can increase or decrease the Special Levies for each area and may decide how much of the total of all Special Levies to allocate to each urban renewal area provided such requirements are met.

The following table shows the Maximum Tax Increment Revenue that was available to each area along with the annual tax increment certified levy for each area in the 2004-05 tax year.

Table 17
CITY OF PORTLAND, OREGON
Maximum Tax Increment Revenues and Certified 2004-05 Tax Increment Levies
For Urban Renewal Areas in Existence on 12/5/96

Urban Renewal Area	FY 2004-05 Maximum Tax Increment Revenues (MTIR)	Certified Tax Increment Levies (1)			Total as % of MTIR
		Divide the Taxes Revenues	Special Levy	Total	
Airport Way	\$20,967,727	\$2,540,000	\$4,308,861	\$6,848,861	32.7%
Central Eastside	6,905,336	4,308,269	0	4,308,269	62.4%
Downtown Waterfront	26,952,586	7,710,000	7,363,713	15,073,713	55.9%
Oregon Convention Center	21,599,703	5,740,000	1,563,713	7,303,713	33.8%
South Park Blocks	17,293,253	5,660,000	1,763,713	7,423,713	42.9%
Total	\$93,718,605	\$25,958,269	\$15,000,000	\$40,958,269	43.7%

Notes:

- (1) Certified levies are before reductions due to compression. FY 2005-06 levies have been certified as follows but Maximum Tax Increment Revenues are not yet available.

Urban Renewal Area	Divide the Taxes Revenues	Special Levy	Total
Airport Way	\$2,540,000	\$3,836,913	\$6,376,913
Central Eastside	4,741,324	0	4,741,324
Downtown Waterfront	7,710,000	7,521,029	15,231,029
Oregon Convention Center	5,740,000	1,721,029	7,461,029
South Park Blocks	5,660,000	1,921,029	7,581,029
Total	\$25,958,269	\$15,000,000	\$41,391,324

Source: Multnomah County Tax Supervising and Conservation Commission.

In addition to the urban renewal areas listed above, several new urban renewal areas have been established since December 5, 1996. These urban renewal areas are eligible to collect Divide the Taxes Revenues only, and are not eligible to impose a Special Levy. The following table shows the FY 2005-06 certified tax increment levies for these areas.

Table 18
CITY OF PORTLAND, OREGON
FY 2005-06 Certified Tax Increment Levies
For Urban Renewal Areas Created After 12/5/96

Urban Renewal Area	Certified Tax Increment Levies
Lents Town Center	\$5,684,757
River District	12,766,023
North Macadam	2,026,859
Interstate Corridor	5,128,317
Gateway Regional Center	1,704,155
Willamette Industrial	223,832
Total	\$27,533,943

Source: City of Portland

Maximum Indebtedness

The City's urban renewal areas have approved plans establishing Maximum Indebtedness limits, which are shown in the table below. The table also shows the amount of debt expected to apply against the Maximum Indebtedness limit as of August 1, 2005. The Maximum Indebtedness represents the maximum amount of debt that can be issued in each area through the life of the urban renewal plan to complete the projects identified in the plan. The City is not required to incur indebtedness up to the full amount of Maximum Indebtedness.

Table 19
CITY OF PORTLAND, OREGON
Maximum Indebtedness and Debt Issued as of August 1, 2005

Urban Renewal District	Maximum Indebtedness	Debt Issued	Remaining Indebtedness
Airport Way	\$72,638,268	\$72,638,268	\$0
Central Eastside	66,274,000	34,345,000	31,929,000
Downtown Waterfront	165,000,000	96,815,000	68,185,000
Gateway Regional Center	164,240,000	3,880,000	160,360,000
Interstate Corridor	335,000,000	44,835,000	290,165,000
Lents Town Center	75,000,000	23,730,000	51,270,000
North Macadam	288,562,000	12,420,000	276,142,000
Oregon Convention Center	167,511,000	73,705,000	93,806,000
River District	224,780,350	89,545,000	135,235,350
South Park Blocks	143,619,000	61,900,000	81,719,000
Willamette Industrial	200,000,000	-	200,000,000
Total	\$1,902,624,618	\$513,813,268 (1)	\$1,388,811,350

Notes:

(1) This amount includes both long term and short-term subordinate debt.

Source: City of Portland.

FINANCIAL OPERATIONS

The Commission has been awarded the Government Finance Officers Association's (the "GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1988. According to GFOA, the Certificate of Achievement is "the highest form of recognition in the area of governmental financial reporting." To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

Budgeting Process

The Commission prepares an annual budget in accordance with provisions of the Oregon Local Budget Law, which provides standard procedures for the preparation, presentation, administration, and approval of budgets. In addition to the annual budget, the Commission develops a five year capital project forecast for planning purposes.

Every year between the months of October and March, the Executive Director prepares a Proposed Budget based upon the overall goals of the Commission; the goals and objectives in the respective urban renewal area plans; and availability of resources. The Commission engages in significant public outreach to stakeholder groups during the budget development phase. The Proposed Budget is reviewed by the Commission, the City's Office of Management and Finance and by the City Council. Recommended changes by the Commission and the Council are incorporated into the Approved Budget. The Commission authorizes the Approved Budget through the adoption of a resolution.

The Approved Budget is sent to City Council and the TSCC, an independent board appointed by the governor to review the budgets of all legal governmental entities within Multnomah County. The TSCC reviews the Approved Budget and conducts a public hearing with the Commission, normally in June. Final adoption of the budget is through a majority vote of the Commission during a public session that allows for further input from the public. This is scheduled to occur in late June, as close as practical to the beginning of the fiscal year.

The Commission has been awarded the GFOA's "Distinguished Budget Presentation Award" for its FY 2002-03 through FY 2004-05 budget documents. The Budget Awards Program is designed to encourage governments to prepare budget documents of the highest quality that meets criteria as an operations guide, as a financial plan, and as a communications device.

Insurance

The State of Oregon protects public bodies by disallowing claim payments greater than (i) \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence; (ii) \$200,000 to any claimant for all other claims arising out of a single accident or occurrence; (iii) \$500,000 for any claims arising out of a single accident or occurrence.

The Commission purchases insurance coverage for several types of risk including all risk property insurance, general liability, automobile, umbrella, boiler and machinery, crime, and mortgage impairment. Public officials liability insurance is also provided for the Commissioners of the Board. The Commission is not part of the City's self-insurance program and purchases a variety of commercial insurance policies to protect itself against loss. Like most other large public agencies, the Commission is exposed to various risks of losses related to torts, errors and omissions, general liability, property claims, injuries to employees and unemployment claims.

The Commission is insured by the State Accident Insurance Fund ("SAIF") against losses from employee claims up to a limit of \$500,000 for each accident and each employee. The Commission is covered by a commercial general liability policy including errors and omissions in the amount of \$2,000,000 per occurrence and \$3,000,000 in aggregate, an additional \$3,000,000 umbrella liability policy subject to \$10,000 deductible, and a blanket business personal property policy of \$2,400,000. A separate policy provides coverage for faithful performance (employee dishonesty) in the amount of \$2,000,000, providing protection from losses from forgery, alteration, theft, and disappearance.

The Commission has generally been successful in resolving claims and has not suffered any significant losses over the past year. In addition, there have been no significant reductions in insurance coverage or any insurance settlements that exceeded insurance coverage in any of the past five fiscal years. The Internal Service Fund has equity of \$160,174 (unaudited) as of July 2005 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 2004, population of 550,560, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for an immediate metropolitan area with a population of approximately 1.657 million. The City is the county seat of Multnomah County, and is the largest city in Oregon and the second largest city in the Pacific Northwest.

POPULATION

The population for the City has increased steadily over the past decade. The compounded annual rate of growth in population for the City from 1994-2004 was 1.07 percent compared to 0.98 percent for Multnomah County and 2.03 percent for the Portland metropolitan area for the same period of time.

Table 20
CITY OF PORTLAND, OREGON
Population Estimate for the Last Ten Years (1)

As of July 1	State of Oregon	City of Portland	Portland- Vancouver- Beaverton MSA (2)	Multnomah County	Washington County	Clackamas County
1994	3,119,940	495,090	1,678,000	622,130	395,500	305,500
1995	3,182,690	497,600	1,710,400	628,970	370,000	308,600
1996	3,245,100	503,000	1,746,800	638,780	376,500	313,200
1997	3,302,140	508,500	1,779,200	646,260	385,000	317,700
1998	3,350,080	509,610	1,815,300	651,520	397,600	323,600
1999	3,393,410	512,395	1,841,200	656,810	404,750	326,850
2000	3,436,750	531,600	1,935,960	662,400	449,250	340,000
2001	3,471,700	536,240	1,960,500	666,350	455,800	345,150
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
1994-2004 Compounded Annual Rate of Change	1.39%	1.07%	2.03%	0.98%	1.96%	1.55%
1999-2004 Compounded Annual Rate of Change	1.09%	1.45%	2.18%	0.87%	3.48%	1.74%

Notes:

(1) The federal Census figures, as of April 1 of the stated year, are as follows:

	1980	1990	2000
State of Oregon	2,633,156	2,842,321	3,421,399
Multnomah County	562,647	583,887	660,486
City of Portland	368,139	438,802	529,121
Washington County	245,860	311,554	445,342
Clackamas County	241,911	278,850	338,391

(2) Portland State University Population Research Center defines the Portland-Vancouver-Beaverton Metropolitan Statistical Area (MSA) as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Portland State University, Center for Population Research. Under State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

In 1994, the Portland-Vancouver Primary Metropolitan Statistical Area (“PMSA”) consisted of Multnomah, Columbia, Clackamas, Washington and Yamhill counties in Oregon; and Clark County in Washington. Based on the 2003 revised Metropolitan Statistical Area Standards, the Portland-Vancouver-Beaverton Metropolitan Statistical Area (“MSA”) consists of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics.

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego and West Linn. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington counties serve expanding international markets and have experienced considerable growth.

INCOME

In recent years, per capita personal income in the MSA has been consistently higher than in the State of Oregon (the “State”) and the nation.

The following table shows personal income and per capita income for the MSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the MSA from 1993 to 2003 was 5.80 percent. The compounded annual rate of change in per capita income for the PMSA was 3.69 percent from 1993 to 2003, compared with 3.67 percent for the State, and 3.96 percent for the nation.

Table 21
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States
1993 to 2003

Year	Total Personal Income (millions)	Per Capita Income		
	Portland- Vancouver- Beaverton MSA (1)	Portland- Vancouver- Beaverton MSA (1)	State of Oregon	USA
1993	\$37,352	\$22,371	\$20,046	\$21,346
1994	40,123	23,488	21,060	22,172
1995	43,598	24,924	22,293	23,076
1996	47,266	26,301	23,398	24,175
1997	50,912	27,672	24,469	25,334
1998	54,106	28,851	25,542	26,883
1999	56,918	29,858	26,480	27,939
2000	62,190	32,123	28,097	29,845
2001	63,933	32,345	28,502	30,575
2002	64,395	31,988	28,464	30,804
2003	65,629	32,152	28,734	31,472
1993-2003 Compound Annual Rate of Change	5.80%	3.69%	3.67%	3.96%

Notes:

- (1) Income estimates for the revised Portland-Vancouver-Beaverton Metropolitan Statistical Area (MSA) are reflected in this table. The Portland-Vancouver-Beaverton MSA consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

LABOR FORCE AND UNEMPLOYMENT

The following table shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 1994 through 2004. The State of Oregon Employment Department reported an unemployment rate in the MSA of 6.3 percent in June 2005.

Table 22
CITY OF PORTLAND, OREGON
MSA LABOR FORCE AND UNEMPLOYMENT RATES (1)

Year	Resident Civilian Labor Force	Unemployment		Total Employment (2)
		Number	Percent of Labor Force	
1994	940,196	41,266	4.4%	898,930
1995	967,953	36,393	3.8	931,560
1996	1,006,664	42,950	4.3	963,714
1997	1,043,762	43,017	4.1	1,000,745
1998	1,064,295	44,477	4.2	1,019,818
1999	1,077,532	46,665	4.3	1,030,867
2000	1,075,916	48,327	4.5	1,027,589
2001	1,085,826	65,891	6.1	1,019,935
2002	1,105,881	87,975	8.0	1,017,906
2003	1,103,787	93,411	8.5	1,010,376
2004	1,094,180	78,374	7.2	1,015,806

Notes:

- (1) The data in this table reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.
- (2) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: Oregon Employment Department

Table 23
CITY OF PORTLAND, OREGON
AVERAGE ANNUAL UNEMPLOYMENT

Year	Portland- Vancouver- Beaverton MSA (1)	State of Oregon	USA
1994	4.4%	5.5%	6.1%
1995	3.8	4.9	5.6
1996	4.3	5.6	5.4
1997	4.1	5.6	4.9
1998	4.2	5.7	4.5
1999	4.3	5.5	4.2
2000	4.5	5.2	4.0
2001	6.1	6.4	4.7
2002	8.0	7.6	5.8
2003	8.5	8.1	6.0
2004	7.2	7.4	5.5

Notes:

- (1) This data reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Oregon Employment Department and U.S. Department of Labor – Bureau of Labor Statistics.

EMPLOYMENT BY INDUSTRY

The Portland metropolitan area has demonstrated considerable economic diversity. The City is the service center for a large and diverse manufacturing area that has shown substantial growth since the 1980s. Because of the area's reliance on the City for related economic service activities, the manufacturing base of the surrounding area has a meaningful impact on the City's economy.

The Portland metropolitan area's focus on manufacturing employment is largely based in the metals, instruments, machinery and electrical equipment sectors. The computer and electronic product manufacturing industry accounts for only 3.74 percent of the Portland metropolitan area's manufacturing employment.

Service industries account for 37.89 percent of the total non-agricultural employment in the metropolitan area, followed by trade transportation and utilities, which account for 20.45 percent.

Table 24
CITY OF PORTLAND, OREGON
MSA Non-Agricultural Wage and Salary Employment (1) (2)
(000)

Industry	2001	2002	2003	2004	2004 % of Total
Nonfarm Employment	961.3	939.3	929.7	946.1	100.00%
Manufacturing	135.9	123.8	118.1	119.9	12.67
Durable goods	102.3	92.8	87.9	89.9	9.50
Lumber & wood prod.	5.7	5.5	5.5	5.8	0.61
Metal manufacturing	19.4	18.3	17.1	17.6	1.86
Machinery manufacturing	9.9	8.8	8.4	8.5	0.90
Computer & electric manufacturing	42.7	37.7	34.7	35.4	3.74
Transportation equip. manufacturing	8.6	7.7	7.6	8.0	0.85
Other durable goods	16.0	14.8	14.6	14.6	1.54
Nondurable goods	33.6	31.0	30.2	30.0	3.17
Food products	8.8	8.7	8.7	8.6	0.91
Paper products	6.3	5.6	5.4	5.2	0.55
Other non-durable goods	18.5	16.7	16.1	16.2	1.71
Nonmanufacturing	825.4	815.5	811.6	826.1	87.32
Construction & mining	55.7	53.3	51.8	55.1	5.82
Trade Transportation & Utilities	198.1	192.4	190.9	193.5	20.45
Information	25.9	23.8	22.5	22.5	2.38
Financial activities	65.0	65.6	66.4	65.6	6.93
Professional & business services	127.4	121.7	117.9	121.1	12.80
Education & health services	106.5	111.0	113.6	115.3	12.19
Leisure and hospitality	85.5	84.8	85.6	87.5	9.25
Other Services	34.2	33.9	34.0	34.6	3.66
Government	127.1	129.0	128.9	130.9	13.84

Notes:

- (1) Totals may not sum due to rounding.
- (2) This data reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington

Source: State of Oregon, Employment Department.

Table 25
CITY OF PORTLAND, OREGON
Major Employers in the Portland/Vancouver Metropolitan Area

Employer	Product or Service	2003-04 Estimated Employment (1)
Manufacturing Employers		
Intel Corporation	Semiconductor integrated circuits	14,890
NIKE Inc.	Sports shoes and apparel	5,742
Freightliner LLC	Heavy duty trucks	2,878
Precision Castparts Corporation	Steel castings	2,110
Tektronix Inc.	Electronic instruments	2,000
Hewlett-Packard Co.	Computer printers	1,900
The Boeing Co.	Aircraft frame structures	1,485
Oregonian Publishing Co.	Newspaper & commercial printing	1,320
Wacker Siltronic Corporation	Silicon semiconductor materials	1,300
Xerox Office Printing Business	Laser printers	1,200
Non-Manufacturing Employers		
Providence Health System	Health care & health insurance	13,496
Fred Meyer Stores	Grocery & retail variety chain	10,500
Kaiser Foundation Health Plan of the NW	Healthcare	8,000
Legacy Health System	Nonprofit health care	7,972
Safeway Inc.	Grocery chain	6,000
Albertsons Food Centers	Retail grocery chain	5,600
U.S. Bank	Bank & holding company	4,138
Wells Fargo	Bank	3,813
Southwest Washington Medical Center.	Health care	3,009
McDonald's Corporation	Fast food franchise	3,000
Public Employers		
U.S. Government	Government	18,400 (2)
State of Oregon	Government	14,600 (2) (3)
Oregon Health & Science University	Health care & education	11,500
City of Portland	Government	8,032 (3)
Portland School District	Education	5,600 (4)
Multnomah County	Government	4,659
Portland Community College	Education	4,123 (4)
Portland State University	Education	3,800 (4)
Beaverton School District	Education	3,512
State of Washington (Clark County)	Government & higher education	3,344 (3)

Notes:

- (1) 2004-2005 information will be available in November 2005
- (2) 2003 employment.
- (3) Totals may include part-time, seasonal and temporary employees.
- (4) Totals may include full-time and part-time, casual and student employees.

Source: Portland Business Alliance, Regional Financial Advisors and Oregon Employment Department.

DEVELOPMENT ACTIVITY

The Portland metropolitan area is home to more than 51,000 businesses, according to the 2003/04 Largest Employers of the Portland-Vancouver Metropolitan Area published by the Portland Business Alliance. Of those, about 2,400 are classified as headquarter firms. Three companies included on Fortune magazine's 2004 list of the 1,000 largest corporations in the United States have world headquarters in the Portland metropolitan area: Hollywood Entertainment, Nike, Inc. and Precision Castparts.

A diverse selection of industrial properties are located throughout the Portland area for all types of industrial use, including more than 280 industrial and business parks.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry and has drawn extensive investment in recent years. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. The Interstate 5 ("I-5") Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5, includes some of the area's most rapidly-growing distribution and warehouse operations.

Second quarter 2005 market data, provided by Cushman & Wakefield, showed an overall office vacancy rate of 17.3 percent (Non-Central Business District), and an overall industrial vacancy rate of 9.3 percent for the Portland area. Suburban vacancy rates improved consistently from 23.5 percent in July 2004 to 17.3 percent in July 2005. Overall vacancy in the Central Business District ("CBD") was 13.4 percent.

In October 2002, the Mayor's Business Roundtable and "Blue Ribbon Committee," working with the Commission, recommended strategies and actions that have become the basis of a five-year economic development plan to be managed by the Commission. The five-year economic development plan provides guidelines to improve future development in the Portland area.

Current activities showing retail, commercial and industrial changes in the Portland metropolitan area are reflected in the following building and economic development projects.

Development within Downtown Portland

The Commission approved the Montgomery Block Development Strategy in August 2003. As part of this development project, commissioners approved a plan to purchase the Jasmine Tree restaurant site, located at 401 S.W. Harrison St, in March 2004. The property is a part of the four-block area targeted for redevelopment by the Commission. In February 2005 the Commission updated the plan, and construction on this project is anticipated in 2007.

May Department Stores Co., Sage Hospitality Resources, and the Commission are working together on a \$106 million project that would redevelop the Meier & Frank store building in downtown Portland. Meier & Frank has started to consolidate its store on the first five floors. Sage plans to build a 334 room Marriott Renaissance hotel in floors 6 through 16 of the building. There are also plans for a face-lift to restore the outside of the building.

Nordstrom Inc. relocated and expanded its 19,000 square-foot Portland Nordstrom Rack to the ODS Tower along Morrison Street. The new 34,000 square feet store opened in February 2005 and employs 62 people.

The Esquire Hotel, which houses the Brasserie Montmartre restaurant, will undergo a \$3 million renovation beginning in 2005. The Commission will finance \$800,000 of the project's cost. Once completed, the building's upper floors will feature 13 lofts ranging from 850 square feet to 1,500 square feet. Builders will make room for a banquet hall, and will double the current restaurant's size.

Clyde Hotel TIC and the Ace team purchased the 1912-built Clyde Hotel in May 2005. The Ace team will own and operate the hotel, and plans to turn the hotel's existing 93 rooms into approximately 50 suites. The 36,536 square-foot hotel includes about 7,500 square feet of retail space. Some of the space is currently occupied by a drycleaner and Scandals Lounge. The new owner is negotiating a restaurant to fill some of the retail space when the lounge moves to a nearby location in September 2005.

The U.S. General Services Administration ("GSA") has begun construction of a , \$23.4 million, five-space parking lot for 9th U.S. Circuit Court of Appeals judges in the Pioneer Courthouse basement. The construction project also involves building a driveway to reach the parking area as well as renovation, seismic strengthening and restoration. Construction

began in March 2004. In July 2005 the earthquake protection system was completed. The project is set to be finished in December 2005.

The Harrison restaurant, a \$2.5 million project, was completed in November 2004. The 8,800 square-foot restaurant is on the mezzanine level in the Fox Tower at 838 S.W. Park Ave.

In February 2001, the Commission authorized a master predevelopment agreement to construct maximum high-density, market-rate condominiums and retail space across from Jefferson on the Safeway/YWCA block. The three-block Museum Place South includes an expanded Safeway, an expanded YWCA, 128 loft-style units in a 6-story tower above the Safeway, and 12 2-story townhouses. The \$113 million project covers approximately 278,000 square feet. YWCA renovation was completed in January 2003. The Museum Place South project was completed in October 2003.

Portland State University ("PSU") completed construction of a \$4.5 million, 11,000 square-foot project called the Native American Student and Community Center in October 2003. The project was cosponsored with the American Indian Science and Engineering Society. The university worked with GBD Architects Inc. to add 14,000 square feet of program space and classrooms, as well as upgrade the playground area of the Child Development Center which was built in 1928. PSU reopened the Helen Gordon Child Development Center in November 2003.

In June 2003, Regal Entertainment Group completed development of the 32,000 square-foot cinema space in the Pioneer Place retail center. The six-screen cinema features independent and art films. Romano's Macaroni Grill opened in June 2004 in the space adjacent to Tiffany & Co. Romano's invested more than \$2 million in the site, and employs about 130 people. The 6,100 square-foot eatery seats 265 people.

South Waterfront/North Macadam District

The North Macadam area was the last large piece of undeveloped land close to the downtown area when it was designated as an urban renewal district by the City in August 1999. The area comprises 409 acres, and is approximately defined by Boundary Street on the south; Macadam Avenue, and the western edge of Hood Street, Front Avenue, First Avenue and Fourth Avenue on the west; Montgomery Street on the North; and the Willamette River on the east.

The South Waterfront Central District Development Agreement, which anticipates public and private investment of \$1.9 billion, represents a partnership between the City, Oregon Health & Science University ("OHSU"), North Macadam Investors, LLC, and other private developers. The 31-acre project will be undertaken in three phases; Phase I, which broke ground in October 2003, is to be completed by 2008. Phase I development includes approximately 1000 units of student, affordable and market rate condominiums and apartments; a 150-200 room hotel and conference facility; a 407,678 square-foot OHSU research/clinical building with parking which broke ground in August 2004; and various public infrastructure improvements including a new aerial tram connecting OHSU's Marquam Hill campus to the South Waterfront, an extension of the Portland Streetcar, and new streets, parks, and greenway improvements.

Gerding/Edlen Development Co. and Williams and Dame Development are constructing the Meriwether condominiums, an \$81 million, twin-towered residential project set to open in mid-2006. The 246-unit project will be the first residential project in the waterfront neighborhood and will be neighbors with OHSU's Wellness Center. Kiewit Pacific Structures Inc began construction in March 2005 on the tram and anticipate being ready for public service by March 2006. Construction on the John Ross Condominium Tower is expected to begin in mid 2005. The 31-story elliptical shaped building with 286 units is expected to cost \$75 million. By mid July 2005, 225 units were reserved. Construction is expected to be completed in early 2008.

The RiverPlace Project, located within the South Waterfront portion of the North Macadam urban renewal area, is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. Construction began in early 2005 on The Strand, a \$110 million mixed use development. The Strand will consist of three glass and steel towers which will house 222 condominium units, ground-level town homes, a 110-space parking garage, a waterfront restraint, and retail space. Competition is projected to be early 2007. The Residence Inn by Marriott-Portland Downtown/RiverPlace, a 258-suite Residence Inn by Marriott opened in the summer 2001.

The Portland Streetcar Inc. opened a 0.6-mile extension from PSU to RiverPlace in March 2005. Construction began in January 2005 on the Gibbs Extension. Service will begin in July 2006. This 0.6 mile extension connects at SW River Parkway and SW Moody, follows SW Moody south to SW Sheridan and from SW Sheridan to SW Gibbs, utilizing the former Willamette Shore trolley rail right-of-way. The cost of this extension is \$15.8 million which includes the purchase of

three additional streetcars. When the Gibbs extension is completed, the Portland Streetcar system will provide service from Northwest Portland and Legacy Good Samaritan Hospital through the Pearl District and West End of downtown to PSU continuing to River Place and SW Gibbs and the Portland Tram.

The River District, Pearl District, and Old Town

Located north of the central business district and east of Interstate 405, the River District urban renewal area is comprised of approximately 310 acres bounded generally by Burnside Street on the south, NW 16th Avenue on the west, the northern end of the Terminal One site on the north, and the Willamette River and the boundaries of the Downtown Waterfront urban renewal area on the east. The River District formerly was used for railroad and industrial operations. In 1994, the City Council adopted the River District Housing Implementation Strategy, which calls for more than 5,000 new housing units in the target area with average densities of more than 100 units per acre. The River District was designated as an urban renewal area in 1998. Public funding for the City's River District development program comes from a variety of sources including federal, State and local transportation funds, various housing assistance sources, and tax increment proceeds from the River District urban renewal area. Significant private investment is also underway in the River District.

The Portland Streetcar which opened in July 2001 follows a 4.2-mile loop that connects the River District to Downtown and PSU. There is no fee to ride the streetcar in the City's "Fairless Square" district.

In the Pearl District (located within the River District urban renewal area), Gerding/Edlen Development purchased the former Blitz Weinhard Brewery, a five-block complex, known as the "Brewery Blocks," adjoining Burnside Street for \$20 million. The firm is redeveloping the property into a mixed-use retail, commercial and housing complex. The brewery property is near a building that was redeveloped for Wieden & Kennedy (a national advertising firm) in the Pearl District as its international headquarters. Gerding/Edlen Development headed up the \$20 million renovation of the Historic Cold Storage Building for Wieden & Kennedy. Whole Foods opened its first natural and organic supermarket in Oregon in the Brewery Blocks in March 2002. Tenants that moved into the Brewery Blocks in 2003 include Tyco Telecom, Sur la Table kitchenware retailer, Baja Fresh Mexican Grill, and Peet's Coffee. The south half of Block 3, The Henry, is a 123 unit condominium project which was completed in June 2004. Block 5, a 16 story mixed-use apartment and town home tower with ground level retail, is set for completion in 2006.

Bill Naito Corp. is planning to build condominium towers. The first two 10 story towers would adjoin Albers Mill and have been called the Waterfront Pearl. Following negotiations with Naito family property owners and Commission approval, construction could start as early summer 2006.

Portland Center Stage is converting the Armory building in a move from downtown Portland to the Pearl District. The \$28 million theater project is expected to be completed in late 2006. The new performance hall will be the first ever historic rehabilitation to receive a LEED Platinum Rating (Leadership in Energy and Environmental Design).

Walsh Construction Co. began construction in July 2004 on a \$32 million project in the Pearl District. The 210-unit project at 1230 N.W. 12th Avenue, dubbed block 14, includes basement parking and ground-floor retail space. Completion is expected by October 2005.

In October 2002, the 301-unit McCormick Pier apartments were sold for \$30.4 million to Emerging Markets of North America, a Phoenix, Arizona-based firm. Renovations costing approximately \$20 million have been underway since then, including the addition of a marina, hot tubs, fitness center with indoor basketball court, outdoor fire-pits and barbecue entertainment areas. Construction is expected to be complete by late 2005.

The Yards at Union Station is a four-phase project eventually bringing more than 700 new units of housing. The first three phases, which added approximately 658 units of market rate and affordable housing, are complete. The final phase of the project began in summer 2005.

Gerding/Edlen Development began construction in July 2003 of a project located between Northwest 12th and 13th Avenues, just north of Couch Street and Whole Foods Market. The \$60 million building includes approximately 250 apartment units, and was completed in spring of 2005.

Prendergast & Associates began construction in July 2003 on the Burlington Tower, a \$35 million, 10-story concrete building with 163 apartment units and an equal number of parking spaces below it. The Burlington Tower, located south of Lovejoy between Northwest Ninth and 10th Avenues was completed in May 2005.

Trammell Crow Residential completed construction of a \$30 million, six-story steel, 178 unit apartment building in March 2004, called 10th@Hoyt, between Northwest Ninth and 10th Avenues, just south of Irving Street.

Henry's 12th Street Tavern opened in April 2004 in the former Blitz-Weinhard Brewery after more than \$4 million in renovations. The 14,500 square-foot bar and grill is located at 10 N.W. 12th Ave. between Burnside and Couch streets.

Hoyt Street Properties is continuing work on over \$125 million in development of several blocks in the Pearl District. When completed, the Hoyt Street parcels will have more than 2,500 residences and 150,000 square feet of retail and commercial space on 34 acres in the District. Construction began on the Bridgeport condominiums in January 2002. The west tower was completed in spring 2003, and the east tower was completed in summer 2003. Combined, the towers add 123 residential units and will house 250,000 square feet of retail space. The 124-unit, 13-story Park Place Condominiums began construction in September 2002, and was completed in May 2004. Construction began in January 2003 on The Lexis, located between Northwest Ninth and 10th Avenues, north of Marshall Street and Lovejoy Station, which has 139 apartment units. The \$22 million wooden building has four levels on one side and five levels facing west toward North Park Square. The project was completed in April 2004.

In February 2004, outdoor equipment retailer REI opened a 35,000 square-foot store on the ground floor of the Edge, a \$35 million, 11-story building, with 125 lofts, located between Northwest Johnson and Kearney Streets and 14th and 15th Avenues in the Pearl District.

In the Old Town neighborhood located in the Downtown Waterfront urban renewal area adjacent to the River District, Central City Concern ("CCC") partnered with developer Downtown Community Housing, Inc. and the Commission to build a 180-unit structure, called the 8 NW 8th Building, on the northeast corner of West Burnside and 8th Avenue. Construction was completed in October 2004. There is commercial space on the first and second floors. The housing lobby on the first floor opens off of 8th Avenue at the North Park Blocks and the office to serve the building's residents is on the second floor. Floors three through eight have 120 transitional, single room occupancy units and community spaces.

In November 2003, the Commission completed a \$1 million renovation to the city block in front of Union Station. Northwest Sixth Avenue has been extended diagonally across the property under the Broadway Bridge ramp, and will eventually connect with Northwest Ninth Avenue. The extension includes sidewalk improvements, street trees, street lights and on-street parking. There were also landscaping improvements, and the installation of a forecourt plaza.

North Portland

In August 2000, the Interstate Corridor urban renewal area was created to provide local funding for the proposed light rail line along Interstate Avenue, and to serve broader revitalization efforts in the area. The Interstate light rail is a \$350 million project which expanded light rail service 5.8 miles into North Portland neighborhoods. Also known as the "Yellow Line", Interstate MAX service began in May 2004. (See "TRANSPORTATION AND DISTRIBUTION" below.)

The Killingsworth Station project will be the first major Commission-sponsored development at an Interstate MAX light rail station. The project includes 56 affordable one- and two-bedroom rental units, 35 affordable loft-style condominiums, 6,400 sq. ft. of ground floor commercial space, seven three-bedroom townhomes, approximately 12,800 sq. ft. of ground floor retail/office space along Killingsworth and Interstate Avenue, and structured parking. Construction is scheduled to begin in spring 2006.

Housing Authority of Portland was awarded a \$35 million HOPE IV grant that anchors a \$145 million investment to redevelop the aging Columbia Villa public housing in Northeast Portland into "New Columbia". The New Columbia project is the largest single redevelopment project in Portland, converting 82 acres of formerly low-density public housing into an 850-unit mixed income community. The project includes the replacement of 370 public housing units as well as the development of 60 elderly affordable housing units, 190 new affordable rental housing units and 230 new homeownership units. The City and the Commission will also provide funding for the New Columbia project. Construction started in December 2003, and completion is anticipated in 2006.

Kaiser Permanente has begun construction on a \$27 million radiation treatment center at its north Portland campus. The center will be a 17,000 square-foot, one-story building, along with a two and a half-story parking structure. It is expected to be completed by the end of 2005.

Lowe's plans to open a home improvement superstore near Delta Park in fall 2005.

A groundbreaking ceremony was held in July 2004 for the Columbia Knoll project, which will replace the old Shriners Hospital for Children at Northeast 82nd Avenue and Sandy Boulevard. Columbia Knoll will be a complex of senior and family housing. The \$45 million project's 326 units will include family rental units, independent senior apartments and "congregate" senior housing with services. The first of the buildings with family housing opened in March 2005. The senior-citizen building, which will sit atop a hill in about the same location as the hospital, is scheduled for occupancy in November 2005.

Fred Meyer Stores replaced two stores having combined square footage of 121,000 with a larger store of 150,000 square feet. The new store faces Lombard Street and opened in December 2004. The cost of construction was approximately \$20 million.

Wapato Correctional Facility, located at 14355 N. Bybee Lake Court, opened in July 2004. The 525-bed, medium-security jail was constructed at a cost of \$58.4 million.

Electro Scientific Industries relocated its electronic component systems product line from Escondido, California to its new 62,000 square-foot northwest Portland headquarters in January 2003.

In early 2002, Adidas America Inc. celebrated the opening of Adidas Village in North Portland in the historic Overlook neighborhood. The site, formerly Bess Kaiser Medical Center, is home to the company's North American headquarters, which employs approximately 1,000. The athletic footwear company occupies the 215,000 square-foot building, which has undergone a \$25 million renovation.

Westside Development

Dolan & Co., owners of A-Boy Supply Co. and several other lighting supply businesses purchased a building and 13 acres of property for \$8 million from Sulzer Pumps in Northwest Portland. The company plans to build a new 170,000 square-foot warehouse on the property.

Dove Lewis will break ground on a new \$6.6 million animal hospital in August 2005. When the new hospital on NW Pettygrove St opens in the fall of 2006, it will have 22,000 square feet of space, eight exam rooms, 96 beds and two surgery suites.

In May 2005 the Portland Development Commission approved a 14-story, 150 foot condominium tower to be build by a ScanlanKemperBard Co. team headed up by Jack Onder. The estimated \$40 million building will be located at NW Westover Road and 23rd Place.

Doernebecher Children's Hospital started expansion of the pediatric cancer treatment unit. The \$14 million project will expand the unit from 3,000 to 7,000 square feet and from 16 beds to 21. The project is scheduled to be completed in July 2007.

In fall 2002, OHSU broke ground on a \$321 million project to construct two buildings on Marquam Hill. One building will be a 250,000-square-foot biomedical research building and the other will be a 300,000-square-foot patient care center with a 400-space parking facility. Construction is expected to continue until spring 2006.

Sellwood Landing Assisted Living facility opened in June 2005. Sunwest Management owns and manages the \$5.5 million, four-story 72,000 square-foot facility.

Eastside Development

Construction began in spring 2005 on a 106,000 square-foot medical clinic, with an estimated cost of \$31 million. The Oregon Clinic will house 207 employees and include a parking garage that Tri-Met will build. The garage will have three-levels, 635 spaces, and be adjacent to the clinic. Of those spaces, 480 will be available to park-and-ride transit customers, replacing the current surface spaces, and 155 will be reserved for clinic employees and patients. The new structures will be located along Northeast 99th Avenue north of Pacific Street. Completion of both projects is expected in mid 2006.

Aiyana Weidler began construction in October 2003 of a \$36 million, mixed-use development called 1620 Broadway. The project features 225,000 square feet of living and shopping space, including 88 condominiums and three levels of underground parking. Construction is expected to be completed in the latter half of 2005.

Integra Telecom completed relocating its national headquarters to Northeast Portland in June 2004. The Commission gave Integra a \$600,000 aid package as incentive to move from its Washington County home. The relocation brings about 300 jobs to the area, with Integra leasing 51,000 square feet of new office space in the 1201 Lloyd Building and another 12,000 square feet for a technical operations center near the new main office at Northeast 12th Avenue and Lloyd Boulevard.

Providence Portland Medical Center is planning a parking garage and a 450,000 square-foot, eleven-story medical facility that will consolidate cancer services. The parking garage will be phase one of the development. Located at the hospital's campus at 4805 N.E. Glisan Street, it will cost \$18 million, accommodate parking for 750 additional cars and will be completed in 2005. The second phase of the project, the medical facility will cost \$150 million and likely be completed in 2007. The facility will provide 124 additional beds and a comprehensive cancer center.

Work began in June 2004 on a significant stream restoration in Southeast Portland. The Oregon Department of Environmental Quality awarded a \$400,000 line of credit to help Portland pay for the project. The loan from the State's clean water revolving fund will help the City restore more than six acres of streamside wildlife habitat where Kelly Creek joins Johnson Creek, near Southeast 162nd Avenue and Foster Road. The \$1.3 million project will restore meanders to a channeled stretch of Kelly Creek, remove armored banks and excavate fill from former wetlands so that they can receive surging overflows and minimize downstream flooding. Completion of the restoration is expected by June 2006.

Vocational Village, an alternative high school program, moved from Northeast Tillamook Street to the old Meek Elementary School building at Northeast 40th Avenue and Alberta Court for the 2004-05 school year. The Portland School Board agreed to spend \$1.7 million to modify Meek to accommodate Vocational Village's job training programs.

Banfield, the Pet Hospital, began construction in October 2004 on its \$25 million headquarters project. The 225,000 square-foot facility being built at 82nd Avenue and Tillamook Street, will include two stories stacked over a sub-grade parking garage. Completion is expected by December 2005. The new facility will replace the existing headquarters, located at 11819 N.E. Glenn Widing Drive, off Airport Way.

New Seasons Market opened its 'Seven Corners' store at 1954 SE Division Street in September 2004. The store employs approximately 170 people.

The Rosewood Family Medical Clinic completed construction in July 2004 of a \$2.9 million project, located at 8935 S.E. Powell Boulevard. The new, 10,000 square-foot clinic has 18 exam rooms, plus a minor procedure room and a medical laboratory. The new clinic is owned and operated by Yakima Valley Farm Workers Clinic, and brings about 25 jobs to the Lents neighborhood.

The Merrick is a \$28 million, six-story, mid-rise luxury apartment complex, bounded by Northeast Third Avenue and Martin Luther King Jr. Boulevard. The 185-unit apartment complex was completed in April 2004 by Trammell Crow Residential Services and C.E. John.

The Physicians' Hospital LLC, bought the Woodland Park Hospital and opened the Physicians' Hospital in the facility. The company expects to spend \$5 million in the first year to run and reopen the building. The hospital opened its doors in December 2004. They plan to open their urgent care facility in late 2005.

In December 2004, Safeway Inc closed their store on SE 82nd Avenue. The store's 31 employees were offered positions at other Safeway stores in the area.

Cascadia Behavioral Healthcare and Rose Community Development Corporation began construction of Midland Commons in January 2004. The \$5.3 million, 39,000 square-foot project consists of two adjacent apartment buildings, located at 2830 SE 127th Avenue. The complex has mental health/addiction services available to the tenants. The apartment buildings were finished in November 2004.

Construction was completed in April 2003 on the \$98 million, 407,500-square-foot expansion of the Oregon Convention Center. Funding of the new Convention Center space came from the Commission, the Metropolitan Exposition-Recreation Commission, and a bond package backed by the City. Revenues to retire the bonds will be generated through 2.5 percent increases in lodging and car-rental taxes in Multnomah County.

The Columbia Corridor

The Columbia Corridor is a major growth opportunity for industrial development in Portland. The Corridor contains nearly 4,700 acres of vacant industrial land along a 16-mile stretch of land that runs along the southern shore of the Columbia River and includes marine terminals and the international airport.

The Rivergate Industrial Park is a 3,000-acre area owned by the Port of Portland (the "Port") in north Portland. In addition to Rivergate's access to the Columbia River and Portland International Airport ("PDX"), the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives. The purpose of the City's Enterprise Zone is to stimulate business investment in north and northeast Portland. In an attempt to hire and retrain Enterprise Zone residents for quality jobs, the Commission has set up this program to reward businesses that provide local jobs. Businesses who participate can make use of a property tax exemption from new taxes generated during the first three to five years of a non-retail business investment in the Enterprise Zone. The boundaries of the Enterprise Zone include north and northeast Portland residential, commercial and industrial land west of Interstate 205 and north of Broadway Street.

In August 2003, the Port Commission approved the sale of 13.5 acres in the Rivergate Industrial District to Oregon Transfer Co. for approximately \$2.8 million. Oregon Transfer plans to build and operate a 295,000 square-foot facility on the new property along North Leadbetter Street that will employ up to 30 people.

Oregon Steel closed its Rivergate melt shop on May 23, 2003, bringing total layoffs to 280 employees. In October 2003, Oregon Steel leased the equipment of the former LTV Structural Tube Facility located in Rivergate Industrial Park. The facility, known as Columbia Structural Tubing ("CST") will produce rectangular hollow steel sections in sizes ranging from 2 1/2 inches to 10 inches. In July 2004, Oregon Steel announced plans to build a \$35 million pipe-making plant in Portland. The new plant could employ 100 people, depending on production levels. The new mill is expected to start producing in early 2006.

In March 2002, Trammell Crow Company and Kennedy Associates broke ground on the 23-acre Rivergate Corporate Center, positioned adjacent to the Port's Terminal 6 Marine facility within the Rivergate Industrial Park. Construction was completed in October 2002. Construction on Phase I of the Rivergate Corporate Center II ("RCC II") was completed in September 2003. On February 7, 2003, Fort James Corp., a wholly owned subsidiary of Georgia-Pacific, signed a 402,450-square-foot pre-lease agreement for Phase I. The company moved into the building in September 2003. Construction of 204,550 square feet for Phase II was completed in December 2004, bringing the single building to its final size of 607,000 square feet. Georgia-Pacific occupies the space constructed in Phase II.

Staples, Inc. purchased 23 acres at Southshore Corporate Park for a 200,000 square-foot build-to-suit regional warehouse and distribution center. Catellus Development is constructing the \$15 million building. The first phase of Staples' new warehouse and distribution center was completed in September 2003 and employs more than 100 people. Construction of phase two consists of a 263,200 square-foot building to expand Staples' current operations. Desert Viking Distributing, Future Logistics, Image Graphics and Sewing Center Supply opened between May and June 2004.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. Even so, the metropolitan area accounted for approximately 17.81 percent of the State's Gross Farm and Ranch Sales based on 2004 estimates from the Oregon State University Extension Economic Information Office. Clackamas County ranked second and Yamhill and Washington counties ranked third and fourth among all counties in the State in Gross Farm and Ranch Sales.

The 2004 Gross Farm and Ranch Sales in Clackamas County was \$348,159,000; Washington County was \$249,250,000; Yamhill County was \$237,678,000 and Multnomah County was \$72,159,000; as estimated by the Oregon State University Extension Service.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established Portland as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it substantial geographic and, therefore, economic advantages for the shipment of freight. The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a regular port of call

for 16 regularly scheduled major steamship lines serving major world trade routes. Six Oregon and Washington port districts joined to fund a five-year, study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, in order to accommodate larger, more efficient vessels. The project cost is estimated at approximately \$134 million. Primary cargoes include containers, automobiles, grain, and mineral bulks.

In June 2003, the states of Oregon and Washington issued their approvals for the U.S. Army Corps of Engineers to proceed with the Columbia River Channel Deepening project. Both states issued conditional water quality certifications and conditional Coastal Zone Management Consistency concurrences. The Corps issued its Record of Decision in January 2004. The Great Lakes Dredge and Dock Company started dredging in June 2005. The Corps expects to begin deepening the upper 10 miles of the river, near the Portland-Vancouver area, in fall 2005. When the channel improvement project is completed the additional depth will allow more cost-effective shipping for Northwest businesses and farmers.

Upstream from the City, the Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are three primary barge lines providing service between the upriver ports and the City. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the mountains.

The City is also in a strategic position to serve the Willamette Valley, which extends approximately 145 miles south from the City and is one of the nation's most diversified and productive agricultural regions and food processing centers.

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. Leading exports include wheat, soda ash, potash and hay. The Port is the largest wheat export port in the United States. Leading imports include automobiles, petroleum products, steel and limestone. The Port is the largest volume auto handling port and mineral bulks port on the West Coast. Total maritime tonnage increased in 2004 to 12.6 million short tons compared to 11.9 million in 2003.

In June 2002, international shipping freight carrier Hanjin announced that it will return to the Port, making Portland its last port of call for transpacific shipping and boosting the Port's total containership by one third. In September 2004, New World Alliance suspended container vessel calls to Portland. "K" Line ended service to the Port in December 2004. In November 2004, Toyota Logistics Services Inc. moved into a new \$40 million auto import and processing facility at the Port. In September 2004, the Port laid-off 50 workers, as well as eliminating 34 unfilled positions. This was part of a plan to achieve \$9.3 million a year in savings.

PDX handles approximately 13 million passengers annually. Portland is served by 20 passenger carriers providing more than 500 flights daily to over 100 cities in the US and Canada. In May 2005, Jet Blue began flights from PDX to New York's JFK, and in June started offering flights from PDX to Seattle. In June 2004, Northwest Airlines began nonstop air service from PDX to Tokyo, Japan. Portland is also served by three publicly operated general aviation airports located in the suburban areas. Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system, serve the City.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and by-pass routes Interstate 205 and Interstate 405 within and around Portland. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service through the region. In 2003, approximately 88.9 million passengers traveled by bus and rail.

TriMet's light rail system ("MAX") connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. The most recent extension of the light rail line, the Interstate MAX line, added 5.8 miles of service from the Rose Quarter and Oregon Convention Center into North Portland neighborhoods, medical facilities, and the Metropolitan Exposition Center. Service on the Interstate MAX began in May 2004.

The TriMet Transit Investment Plan was approved by its Board of Directors in June 2002. The plan calls for major investment in order to extend the MAX line 6.5 miles south from the Gateway Transit Center to Clackamas Town Center, and from Beaverton south to Wilsonville, among other proposed expansions. In August 2004, TriMet filed an application with the Federal Transit Administration seeking a federal grant to fund a two-phased extension of the light rail line with an estimated cost of \$494 million. Sixty percent of the cost is expected to be granted to TriMet in 2006 following negotiations for the Full Funding Grant Agreement. Local funding would be provided by TriMet, the Commission, the City, funding generated by a local improvement district, and other public sources. Phase one would provide service along I-205 between Clackamas Town Center and the existing Gateway station. The second phase would extend the light rail line from Portland State University to Union Station in downtown Portland. Future plans would connect downtown Portland to Milwaukie.

Tri-Met expects to begin construction on the \$103.5 million Washington County Commuter Rail in 2006. This line will run from Beaverton to Wilsonville and is expected to begin service in 2008.

The Portland Streetcar, which connects the downtown area with the Pearl District and Northwest Portland, began operations in 2001. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. Extension of the streetcar line to RiverPlace is proceeding. (See "DEVELOPMENT ACTIVITY -- The River District, Pearl District, and Old Town" herein.)

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is the State's largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State's tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Art Museum, Oregon Historical Society Museum, Children's Museum, OMSI, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Classical Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres.

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. The City completed the \$38.5 million renovation of the Civic Stadium which opened as PGE Park on April 30, 2001. The stadium is home to the Portland Beavers (Triple-A), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football and women's soccer). A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June, since 1907. More than two million participants enjoy the Festival annually, and the Festival generates more than \$80 million for the region's economy and local businesses.

According to the Portland Oregon Visitor's Association ("POVA"), 206,292 visitors attended 302 conventions in the City during fiscal year 2003-04 (the most recent data available). Lodging occupancy rates for downtown Portland averaged 71.1 percent through June 2005, a 10.4 percent increase over the same period last year.

A 90-minute drive from Portland in almost any direction provides access to numerous recreational, educational, and leisure activities. The Pacific Ocean and the Oregon Coast to the west, the Columbia Gorge and Mt. Hood, Mt. St. Helens and Mt. Adams in the Cascade Range to the east, and the Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

HIGHER EDUCATION

The City is the educational center for the State of Oregon. Within the Portland metropolitan area are several post-secondary educational systems.

PSU is the largest of seven campuses in the Oregon State System of Higher Education. PSU is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2004 enrollment was 23,486 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, with the other two major universities in the Oregon State System of Higher Education, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill Campus sits on more than 100 acres overlooking downtown Portland and occupies 31 major buildings on the hill. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Each year, OHSU serves approximately 148,000 medical and dental patients and educates more than 3,700 students and trainees in health information technology, sciences, environmental engineering, computation and management. Competitive funding awards have nearly quadrupled during the last decade; OHSU receives nearly 257 million annually. OHSU is the City's largest non-government public employer with 2003-04 employment of 11,500.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Portland Art Institute, Western Culinary Institute, Western States Chiropractic College, Oregon College of Oriental Medicine, National College of Naturopathic Medicine, and East-West College of the Healing Arts are also located in the City.

Several community colleges serve the Portland metropolitan area including PCC, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electricity is provided by Portland General Electric ("PGE") Company and Pacific Power Company. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. PGE owns and operates eight hydroelectric power plants, and has a total net peaking capacity of 3,900 megawatts from available resources, with nearly 50% from hydroelectric sources. NW Natural distributes natural gas. Telephone services are provided by Qwest Communications and, in some areas, General Telephone of the Northwest.

PUBLIC FACILITIES

Water

The City's Bureau of Water Works operates the water supply system that delivers high-quality drinking water to more than 790,000 people in the Portland metro area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. Portland also uses groundwater as a supplemental water supply.

The City, along with Metro and 26 other metropolitan area cities and water districts, participates in the Regional Water Providers Consortium. The Consortium works together through a voluntary intergovernmental agreement to coordinate and implement the Regional Water Supply Plan and to address water supply and resource management issues affecting the region. The City provides technical planning and administrative staff to the Consortium through the City's Water Bureau through an intergovernmental agreement.

Sewer and Wastewater

Approximately one-third of the 96,200 acres within the City Urban Services Boundary and approximately 60 percent of the City's population is served by combined sanitary and storm water sewers. During rainstorms, the collection system exceeds the capacity of the interceptor system that conveys sewage to the Columbia Boulevard treatment plant, resulting in overflows of untreated sewage directly into the Willamette River and the Columbia Slough. Under a 1991 agreement between the City and the Oregon Department of Environmental Quality, the City is undertaking the Combined Sewer Overflow ("CSO") program to remedy this situation. Costs are estimated at more than \$1.4 billion to be invested over 20 years. Through FY 2003-04, the project has reduced Columbia Slough overflows by 350 million gallons a year, and has controlled or eliminated seven Willamette River CSO outfalls. In November 2002, the City began construction on a \$400 million sewer improvement project. The project calls for 120-foot-long, four-mile-deep, 14-foot-diameter tunnel that will collect combined sewage and carry it to a new pump station on Swan Island when construction is completed in 2006. Another tunnel will be built in a later stage of the project. Construction of major CSO projects will continue until 2011.

HOUSING

The median selling price of a home in metropolitan Portland for July 2005 was \$240,000, up from \$212,300 in July 2004, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Homes in the metropolitan area were on the market an average of 56 days in 2004. According to RMLS, in July 2005, the southeast Portland region was the most active, with 428 closed sales followed by northeast Portland with 376 closed sales. According to the US Census Bureau, on July 1, 2004, there were 299,975 housing units in Multnomah County.

OTHER ECONOMIC FACTORS

The following table shows various economic indices for the City over the past ten years.

Table 26
CITY OF PORTLAND, OREGON
VARIOUS ECONOMIC INDICES
FOR FISCAL YEARS ENDING JUNE 30

Fiscal Year	Commercial Construction		Residential Construction		Total Construction		Bank Deposits (\$000)
	No. of Permits	Value	No. of Permits	Value	No. of Permits	Value	
1995	3,286	\$387,755,191	3,822	\$113,779,784	7,108	\$501,534,975	\$11,611,855
1996	3,069	497,058,470	4,011	132,248,762	7,080	629,307,232	11,133,967
1997	3,378	690,910,816	4,343	157,497,045	7,721	848,407,861	14,281,503
1998	4,089	778,910,533	4,153	166,479,499	8,242	945,390,032	12,942,696
1999	3,746	712,690,707	4,128	164,598,675	7,874	877,289,382	14,529,741
2000	3,628	685,894,883	4,390	166,029,804	8,018	851,924,687	15,667,859
2001	3,524	693,494,820	5,304	227,161,633	8,828	920,656,453	12,978,750
2002	3,394	702,312,602	5,676	286,907,402	9,070	989,220,004	16,214,809
2003	3,738	647,952,470	6,008	314,138,287	9,746	962,090,757	18,455,222
2004	3,685	745,322,677	5,972	328,109,628	9,657	1,073,434,505	11,223,521

Sources:

Building:

City of Portland, Bureau of Development Services. Data is collected on a fiscal year basis and includes new construction and alterations. In July 1986 the City’s Permit Center consolidated with the East County Permit Center operated by Multnomah County. Permit data shown is for the City of Portland *only*.

Bank Deposits:

Oregon Department of Consumer and Business Services.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted which do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2004 general election, the requirements were eight percent (100,840 signatures) for a constitutional amendment measure and six percent (75,630 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be submitted to the Oregon Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact only.

Historically, a larger number of initiative measures have qualified to be placed on the ballot than have been approved by the electors. According to the Elections Division of the Oregon Secretary of State, the total number of initiative petitions that have qualified for the ballot and the numbers that have passed in recent general elections are shown in the following table.

Table 27
CITY OF PORTLAND, OREGON
Initiative Petitions that Qualified and Passed
1990-2004

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1990	8	3
1992	7	0
1994	16	9
1996	16	4
1998	10	6
2000	18	4 (1)
2002	7	3
2004	6	2

Notes:

- (1) On October 4, 2002, the Oregon Supreme Court ruled that Measure 7 is unconstitutional, and it has not been included in the number of initiatives that passed.

Source: Elections Division, Oregon Secretary of State.

MEASURE 37 WHICH APPEARED ON THE NOVEMBER 2004 BALLOT

Oregon voters approved citizen initiative petition Measure 37 on November 2, 2004. Measure 37 became effective on December 2, 2004.

Measure 37 adds several new statutory provisions to Oregon law. Measure 37 entitles certain landowners either (a) to compensation for the reduction in the market value of their property that results from certain land use regulations (the “Restrictions”) that are enacted or enforced against the property; or, (b) to have their land released from the Restrictions. The government body that enacted or enforced the Restrictions decides whether to pay the claim or waive the Restrictions.

“Restrictions” do not include regulation of nuisances, regulations that protect public health, regulations that are required by federal law; and regulations that were enacted before the current property owner (or a member of that owner’s family) acquired the property.

If claims are not paid within two years after they accrue, Measure 37 releases the land from the Restrictions and it is not clear whether the governments imposing the Restrictions have any residual liability.

The City has enacted Restrictions, and to date has received 22 claims. The amount of compensation being demanded is approximately \$11 million. The City may elect to release those properties from their Restrictions. That election should release the City from any liabilities for those restrictions. The City has not determined yet whether it will release these properties or pay any claims. In addition, bills are pending before the Oregon Legislature than could alter the effect of Measure 37 on the City.

The City cannot, therefore, predict how Measure 37 will affect the City.

FUTURE INITIATIVE MEASURES

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City’s financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State’s office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

TAX EXEMPTION

In the opinion of Preston Gates & Ellis LLP, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2005 Series A Bonds is excluded from gross income for federal income tax purposes under existing law. Interest on the 2005 Series A Bonds is not an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a 2005 Series A Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2005 Series A Bonds for interest on the 2005 Series A Bonds to remain excluded from the gross income of for federal income tax purposes. The City has covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the Bonds to be included in gross income of the owners of the 2005 Series A Bonds for federal income tax purposes, retroactive to the date of issue of the 2005 Series A Bonds. Bond Counsel's opinion assumes compliance with these covenants and 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) after the date of issuance of the 2005 Series A Bonds may affect the tax status of interest on the 2005 Series A Bonds.

In the opinion of Bond Counsel, interest on the 2005 Series A Bonds is exempt from Oregon personal income tax under existing law. Bond Counsel is also of the opinion that interest on the 2005 Series A Bonds is exempt from personal income tax imposed by Multnomah County, Oregon, under existing law.

OTHER FEDERAL TAX MATTERS

Interest on a 2005 Series A Bond owned by a foreign corporation may be subject to the branch profits tax imposed by the Code. Ownership of the 2005 Series A Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2005 Series A Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the 2005 Series A Bonds should seek advice based on the purchaser's particular circumstances from an independent tax advisor.

The initial public offering price for certain maturities of the 2005 Series A Bonds is greater than the amount payable on the 2005 Series A Bonds at maturity. Bond counsel expresses no opinion with respect to the treatment of this additional amount.

The initial public offering price for certain maturities of the 2005 Series A Bonds is less than the amount payable at maturity. This difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. The appropriate portion of the original issue discount that is allocable to the original and each subsequent owner is treated as interest upon sale, exchange, redemption, or payment at maturity of such 2005 Series A Bond and is excluded from gross income for federal income tax purposes under existing law to the same extent as the stated interest on the 2005 Series A Bonds.

RATINGS

The 2005 Series A Bonds have been rated "Aaa" by Moody's Investors Service ("Moody's") with the understanding that upon delivery of the 2005 Series A Bonds, a financial guaranty insurance policy will be issued by Ambac Assurance. Such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York, 10007. 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 any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the 2005 Series A Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2005 Series A Bonds by the City are subject to the approving opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2005 Series A Bonds, the Ordinance, and the authority to issue the 2005 Series A Bonds, conform to the 2005 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2005 SERIES A BONDS” (except information under the subheading “SOURCES AND USES OF BOND PROCEEDS”), “SECURITY FOR THE 2005 SERIES A BONDS,” “TAX EXEMPTION,” “OTHER FEDERAL TAX MATTERS,” Appendix A entitled “ORDINANCE AND SUPPLEMENTAL BOND DECLARATION”, and Appendix B entitled “ORIGINAL BOND DECLARATION” have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel. For further information concerning the scope of Bond Counsel’s review of this Official Statement, see “TAX EXEMPTION” herein.

LITIGATION

There is no litigation pending or threatened against the City which impairs the City’s ability to make principal and interest payments on the 2005 Series A Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2005 Series A Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City’s knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2005 Series A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2005 Series A Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the successful bidder or owners of any of the 2005 Series A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. 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 City or its agencies, since the date hereof.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the City, as the “obligated person” within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E for the benefit of the 2005 Series A Bond holders.

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2005 Series A Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the 2005 Series A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

The execution and delivery of this Official Statement has been duly approved by the City.

CITY OF PORTLAND, OREGON

By: /s/ ERIC H. JOHANSEN
Debt Manager
Office of Management and Finance

**APPENDIX A
ORDINANCE AND
SUPPLEMENTAL BOND DECLARATION**



* Authorize Airport Way Urban Renewal and Redevelopment Refunding Bonds (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City is authorized to issue bonds which are payable from the tax increment revenues of the Airport Way Urban Renewal Area.
2. The City Council adopted City Ordinance No. 174445 on May 24, 2000, which authorized the City's \$51,000,000 Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A (Tax-exempt) (the "2000 Series A Bonds"). The 2000 Series A Bonds are issued under a Bond Declaration that establishes the terms under which the City may issue "Parity Indebtedness." Parity Indebtedness is secured by a pledge of the tax increment revenues of the Airport Way Urban Renewal Area that is equal to the pledge that secures the 2000 Series A Bonds.
3. The City may be able to achieve debt service savings by advance refunding all or a portion of the 2000 Series A Bonds. Advance refundings require the approval of the Oregon State Treasurer.
4. The City adopts this Ordinance to authorize the issuance of Parity Indebtedness to refund all or any portion of the outstanding 2000 Series A Bonds to achieve debt service savings.

NOW, THEREFORE, the Council directs:

- A. Definitions. Unless the context clearly requires otherwise, the following terms shall have the meanings provided in this section, and capitalized terms used that are used but not defined in this Ordinance shall have the meanings defined for such terms in the Declaration.

"2000 Series A Bonds" means the City's Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A (Tax-Exempt), which were issued pursuant to the Declaration.

"Area" means the Airport Way Urban Renewal Area which is described in the Plan, and all additions thereto.

"City" means the City of Portland, Oregon.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commission" means the Portland Development Commission of the City of Portland.

"Debt Manager" means the Debt Manager of the City, the Director of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Ordinance.

"Declaration" means the Bond Declaration dated June 1, 2000, establishing the terms and conditions under which the City may issue indebtedness that is secured by the Tax Increment Revenues, as that document may be amended.

"Divide the Taxes Revenues" means the taxes which are divided based on the increase in value of property in the Area and which are payable to the City or the Commission under the provisions of Article IX, Section 1c of the Oregon Constitution and ORS Chapter 457, as those provisions exist on the date of this Ordinance. The Divide the Taxes Revenues for the Area are limited to \$2,540,000 each Fiscal Year, before reduction for any compression or delinquencies.

"Parity Indebtedness" means obligations issued in compliance with the Declaration which are secured by a lien on, and pledge of, the Security which is on a parity with the lien on, and pledge of, the Security which secures the 2000 Series A Bonds.

"Plan" means the Commission's Airport Way Urban Renewal Plan, which was first adopted on May 15, 1986, as that plan has been, and may in the future be, amended.

"Refunding Bonds" means the bonds that are authorized by Section 1.B of this Ordinance.

“Security” means the Tax Increment Revenues, all amounts in the Tax Increment Fund, and all amounts available in the Reserve Account, including amounts available under any Reserve Equivalent, as defined and provided in the Declaration.

“Special Levy” means a city-wide property tax levy for the Area which is authorized by Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c), as those provisions exist on the date of this Ordinance.

“Supplemental Bond Declaration” means the document executed by the Debt Manager pursuant to Section 1.B.2 which establishes the terms and conditions under which the Refunding Bonds are issued.

“Tax Increment Fund” means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues, which is currently called the Airport Way Debt Service Fund.

“Tax Increment Revenues” means all revenues from the Divide the Taxes Revenues and the Special Levies, and all earnings on amounts held in the Tax Increment Fund.

B. The Refunding Bonds.

1. Authorization. The City hereby authorizes the sale and delivery of the Refunding Bonds to refund all or any portion of the 2000 Series A Bonds. The Refunding Bonds shall be issued as Parity Indebtedness under the terms of the Declaration. The aggregate principal amount of the Refunding Bonds shall not exceed the amount the Debt Manager estimates will be required to refund the 2000 Series A Bonds and pay costs related to the refunding. The Refunding Bonds may be issued in multiple series.
2. Delegation. The Debt Manager may, on behalf of the City:
 - a. File an advance refunding plan with the State Treasurer for the 2000 Series A Bonds and take any actions necessary to obtain the approval of the State Treasurer for the advance refunding of the 2000 Series A Bonds.
 - b. Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for each series of the Refunding Bonds;
 - c. Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for each series of the Refunding Bonds, and either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of that series with those underwriters, and enter into bond purchase agreements;
 - d. Undertake to provide continuing disclosure for each series of the Refunding Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission;
 - e. Apply for and purchase municipal bond insurance or obtain other forms of credit enhancements for each series of the Refunding Bonds, obtain sureties or other “Reserve Equivalents” for the Reserve Account established under the Declaration, enter into agreements with the providers of credit enhancement or Reserve Equivalents, and execute and deliver related documents;
 - f. Negotiate the terms of, approve, execute and deliver a supplemental bond declaration, which memorializes the terms and administrative provisions of the Refunding Bonds and any related credit enhancements or reserve equivalents;
 - g. Select escrow agents, enter into one or more escrow deposit agreements, deposit proceeds of the Refunding Bonds pursuant to the escrow deposit agreements, irrevocably call the refunded 2000 Series A Bonds for redemption, and take any action necessary to defease the refunded 2000 Series A Bonds;
 - h. Appoint and enter into agreements with paying agents, verification agents and other professionals and service providers;
 - i. Provide that one or more series of Series Refunding Bonds may bear interest which is includable in gross income under the Internal Revenue Code, that one or more series of Series Refunding Bonds may be tax-exempt, “governmental” bonds;

- j. Enter into covenants to maintain the tax-exemption for any series of the Refunding Bonds that bears interest which is excludable from gross income under the Code; and,
- k. Execute any documents and take any other action in connection with the Refunding Bonds which the Debt Manager finds will be advantageous to the City.

Section 2. Declaration of Emergency. The Council declares that an emergency exists in order that the proceeds of the Refunding Bonds may available as soon as possible. Therefore, this Ordinance shall be in force and effect from and after its passage by the Council.



SUPPLEMENTAL BOND DECLARATION

City of Portland, Oregon

**Airport Way Urban Renewal and Redevelopment Refunding Bonds
2005 Series A**

**Executed by the Debt Manager of the City of Portland, Oregon
As of this 29th day of September, 2005**

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Appendix A Bond Form - Book-Entry-Only

Supplemental Bond Declaration

THIS SUPPLEMENTAL BOND DECLARATION is executed as of this 29th day of September, 2005, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 179518, to establish the terms under which the City's Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A are issued on a parity with the City's outstanding Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A (Tax Exempt), and its outstanding Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2002 Series A.

Section 1. Findings.

The Council finds:

- 1.1. The City is authorized to issue bonds which are payable from the tax increment revenues of the Airport Way Urban Renewal Area.
- 1.2. The City Council adopted City Ordinance No. 174445 on May 24, 2000, which authorized the City's \$51,000,000 Airport Way Urban Renewal and Redevelopment Bonds, 2000 Series A (Tax-Exempt) (the "2000 Series A Bonds").
- 1.3. City Ordinance No. 179518 authorized the City to issue urban renewal bonds to refund all or a portion of the outstanding 2000 Series A Bonds.
- 1.4. Pursuant to that authority the City is now issuing its Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A (the "2005 Series A Bonds").
- 1.5. In June 2000 the City issued its 2000 Series A Bonds and its Airport Way Urban Renewal and Redevelopment Bonds 2000 Series B (Federally Taxable) (collectively, the "2000 Bonds"). The 2000 Bonds are governed by a Bond Declaration dated June 1, 2000, which was executed pursuant to City Ordinance No. 174445. That Bond Declaration provides the terms under which future bonds can be issued which have a claim on the Airport Way Urban Renewal Area which is equal to the claim of the 2000 Bonds.
- 1.6. The City executes this Supplemental Bond Declaration to prescribe the terms of the 2005 Series A Bonds, and to provide that 2005 Series A Bonds will constitute Parity Indebtedness under the June 1, 2000 Bond Declaration.
- 1.7. In City Ordinance No. 172354 the City approved a maximum indebtedness limit for the Airport Way Area of \$72,638,268. The maximum indebtedness limit does not apply to refundings such as the 2005 Series A Bonds.
- 1.8. In its Resolution No. 6287, adopted on August 24, 2005, the Portland Development Commission has requested the City to issue bonds to refund outstanding urban renewal and redevelopment bonds pursuant to Section 15-106 of the Charter of the City of Portland.

Section 2. Definitions.

Capitalized terms which are used, but not defined, in this 2005 Supplemental Declaration shall have the meanings defined for such terms in the Original Declaration. Capitalized terms which are used in this Supplemental Declaration and are defined in this Section 2 shall have the following meanings:

"2005 Series A Bonds" means the City's Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A which are described in Section 5 of this 2005 Supplemental Declaration.

“2005 Supplemental Declaration” means this Supplemental Bond Declaration authorizing and describing the 2005 Series A Bonds.

“Original Declaration” means the Bond Declaration dated June 1, 2000, establishing the terms and conditions under which the City may issue the 2005 Series A Bonds and any Parity Indebtedness, as it has been and may be amended from time to time pursuant to its Section 4.

“Refunded Bonds” means the 2000 Series A Bonds refunded by the 2005 Series A Bonds.

Section 3. 2005 Series A Bonds as Parity Indebtedness.

- 3.1. The 2005 Series A Bonds are being issued as Parity Indebtedness under Section 5 of the Original Declaration.
- 3.2. Section 5.1 of the Original Declaration requires the Debt Manager to prepare an estimate of the Refunding Rate for each Series of Interim Financings which is being issued or is then Outstanding, each time a Series of Parity Indebtedness is issued. There are no Interim Financings Outstanding and the 2005 Series A Bonds are not Interim Financings, so no estimate of the Refunding Rate is required to issue the 2005 Series A Bonds.
- 3.3. Section 5.3 of the Original Declaration authorizes the City to issue Parity Indebtedness to refund Outstanding Bonds if:
 - (A) the refunded Bonds are defeased on the date of delivery of the refunding Parity Indebtedness; and,
 - (B) the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.
- 3.4. The 2005 Series A Bonds are refunding the Refunded Bonds, which are Bonds as defined in the Original Declaration. The Annual Debt Service on the 2005 Series A Bonds will not exceed the Annual Debt Service on the Refunded Bonds in any Fiscal Year by more than \$5,000, and the 2000 Series A Bonds will be defeased on the date the 2005 Series A Bonds are issued.

Section 4. Supplemental Declaration Authorized.

Section 8 of the Original Declaration authorizes the City to execute Supplemental Declarations to make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds. The City specifically reserved the right to issue Parity Indebtedness in the Original Declaration. This Supplemental Declaration merely authorizes the 2005 Series A Bonds as Parity Indebtedness in accordance with the terms of the Original Declaration, and does not materially and adversely affect the rights of the Owners of Bonds.

Section 5. The 2005 Series A Bonds.

- 5.1. The City shall issue the 2005 Series A Bonds pursuant to City Ordinance No. 179518, the Original Declaration and this 2005 Supplemental Declaration. The 2005 Series A Bonds shall be Parity Indebtedness and the City hereby reaffirms all of its covenants in the Original Declaration for the benefit of the Owners of the 2005 Series A Bonds.
- 5.2. The 2005 Series A Bonds shall be dated September 29, 2005 shall bear interest which is payable on June 15 and December 15 of each year, commencing December 15, 2005, and shall mature on the following dates in the following principal amounts:

<u>Date</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>
2006	825,000	3.00
2007	245,000	3.00
2008	250,000	3.00
2009	260,000	3.00
2010	120,000	3.00
2011	3,530,000	4.00
2012	3,675,000	4.00
2013	3,815,000	5.00
2014	4,010,000	5.00
2015	4,210,000	5.00
2016	4,420,000	5.00
2017	4,640,000	5.00
2018	4,875,000	5.00
2019	5,120,000	5.00
2020	5,375,000	4.00

- (A) The Series 2005 Series A Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after June 15, 2015, in any order of maturity and by lot within a maturity, at the following prices, plus accrued interest and unpaid interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 15, 2015 through June 14, 2016	101%
June 15, 2016 and thereafter	100%

- (B) The 2005 Series A Bonds shall be Tax-Exempt Bonds, and the City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the 2005 Series A Bonds to become includable in gross income under the Code.
- (C) The proceeds of the 2005 Series A Bonds shall be used to redeem the Refunded Bonds on June 15, 2010.
- 5.3. Form. The 2005 Series A Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2005 Series A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
- 5.4. Book Entry System for 2005 Series A Bonds. The 2005 Series A Bonds shall be initially issued in BEO form and shall be governed by this Section 5.4. While 2005 Series A Bonds are in BEO form no physical 2005 Series A Bonds shall be provided to Owners of 2005 Series A Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2005 Series A Bonds are in BEO form, registration and transfer of beneficial interests in the 2005 Series A Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as 2005 Series A Bonds are in BEO form:
- (A) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of 2005 Series A Bonds. 2005 Series A Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of 2005 Series A Bonds called for redemption or of any other action premised on such notice.

- (B) The City may discontinue maintaining the 2005 Series A Bonds in the BEO form at any time. The City shall discontinue maintaining the 2005 Series A Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2005 Series A Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2005 Series A Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2005 Series A Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 5.6. below, regarding registration, transfer and exchange of 2005 Series A Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2005 Series A Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2005 Series A Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2005 Series A Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2005 Series A Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2005 Series A Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2005 Series A Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- (F) The provisions of this Section 5.4. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in BEO form.

5.5. Redemption of 2005 Series A Bonds.

- (A) The City reserves the right to purchase 2005 Series A Bonds in the open market.
- (B) If any 2005 Series A Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2005 Series A Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
- (C) So long as 2005 Series A Bonds are in BEO form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the 2005 Series A Bonds.
- (D) During any period in which the 2005 Series A Bonds are not in BEO form, unless waived by any Owner of the 2005 Series A Bonds to be redeemed, official notice of any redemption of 2005 Series

A Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2005 Series A Bond or Bonds to be redeemed at the address shown on the 2005 Series A Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all Outstanding 2005 Series A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2005 Series A Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such 2005 Series A Bonds or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such 2005 Series A Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

5.6. Authentication, Registration and Transfer.

- (A) No 2005 Series A Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2005 Series A Bonds to be delivered at closing of the 2005 Series A Bonds, and shall additionally authenticate all 2005 Series A Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2005 Series A Bonds shall be entered in the 2005 Series A Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2005 Series A Bond register as the owner of the 2005 Series A Bonds for all purposes.
- (C) While the 2005 Series A Bonds are in BEO form, the Paying Agent shall transfer 2005 Series A Bond principal and interest payments in the manner required by DTC.
- (D) If the 2005 Series A Bonds cease to be in BEO form, the Paying Agent shall mail each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the 2005 Series A Bond register as of the Record Date for the 2005 Series A Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2005 Series A Bonds may be exchanged for an equal principal amount of 2005 Series A Bonds of the same maturity which are in different denominations, and 2005 Series A Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (2) the 2005 Series A Bonds to be exchanged or transferred.

- (F) The Paying Agent shall not be required to exchange or transfer any 2005 Series A Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2005 Series A Bonds shall be exchanged or transferred promptly following that Payment Date.
- (G) The Paying Agent shall note the date of authentication on each 2005 Series A Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2005 Series A Bond register.
- (H) For purposes of this Section 5.6., 2005 Series A Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 5.6(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 6. [Ambac Provisions.]

Dated as of this 29th day of September, 2005.

City of Portland, Oregon

By: _____
Eric H. Johansen, Debt Manager

Appendix A
Form of 2005 Series A Bonds

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Airport Way Urban Renewal and Redevelopment Refunding Bonds
2005 Series A

Dated Date: September 29, 2005

Interest Rate Per Annum: «CouponRate»%

Maturity Date: «MaturityYear»

CUSIP Number: _____«CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the “City”), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources named below, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the 15th day of June and December in each year until maturity or prior redemption, commencing December 15, 2005. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank, N.A., in Portland, Oregon (the “Registrar”), as of the close of business on the last day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of “Cede & Co.”

This Bond is one of a duly authorized series of bonds of the City aggregating \$45,370,000 in principal amount designated as Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A (the “Bonds”). The Bonds are issued for the purpose of refunding a portion of the City’s outstanding Urban Renewal and Redevelopment Bonds 2000 Series A (Tax-Exempt). The Bonds are authorized by City Ordinance No. 179518 (the “Ordinance”), Oregon Revised Statutes Chapter 457 and a bond declaration, as amended and supplemented by a supplemental bond declaration (the “Declaration”), executed by the City’s Debt Manager. The provisions of the Ordinance and the Declaration are hereby incorporated into this Bond by reference. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding special obligations of the City which are payable solely from the Security, as defined and provided in the Declaration. The Bonds also are secured by the power to impose a Special Levy in excess of the amounts currently being levied, up to the Maximum Tax Increment Revenue limitation. The City has covenanted to impose a Special Levy to pay this Bond at the times and in the amounts specified in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE “SECURITY” AS DEFINED AND PROVIDED IN THE DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES. THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY OR THE COMMISSION, AND IS NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount and maturity date, but different authorized denominations, as provided in the Declaration.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated September 20, 2005.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Declaration. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

This Bond shall remain in the Registrar's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Registrar and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



City of Portland, Oregon

Tom Potter, Mayor

Gary Blackmer, Auditor

Financial Guaranty Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$45,370,000 aggregate principal amount of City of Portland, Oregon Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A issued pursuant to the Declaration described herein.

Date of Authentication: September 29, 2005.

U.S. Bank, N.A., as Registrar

Authorized Officer

ASSIGNMENT

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

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN

as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

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

APPENDIX B
ORIGINAL BOND DECLARATION



BOND DECLARATION

City of Portland, Oregon

**Airport Way Urban Renewal and Redevelopment Bonds
2000 Series A (Tax Exempt)
and
2000 Series B (Federally Taxable)**

**Executed by the Debt Manager of the City of Portland, Oregon
As of this 1st day of June, 2000**

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Appendix A Bond Form - Book-Entry-Only

BOND DECLARATION

THIS BOND DECLARATION is executed as of June 1, 2000, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 174445 to establish the terms under which the City's Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A (Tax Exempt) and 2000 Series B (Federally Taxable) and future parity obligations may be issued.

Section 1. Findings.

The Council finds:

1.1 The City is authorized to issue bonds which are payable from the tax increment revenues of the Airport Way Urban Renewal Area.

1.2 In City Ordinance No. 172389 the City chose Option Three for the Airport Way Urban Renewal Area as provided in ORS 457.435(2)(c), and has limited Divide the Taxes Revenues to \$2,540,000 in each Fiscal Year. The Portland Development Commission and the City are authorized to notify the county assessor to impose the Special Levies described in ORS 457.435(2)(c) and ORS 457.440(2)(c).

1.3 In City Ordinance No. 172354 the City approved a maximum indebtedness limit for the Airport Way Area of \$72,638,268. The City has outstanding \$13,990,000 in principal amount of bonds which were issued before December 6, 1996, to which the maximum indebtedness limit does not apply. In June of 1999, the City issued \$22,985,000 of indebtedness in the form of bond anticipation notes, indebtedness in the form of a Non-Revolving Credit Facility from which the City has drawn \$5,900,000, to which the maximum indebtedness limit applies. The City has also issued Short-Term Subordinate Urban Renewal And Redevelopment Bonds in FY 1997-98 in the amount of \$5,800,000 and FY 1998-99 in the amount of \$4,280,000, also to which the maximum indebtedness limit applies. The maximum indebtedness limit does not apply to refundings. The 2000 Bonds are in an aggregate principal amount of \$53,000,000, \$28,885,000 of which is allocable to refundings. Therefore, the City may issue an additional \$33,673,268 of new indebtedness (in addition to any refundings) for the Airport Way Urban Renewal Area without exceeding the maximum indebtedness limit for that area.

1.4 This Declaration provides the terms under which the City's Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A (Tax Exempt) and Airport Way Urban Renewal and Redevelopment Bonds 2000 Series B (Federally Taxable) are issued. The City has sold these Bonds to Salomon Smith Barney Inc. pursuant to a Bond Purchase Agreement which is dated June 7, 2000. This Declaration also states the terms under which future obligations may be issued on a parity with these Bonds.

1.5 In its Resolution No. 5468, adopted on May 19, 2000, the Portland Development Commission has requested the City to issue the 2000 Bonds pursuant to Section 15-106 of the Charter of the City of Portland.

Section 2. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"2000 Bonds" means the 2000 Series A Bonds and the 2000 Series B Bonds.

"2000 Series A Bonds" means the City's Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A (Tax Exempt) which are described in Section 13 of this Declaration.

"2000 Series B Bonds" means the City's Airport Way Urban Renewal and Redevelopment Bonds 2000 Series B (Federally Taxable) which are described in Section 13 of this Declaration.

"Accounting Period" means a period of four consecutive weeks.

“Annual Debt Service” means the amount required to be paid in a Fiscal Year of principal and interest on Outstanding Obligations, calculated as follows:

- (i) Interest which is to be paid from proceeds of Obligations shall be subtracted.
- (ii) Obligations which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date.
- (iii) Obligations which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates.
- (iv) Each Series of Interim Financings shall be assumed to bear interest at its stated rate prior to its final maturity date. The principal amount of each Series of Interim Financings plus the interest due on that Series of Interim Financings at its final maturity date (the “Assumed Principal”) shall be assumed to bear interest from the final maturity date of the Series at the most recent estimate of the Refunding Rate which has been prepared pursuant to Section 5.1. The Assumed Principal for each Series of Interim Financings shall be assumed to be paid in equal semiannual payments which are sufficient to fully amortize that Assumed Principal, with interest at the Refunding Rate for that Series, over the Refunding Amortization Period for that Series. The first semiannual payment shall be assumed to be due on the first day of December which is at least six months after the final maturity date of the Series of Interim Financings and subsequent semiannual payments for that Series shall be assumed to be due on the following first days of June and December of each year.

“Area” means the Airport Way Urban Renewal Area which is described in the Plan, and all additions thereto.

“Base Period” means any 12 consecutive months (or thirteen Accounting Periods) from the 24 full months (or 26 Accounting Periods) preceding the issuance of a series of Parity Indebtedness.

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bonds” means the 2000 Bonds and any Parity Indebtedness.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City” means the City of Portland, Oregon.

“Closing” means the date on which a Series of Bonds is delivered in exchange for payment.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Commission” means the Portland Development Commission of the City of Portland.

“Debt Manager” means the Debt Manager of the City, the Director of the Bureau of Financial Management of the City, the Chief Administrative Officer of the Office of Management and Finance of the City, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Declaration.

“Debt Service Account” means the account of that name in the Parity Indebtedness Fund described in Section 4.3.

“Debt Service” means Bond principal, interest and any premium.

“Declaration” means this Declaration authorizing the 2000 Bonds, as it may be amended from time to time pursuant to Section 8.

“Divide the Taxes Revenues” means the taxes which are divided based on the increase in value of property in the Area and which are payable to the City or the Commission under the provisions of Article IX, Section 1c of the Oregon Constitution and ORS Chapter 457, as those provisions exist on the date of this Declaration. The Divide the Taxes Revenues for the Area are limited to \$2,540,000 each Fiscal Year, before reduction for any compression or delinquencies.

“DTC” means the Depository Trust Company of New York, the initial securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 9.1 of this Declaration.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Incremental Assessed Value” means the difference between the assessed value of property in the Area for a Fiscal Year and the assessed value of property in the Area which is specified in the certified statement for the Area which is filed with the assessor pursuant to ORS 457.430.

“Interim Financing” means Parity Indebtedness which matures within three years after its date of issue and which is designated as “Interim Financing” in the Closing documents for the Interim Financing. If an Interim Financing is in the form of a line of credit, the Projected Refunding Debt Service for the line of credit shall be calculated assuming that the entire amount available under the line of credit is drawn on the date of closing.

“Maximum Annual Debt Service” means the greatest Annual Debt Service, calculated on all Obligations which are Outstanding on the date of calculation.

“Maximum Indebtedness” means the amount of \$72,638,268, which is the principal amount of indebtedness included in the Plan pursuant to ORS 457.190; “Maximum Indebtedness” does not include indebtedness incurred to refund or refinance existing indebtedness.

“Maximum Tax Increment Revenues” for Fiscal Year 1999-2000 means the amount of \$15,285,987; for each subsequent Fiscal Year “Maximum Tax Increment Revenues” means the amount of Maximum Tax Increment Revenues for the prior Fiscal Year adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the preceding Fiscal Year.

“Obligations” means Prior Lien Bonds or Bonds.

“Outstanding” refers to all obligations except those which have been paid, canceled, or defeased, and (for obligations which must be presented to be paid) those which have matured but have not been presented for payment, but for the payment of which adequate money has been transferred to their paying agent.

“Owner” means the person shown on the register maintained by the Paying Agent as the registered owner of a Bond.

“Parity Indebtedness Fund” means the fund of that name described in Section 5. The Parity Indebtedness Fund is a part of the “Tax Increment Fund.”

“Parity Indebtedness” means obligations issued in compliance with 0 of this Declaration which are secured by a lien on, and pledge of, the Security which is on a parity with the lien on, and pledge of, the Security which secures the 2000 Bonds.

“Paying Agent” means the Paying Agent for the Bonds, which, at the time of enactment of this Declaration, is U.S. Bank Trust National Association or its successor.

“Payment Date” means a date on which Bond principal or interest are due, whether at maturity or prior redemption.

“Permitted Investments” means any investments in which the City is authorized to invest surplus funds under the laws of the State of Oregon.

“Plan” means the Commission's Airport Way Urban Renewal Plan, which was first adopted on May 15, 1986, as that plan has been, and may in the future be, amended.

“Prior Lien Bond Deposit Requirement” means the amount of Tax Increment Revenues which the City is obligated by Ordinance No. 167549 to deposit into the “Bond Account” and the “Reserve Account” in the “Debt Service Fund” described in City Ordinance 167549. Ordinance No. 167549 generally obligates the City to deposit Tax Increment Revenues each Fiscal Year: into the “Bond Account” in an amount equal to the debt service which is scheduled to be paid on Prior Lien Bonds in that Fiscal Year; and, into the “Reserve Account” any amount which is necessary to restore the balance in the “Reserve Account.”

“Prior Lien Bond Fund” means the “Bond Account” and the “Reserve Account” in the “Debt Service Fund” for the Prior Lien Bonds which were established by City Ordinance No. 167549.

“Prior Lien Bond Reserve Requirement” means the “Reserve Requirement” for the Prior Lien Bonds established by City Ordinance No. 167549.

“Prior Lien Bonds” means the City’s Urban Renewal and Redevelopment Refunding Bonds (Airport Way) Series C, which are dated as of May 1, 1994, were issued pursuant to City Ordinance No. 167549, and are currently Outstanding in the principal amount of \$ \$13,990,000.

“Qualified Consultant” means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Declaration.

“Record Date” means the date used to determine ownership of Bonds for purposes of mailing Bond payments.

“Refunding Amortization Period” means a period equal to the lesser of: twenty (20) years; or the weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Series of Interim Financings, as reasonably estimated by the City.

“Refunding Rate” means the average, fixed rate of interest which the Debt Manager reasonably estimates that a Series of Parity Obligations would bear if they were issued on the date of the estimate and matured over the Refunding Amortization Period in substantially equal amounts of principal and interest.

“Required Levy Amount” means an amount equal to the sum of:

- a) the Prior Lien Bond Deposit Requirement;
- b) the Scheduled Debt Service for that Fiscal Year minus the balance in the Debt Service Account on July 1 of that Fiscal Year which will be available to pay Scheduled Debt Service in that Fiscal Year; and,
- c) any amounts the City reasonably estimates will be required to be deposited into the Reserve Account to restore the balance to the Reserve Requirement pursuant to Section 4.1(C) (including all amounts to be paid to the provider of a Reserve Equivalent in that Fiscal Year).

“Reserve Account” means the account of that name in the Parity Indebtedness Fund described in Section 4.4.

“Reserve Equivalent” means an insurance policy, surety bond or guarantee or letter of credit issued by a municipal bond insurance company, a domestic corporation or a commercial bank having a credit rating (when the policy, bond, or letter of credit is issued) of at least A by Moody's Investors Service, Standard & Poor's Corporation, or Fitch

Investors Service, or their successors, in which the insurance company, corporation or commercial bank agrees unconditionally to provide the City with funds for the payment of debt service on Bonds.

“Reserve Requirement” means an amount equal to the Maximum Annual Debt Service on all Outstanding Bonds or the amount described in the next sentence. If at the time of issuance of a Series of Bonds, the amounts required to be added to the Reserve Account to make the balance in the Reserve Account equal to Maximum Annual Debt Service on all Outstanding Bonds exceeds the Tax Maximum calculated with respect to such Series of Bonds, then the Reserve Requirement shall mean the Reserve Requirement in effect immediately prior to the issuance of that Series of Bonds, plus the Tax Maximum calculated with respect to that Series of Bonds.

“Scheduled Debt Service” means the amount required to be paid in a Fiscal Year of principal and interest on any Outstanding Obligations, calculated as follows:

- (i) interest which is to be paid from Obligation proceeds shall be subtracted;
- (ii) Obligations (other than Interim Financings) which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date;
- (iii) Obligations (other than Interim Financings) which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates;
- (iv) Interim Financing principal shall be assumed to be paid from the proceeds of refunding Bonds, and shall not be considered in calculating Scheduled Debt Service;
- (v) Interest on Interim Financing shall be assumed to be paid from the proceeds of Bonds only if and to the extent that the documents authorizing the Interim Financing declare that the City intends to pay interest on the Interim Financing from the proceeds of refunding Bonds.

“Security” means the Tax Increment Revenues, all amounts in the Tax Increment Fund except amounts credited to the Prior Lien Bond Fund, and all amounts available under any Reserve Equivalent.

“Series” or “Series of Bonds” refers to all Bonds which are issued at one time, pursuant to a single resolution, ordinance, declaration or other authorizing document of the issuer, regardless of variations in maturity, interest rate or other provisions, unless the documents authorizing the Bonds declares them to be part of a separate Series.

“Special Levy” means a city-wide property tax levy for the Area which is authorized by Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c), as those provisions exist on the date of this Declaration.

“Subordinate Indebtedness Fund” means the account of that name in the Tax Increment Fund established in Section 4.5.

“Subordinate Indebtedness” means obligations issued in compliance with Section 4.5 of this Declaration which are secured by a lien on, and pledge of, the Tax Increment Revenues which is on subordinate to the lien on, and pledge of, the Tax Increment Revenues which secures the Bonds.

“Supplemental Declaration” means any Declaration amending or supplementing this Declaration, which is adopted in accordance with Section 8.

“Tax Increment Fund” means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues, which is currently called the Airport Way Debt Service Fund.

“Tax Increment Revenues” means all revenues from the Divide the Taxes Revenues and the Special Levies, and all earnings on amounts held in the Tax Increment Fund.

“Tax Maximum” means, for any Series of Bonds, the lesser of: Maximum Annual Debt Service on the Series; 125% of average amount of principal, interest and premium, if any, required to be paid on that Series during all Fiscal Years in

which that Series will be Outstanding, calculated as of the date of issuance of that Series; or, ten percent of the proceeds of such Series, as “proceeds” is defined for purposes of Section 148(d) of the Code.

“Taxable Bonds” means Bonds which pay interest which is intended to be includable in gross income under the Code.

“Tax-Exempt Bonds” means Bonds which pay interest which is intended to be excludable from gross income under the Code.

“Valuation Date” means the first Business Day of each Fiscal Year, each date on which amounts withdrawn from the Reserve Account, and each Closing date for a Series of Bonds.

Section 3. Security for Bonds.

3.1 The Bonds shall not be general obligations of the City or the Commission. The City and the Commission shall be obligated to pay the Bonds solely from the Security as provided in this Declaration.

3.2 The City hereby irrevocably pledges the Security to pay the Bonds. Pursuant to ORS 288.594, this pledge shall be valid and binding from the time of the adoption of this Declaration. The lien of this pledge shall be subordinate to the lien of the Prior Lien Bonds. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of this pledge without any physical delivery or further act, and the lien of this pledge shall be superior to all other claims and liens whatsoever (except for the Prior Lien Bonds) to the fullest extent permitted by ORS 288.594(2).

3.3 When the City and the Commission finalize their budgets for a Fiscal Year the City and the Commission shall reasonably estimate the Divide the Taxes Revenues that the City and the Commission will receive in that Fiscal Year. If the amount of this estimate is less than one hundred five percent (105%) of the Required Levy Amount for that Fiscal Year, the City and the Commission shall notify the assessors to impose a Special Levy for that Fiscal Year in an amount which the City and the Commission reasonably estimate will result in the City and the Commission receiving Tax Increment Revenues for that Fiscal Year of at least one hundred five percent (105%) of the Required Levy Amount but not to exceed Maximum Tax Increment Revenues.

3.4 The provisions of this Declaration shall constitute a contract with the Owners, and shall be enforceable by them.

3.5 The City acknowledges that the covenant contained in Section B.3., and the collection each year of the amounts described in that Section, is required to market the 2000 Bonds and to protect the rights of the Owners, and that the Owners will rely on that covenant. The City enters into that covenant pursuant to the authority of Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435. The City is also authorized to enter into that covenant by ORS 288.594(2), which authorizes the City to enter into covenants to maintain levels of pledged revenues at least equal to operations and maintenance expenses of the system that produces the pledged revenues, plus debt service on a borrowing, plus an additional amount that is reasonably required to obtain favorable terms for the borrowing. The Area and the Plan are the system which produces the Tax Increment Revenues. The system does not have operations and maintenance expenses. The covenant in Section B.3. requires the City to maintain a level of Tax Increment Revenues equal to the debt service on the 2000 Bonds, plus an additional five percent of that debt service which is reasonably required to obtain favorable terms for the 2000 Bonds.

Section 4. The Tax Increment Fund.

The City has previously established the Tax Increment Fund. The Tax Increment Fund shall contain the following funds: the Prior Lien Bond Fund, the Parity Indebtedness Fund, and the Subordinate Indebtedness Fund. The Parity Indebtedness Fund shall contain the Debt Service Account and the Reserve Account.

4.1 Beginning with Fiscal Year 1999-2000 and continuing until all Bonds are paid or defeased, the City shall deposit the all Tax Increment Revenues in the Tax Increment Fund, and shall credit each deposit to the following accounts within the Tax Increment Fund in the following order of priority:

- (A) To the Prior Lien Bond Fund, until the Prior Lien Bond Fund contains the amounts required to be deposited in that fund by City Ordinance No. 167549;
- (B) To the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Scheduled Debt Service for that Fiscal Year;
- (C) To the Reserve Account, if the balance in the Reserve Account is then less than the Reserve Requirement, until the balance in the Reserve Account is equal to the Reserve Requirement; and,
- (D) To the Subordinate Indebtedness Fund, any amounts which remain after the foregoing deposits have been made.

4.2 Prior Lien Bond Fund. Amounts credited to the Prior Lien Bond Fund shall be used only as permitted by City Ordinance No. 167549.

4.3 Debt Service Account.

(A) Money in the Debt Service Account shall be used only for the following purposes in the following order of priority:

- (1) To pay Prior Lien Bonds, but only if amounts in the Prior Lien Bond Fund, the Subordinate Indebtedness Fund and the Reserve Account are not sufficient;
- (2) To pay Bond principal, interest and premium.

(B) Amounts credited to the Debt Service Account may be invested in Permitted Investments which mature within one year or in the City's investment pool. Earnings shall be credited as provided in Section 4.6.

(A) Five (5) days before any payment of principal, premium or interest on the Bonds is due, if the balance in the Debt Service Account is less than the amount due, the City shall credit an amount equal to the deficiency from Tax Increment Revenues in the following accounts in the following order of priority:

- (1) the Subordinate Indebtedness Fund; and,
- (2) the Reserve Account.

4.4 Reserve Account.

(A) Except as specifically provided in this Section 4.4. amounts credited to the Reserve Account shall be used only for the following purposes in the following order of priority:

- (1) To pay Prior Lien Bonds, but only if amounts in the Prior Lien Bond Fund and the Subordinate Indebtedness Fund are not sufficient; and,

- (2) To pay Bond principal, interest and premium, but only if amounts in the Debt Service Account are not sufficient.
- (B) At Closing of the 2000 Bonds the City shall deposit into the Reserve Account an amount equal to the Reserve Requirement for the 2000 Bonds. The deposit may be made from amounts available in the Tax Increment Fund, from 2000 Bond proceeds, or other amounts available to the City, or may be in the form of a Reserve Equivalent.
- (C) At Closing of each Series of Parity Indebtedness the City shall deposit into the Reserve Account an amount sufficient to make the balance in the Reserve Account equal to the Reserve Requirement for all then Outstanding Bonds, with the Parity Indebtedness treated as Outstanding. The deposit may be made from amounts in the Subordinate Indebtedness Fund, from Bond proceeds, or other amounts available to the City, or may be in the form of a Reserve Equivalent.
- (D) The City covenants to maintain a balance in the Reserve Account which is equal to the Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to Section 4.1(C) and Closing deposits pursuant to Section 4.4(B) and Section 4.4(C). The balance in the Reserve Account shall be equal to the sum of the following amounts, calculated as of the most recent Valuation Date: the cash credited to the Reserve Account; plus the value of Permitted Investments in the Reserve Account; plus the amount available to be drawn under all Reserve Equivalents.
- (E) If the value of the investments in the Reserve Account on a Valuation Date is less than the Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the Reserve Account in accordance with Section 4.1(C).
- (1) Transfers to the Reserve Account shall be applied first, to reimburse the Providers of any Reserve Credit Facilities pro rata for amounts advanced under the Reserve Credit Facility; second, to replenish the balance in the Reserve Account with cash or Permitted Investments; and third to pay any other amounts owed under a Reserve Credit Facility (including any interest, fees and penalties associated with any draw under a Reserve Credit Facility).
- (2) Transfers under Section 4.1(C) shall commence immediately following each Valuation Date on which the balance in the Reserve Account is less than the Reserve Requirement, and shall continue until the balance in the Reserve Account is equal to the Reserve Requirement.
- (F) Moneys in the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds, or in the City's investment pool. Earnings shall be credited as provided in Section 4.6.
- (G) Permitted Investments in the Reserve Account shall be valued on each Valuation Date in the following manner:
- (1) Demand deposits, deposits in the City's investment pool and the Oregon Short Term Fund and other investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;
- (2) Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
- (3) Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

- (4) Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (5) Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- (H) Withdrawals from the Reserve Account shall be made in the following order of priority:
- (1) *First*, from any cash on deposit in the Reserve Account;
 - (2) *Second*, from the liquidation proceeds of any Permitted Investments on deposit in such Reserve Account; and
 - (3) *Third*, from moneys drawn or paid pro-rata under any Reserve Equivalents.
- (I) All amounts on deposit in the Reserve Account may be applied to the final payment (whether at maturity or by prior Redemption) of Outstanding Bonds. Amounts so applied shall be credited against the amounts the City is required to transfer into the Debt Service Account under Section 4.1(A).
- (J) Amounts in the Reserve Account may be transferred into escrow to defease Bonds, but only if the balance remaining in the Reserve Account after the transfer is at least equal to the Reserve Requirement for the Bonds which remain Outstanding after the defeasance.

4.5 Subordinate Indebtedness Fund. Tax Increment Revenues in the Subordinate Indebtedness Fund may be used at any time for any legal purpose permitted under Chapter 457 of the Oregon Revised Statutes. However, if there is a deficiency in the Prior Lien Bond Fund or the balance in the Reserve Account is less than the Reserve Requirement, Tax Increment Revenues credited to the Subordinate Indebtedness Fund shall be used to eliminate those deficiencies (in the order of priority described in Section 4.1) before money in the Subordinate Indebtedness Fund is used for any other purpose.

4.6 Earnings. Except as provided below in this Section 4.6, earnings on all funds and accounts in the Tax Increment Fund shall be credited to the Subordinate Indebtedness Fund. While the balance in the Prior Lien Bond Reserve Account is less than Prior Lien Bond Reserve Requirement all earnings on the Tax Increment Fund shall be credited to the Prior Lien Bond Reserve Account. If there is no deficiency in the Prior Lien Bond Reserve Account, while the balance in the Reserve Account is less than the Reserve Requirement, earnings on all accounts in the Tax Increment Fund shall be credited to the Reserve Account.

Section 5. Parity Indebtedness.

5.1 Each time a Series of Parity Indebtedness is issued the Debt Manager shall prepare an estimate of the Refunding Rate for each Series of Interim Financings which is being issued or is then Outstanding. That estimate shall be used to calculate Annual Debt Service and Maximum Annual Debt Service for the Parity Indebtedness which is being issued.

5.2 Except as provided in Section 5.3, the City may issue Parity Indebtedness only if all of the following conditions are met:

- (A) As of the date of Closing of the Parity Indebtedness, no default on the Outstanding Prior Lien Bonds has occurred and is continuing, and no Event of Default under this Declaration has occurred and is continuing.
- (B) On or before the date of Closing of the Parity Indebtedness the City provides either:
 - (1) a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred ten percent (110.00%) of the Maximum Annual Debt Service on all then

Outstanding Obligations, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Obligations treated as if they were part of a single Series; or,

(2) a certificate or opinion of a Qualified Consultant:

- (I) stating the projected amount of the Maximum Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Maximum Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Parity Indebtedness are issued;
- (II) concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in Section 5.2(B)(2)(I) are at least equal to one hundred thirty percent (130.00%) of the Scheduled Debt Service for each of those respective Fiscal Years on all Outstanding Obligations, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Obligations treated as if they were part of a single Series.;
- (III) stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Parity Indebtedness are issued; and,
- (IV) concluding that this amount described in Section 5.2(B)(2)(III) is at least equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all Outstanding Obligations, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Obligations treated as if they were part of a single Series.

5.3 The City may issue Parity Indebtedness to refund Outstanding Bonds or Prior Lien Bonds without complying with Section 5.2. if:

- (A) the refunded Obligations are defeased on the date of delivery of the refunding Parity Indebtedness; and,
- (B) the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service on the refunded Obligations in any Fiscal Year by more than \$5,000.
- (C) In addition to allowing refunding of Parity Indebtedness which is not Interim Financing, this Section 5.3 is intended to allow Interim Financings to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service of the refunded Interim Financing in any Fiscal Year by more than \$5,000.

5.4 All Parity Indebtedness issued in accordance with this Section 5 shall have a lien on the Security which is equal to the lien of all other Outstanding Bonds.

Section 6. Subordinate Indebtedness.

The City may issue Subordinate Indebtedness only if the Subordinate Indebtedness complies with the requirements of this Section 6. Subordinate Indebtedness shall not be payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or a subaccount of the Subordinate Indebtedness Fund. Pursuant to Section 7.4.2 of City Ordinance No. 167549, Subordinate Indebtedness may not be issued while Prior Lien Bonds are Outstanding if a default on the Outstanding Prior Lien Bonds has occurred and is continuing. All Subordinate Indebtedness state clearly that:

6.1 It is secured by a lien on or pledge of the Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Tax Increment Revenues for the Bonds; and,

6.2 It is not payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or a subaccount of the Subordinate Indebtedness Fund.

Section 7. General Covenants.

The City hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:

7.1 The City shall promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Declaration and any Supplemental Declaration, but solely from the Tax Increment Revenues, amounts deposited in the Tax Increment Fund, and amounts available under any Reserve Equivalents.

7.2 The City shall maintain complete books and records relating to the Tax Increment Fund, the Tax Increment Revenues and the Bonds in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Owners.

7.3 The City shall not issue "Parity Obligations" as defined in City Ordinance No. 167549 or any other obligations which have a lien or claim on the Security, which is superior to the lien or claim of the Owners.

7.4 The City shall issue obligations which have a lien or claim on the Security which is on a parity with the lien and claim of the Owners only as provided in Section 5.

7.5 The City shall refinance or otherwise provide for the payment of any Interim Financing not later than the date on which the Interim Financing is actually due.

7.6 The City shall not take any action which would cause the Plan to cease to qualify as an "existing urban renewal plan" as defined in ORS Chapter 457, or which would cause the Commission or the City to cease to be able to levy taxes for the Area pursuant to Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c) or any replacement statute.

7.7 Before reducing the Area the Debt Manager shall project the Maximum Tax Increment Revenues which will be available from the Area after it is reduced. The City shall not reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Maximum Tax Increment Revenues which are at least equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Obligations (calculated as if all Outstanding Obligations were part of a single Series).

7.8 The City shall not grant or approve any property tax exemption which may, at the time it is granted, reasonably be expected to prevent the City from collecting sufficient Tax Increment Revenues to pay the Bonds and Prior Lien Bonds and comply with its obligations under this Declaration.

7.9 Laws in effect on the date of this Declaration do not permit the City or the Commission to refuse or further limit collection of the Divide the Taxes Revenues. If those laws change and the City or the Commission are permitted to refuse or further limit collection of the Divide the Taxes Revenues, the City and the Commission covenant that they shall, each Fiscal Year, notify the assessors to collect Tax Increment Revenues in an amount which is not less than \$2,540,000.

Section 8. Amendment of Declaration.

8.1 The City may enact a Supplemental Declaration to amend this Declaration without the consent of any Owner for any one or more of the following purposes:

- (A) To cure any ambiguity or formal defect or omission in this Declaration;
- (B) To add to the covenants and agreements of the City in this Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Declaration as theretofore in effect;

- (C) To confirm, as further assurance, any security interest or pledge created under this Declaration or any Supplemental Declaration;
- (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds.

8.2 The City may amend this Declaration for any other purpose, but only if the City obtains the consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding in accordance with Section 10. However, no amendment shall be valid which:

- (A) Extends the maturity of any Bonds, reduces the rate of interest on any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of all affected Owners; or
- (B) Reduces the percent of Owners required to approve Supplemental Declarations.

Section 9. Default and Remedies.

9.1 The occurrence of one or more of the following shall constitute an Event of Default under this Declaration:

- (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption) as required by this Declaration;
- (B) Failure by the City to observe and perform any covenant, condition or agreement which this Declaration requires the City to observe or perform for the benefit of Owners of Bonds, which failure continues for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph (A); or,
- (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for Tax Increment Revenues.

9.2 The Owners of ten percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 9.1(A).

9.3 Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of affected Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Declaration or in aid of the exercise of any power granted in this Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Declaration or by law. However: the Bonds shall not be subject to acceleration; and, neither the City nor the Commission shall be required to pay any amounts to Owners (other than Tax Increment Revenues, amounts in the Tax Increment Fund and amounts available under Reserve Equivalents) because of an Event of Default described in Section 9.1(A) which occurs because of an insufficiency of Tax Increment Revenues, amounts in the Tax Increment Fund and amounts available under Reserve Equivalents.

9.4 No remedy in this Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and

as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Declaration or by law.

Section 10. Ownership of Bonds.

10.1 For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Declaration:

- (A) the initial purchaser of a Series of Bonds may be treated as the Owner of that Series at the time that Series is delivered in exchange for payment; and,
- (B) the issuer of a municipal bond insurance policy which insures payment of all principal and interest due on one or more Bonds may be treated as the Owner of all Bonds insured by that policy.

10.2 For purposes of determining the percentage of Owners taking action under this Declaration, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.

Section 11. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 11 solely from the money and Government Obligations which are deposited in escrow agent pursuant to this Section 11. Bonds shall be deemed defeased if the City:

11.1 irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and,

11.2 files with the escrow agent or trustee an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.

Section 12. Rules of Construction.

In determining the meaning of provisions of this Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

12.1 References to section numbers shall be construed as references to sections of this Declaration.

12.2 References to one gender shall include all genders.

12.3 References to the singular include the plural, and references to the plural include the singular.

Section 13. The 2000 Bonds.

13.1 2000 Series A Bonds. The 2000 Series A Bonds shall be dated June 1, 2000, shall bear interest which is payable on June 15 and December 15 of each year, commencing December 15, 2000, and shall mature on the following dates in the following principal amounts:

Date	Principal Amount	Interest Rate	Date	Principal Amount	Interest Rate
June 15, 2001	\$ --		June 15, 2012	\$3,105,000	6.00%
June 15, 2002	--		June 15, 2013	590,000	5.50

June 15, 2003	260,000	5.00%	June 15, 2013	3,110,000	6.00
June 15, 2004	1,255,000	5.00	June 15, 2014	280,000	5.50
June 15, 2005	1,315,000	5.00	June 15, 2014	3,640,000	6.00
June 15, 2006	880,000	5.00	June 15, 2015	820,000	5.60
June 15, 2007	925,000	5.10	June 15, 2015	3,335,000	6.00
June 15, 2008	965,000	5.50	June 15, 2016	4,400,000	6.00
June 15, 2009	515,000	5.25	June 15, 2017	4,665,000	5.70
June 15, 2009	500,000	5.50	June 15, 2018	4,930,000	5.75
June 15, 2010	1,070,000	5.30	June 15, 2019	5,215,000	5.75
June 15, 2011	3,320,000	5.30	June 15, 2020	5,515,000	5.75
June 15, 2012	390,000	5.40			

- (A) The 2000 Series A Bonds maturing after June 15, 2010, shall be subject to redemption on June 15, 2010 and on any date thereafter, in any order or maturity and by lot within a maturity, at the following prices:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 15, 2010 through June 14, 2011	101.00%
June 15, 2011 and thereafter	100.00%

- (B) The 2000 Series A Bonds shall be Tax-Exempt Bonds, and the City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the 2000 Series A Bonds to become includable in gross income under the Code.

- 13.2 2000 Series B Bonds. The 2000 Series B Bonds shall be dated June 1, 2000, shall bear interest which is payable on June 15 and December 15 of each year, commencing December 15, 2000, and shall mature on the following dates in the following principal amounts:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
June 15, 2001	\$ --	
June 15, 2002	1,090,000	7.30%
June 15, 2003	910,000	7.33

- (A) The 2000 Series B Bonds are not subject to optional redemption prior to maturity.

- (B) The 2000 Series B Bonds shall be Taxable Bonds.

- 13.3 For purposes of calculating the Reserve Requirement, the 2000 Bonds shall be treated as a single Series.

- 13.4 Form. The 2000 Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2000 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

- 13.5 Book Entry System for 2000 Bonds. The 2000 Bonds shall be initially issued in BEO form and shall be governed by this Section 13.5. While 2000 Bonds are in BEO form no physical 2000 Bonds shall be provided to Owners of 2000 Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2000 Bonds are in BEO form, registration and transfer of beneficial interests in the 2000 Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as 2000 Bonds are in BEO form:

- (A) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of 2000 Bonds. 2000 Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify

the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of 2000 Bonds called for redemption or of any other action premised on such notice.

- (B) The City may discontinue maintaining the 2000 Bonds in the BEO form at any time. The City shall discontinue maintaining the 2000 Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2000 Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2000 Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2000 Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 13.7. below, regarding registration, transfer and exchange of 2000 Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2000 Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2000 Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2000 Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2000 Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2000 Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2000 Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- (F) The provisions of this Section 13.5. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in BEO form.

13.6. Redemption of 2000 Bonds.

- (A) The City reserves the right to purchase 2000 Bonds in the open market.
- (B) If any 2000 Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2000 Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
- (C) So long as 2000 Bonds are in BEO form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the 2000 Bonds.
- (D) During any period in which the 2000 Bonds are not in BEO form, unless waived by any Owner of the 2000 Bonds to be redeemed, official notice of any redemption of 2000 Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2000 Bond or Bonds to be redeemed at the address shown on the 2000 Bond register or at such other address as is

furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all Outstanding 2000 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2000 Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such 2000 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such 2000 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

13.7 Authentication, Registration and Transfer.

- (A) No 2000 Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2000 Bonds to be delivered at closing of the 2000 Bonds, and shall additionally authenticate all 2000 Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2000 Bonds shall be entered in the 2000 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2000 Bond register as the owner of the 2000 Bond for all purposes.
- (C) While the 2000 Bonds are in BEO form, the Paying Agent shall transfer 2000 Bond principal and interest payments in the manner required by DTC.
- (D) If the 2000 Bonds cease to be in BEO form, the Paying Agent shall mail each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the 2000 Bond register as of the Record Date for the 2000 Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2000 Bonds may be exchanged for an equal principal amount of 2000 Bonds of the same maturity which are in different denominations, and 2000 Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (2) the 2000 Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2000 Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2000 Bonds shall be exchanged or transferred promptly following that Payment Date.
- (G) The Paying Agent shall note the date of authentication on each 2000 Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2000 Bond register.

- (H) For purposes of this Section 13.7, 2000 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 13.7(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Dated as of this 1st day of June, 2000.

City of Portland, Oregon

By: _____
Eric H. Johansen, Debt Manager

Appendix A
Form of 2000 Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Airport Way Urban Renewal and Redevelopment Bonds
2000 Series A (Taxable) and 2000 Series B (Federally Taxable)

Dated Date: ___, 2000

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: «CUSIPNumbr»

Registered Owner: -----CEDE & CO.-----

Principal Amount: -----«PrincipalAmtSpelled» DOLLARS-----

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources named below, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of ___ and the first day of ___ in each year until maturity or prior redemption, commencing ___1, 199_. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank Trust National Association, in Portland, Oregon (the "Registrar"), as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$___ in principal amount designated as Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A/B, (the "Bonds"). The Bonds are issued for the purpose of financing urban renewal projects within the Airport Way Urban Renewal Area. The Bonds are authorized by City Ordinance No. ___ (the "Ordinance"), Oregon Revised Statutes Chapter 457 and a bond declaration (the "Declaration") executed by the City's Debt Manager pursuant to the Ordinance. The provisions of the Ordinance and the Declaration are hereby incorporated into this Bond by reference. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding special obligations of the City which are payable solely from the Security, as defined and provided in the Declaration. The Bonds also are secured by the power to impose a Special Levy in excess of the amounts currently being levied, up to the Maximum Tax Increment Revenue limitation. The City has covenanted to impose a Special Levy to pay this Bond at the times and in the amounts specified in the Declaration. The lien of the Bonds on the Security amounts is subordinate to the lien of the Prior Lien Bonds, as provided in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE "SECURITY" AS DEFINED AND PROVIDED IN THE DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES. THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY OR THE COMMISSION, AND IS NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount and maturity date, but different authorized denominations, as provided in the Declaration

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated ____, 2000.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Declaration. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



City of Portland, Oregon

Vera Katz, Mayor

Gary Blackmer, Auditor

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$___ aggregate principal amount of City of Portland, Oregon Airport Way Urban Renewal and Redevelopment Bonds 2000 Series A/B issued pursuant to the Declaration described herein.

Date of Authentication: _____, 2000.

U.S. Bank Trust National Association, as Registrar

Authorized Officer

ASSIGNMENT

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

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following
_____ CUST UL OREG _____ MIN

as custodian for _____ (name of minor)
OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

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

APPENDIX C
AUDITED FINANCIAL STATEMENTS



INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2001, 2002, 2003, and 2004. The audit for FY 2004-05 is currently underway.

Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

<http://www.portlandonline.com/omf/index.cfm?c=26053>

The City's website is listed for reference only, and is not part of this Official Statement.

The following pages in this Appendix C are excerpted from the Comprehensive Annual Financial Reports of the City for the Fiscal Years ending June 30, 2001 through June 30, 2004. Financial reports for the Fiscal Year ending June 30, 2005, have not been audited.

A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2005 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2005 SERIES A BONDS.



CITY OF PORTLAND, OREGON
Airport Way Debt Service Fund (1)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(FY 2000-01 through FY 2004-05)
Generally Accepted Accounting Principles Basis

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	Unaudited FY 2004-05
Revenues					
Taxes	\$6,773,931	\$7,031,223	\$7,071,050	\$6,561,710	\$6,223,236
Interest on investments	196,840	102,718	75,588	40,322	97,018
Total revenues	<u>6,930,771</u>	<u>7,133,941</u>	<u>7,146,638</u>	<u>6,602,032</u>	<u>6,320,254</u>
Expenditures					
Debt service:					
Principal	3,060,000	3,375,000	3,865,000	2,863,268	2,420,000
Interest	3,837,848	3,833,654	3,828,136	3,321,197	3,231,417
Total expenditures	<u>6,897,848</u>	<u>7,208,654</u>	<u>7,693,136</u>	<u>6,184,465</u>	<u>5,651,417</u>
Revenues over (under) expenditures	<u>32,923</u>	<u>(74,713)</u>	<u>(546,498)</u>	<u>417,567</u>	<u>668,837</u>
Other Financing Sources (Uses)					
Operating Transfers In (2)	--	--	12,487	--	--
Bond and Note Sales (3)	--	--	13,332,504	--	--
Bond and Note Premium (3)	--	--	422,596	--	--
Payments to refunded bond escrow (3)	--	--	(12,225,000)	--	--
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>1,542,587</u>	<u>--</u>	<u>--</u>
Revenues and Other Financing Sources Over (Under) Expenditures/Other Uses	<u>32,923</u>	<u>(74,713)</u>	<u>996,089</u>	<u>417,567</u>	<u>668,837</u>
Fund Balance, Beginning of Year	<u>672,679</u>	<u>705,602</u>	<u>630,889</u>	<u>1,626,978</u>	<u>2,044,545</u>
Fund Balance, End of Year	<u>\$705,602</u>	<u>\$630,889</u>	<u>\$1,626,978</u>	<u>\$2,044,545</u>	<u>\$2,713,382</u>

Notes:

- (1) This is the Tax Increment Fund.
- (2) In FY 2002-03, amount reflects unspent proceeds transferred to pay interest on the bonds.
- (3) In FY 2002-03, amount reflects issuance of bonds to refund the Airport Way Series C bonds and to partially cash fund a reserve.

Source: City of Portland audited financial statements. Results for FY 2004-05 are unaudited.

CITY OF PORTLAND, OREGON
Airport Way Debt Service Fund
CONSECUTIVE BALANCE SHEETS
for Fiscal Years Ended June 30

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	Unaudited FY 2004-05
Assets					
Cash and investments	\$ 544,877	\$ 506,076	\$ 1,482,688	\$ 1,916,780	\$2,637,492
Receivables:					
Property taxes	483,309	493,577	488,441	440,693	390,001
Accrued interest receivable	54,069	16,472	13,793	12,382	21,960
Total Assets	\$1,082,255	\$1,016,125	\$1,984,922	\$2,369,855	\$3,049,453
Liabilities					
Deferred revenue	\$376,653	\$385,236	\$357,944	\$325,310	\$336,071
Total Liabilities	376,653	385,236	357,944	325,310	336,071
Unreserved Fund Balance:					
Designated for debt service	705,602	630,888	1,626,978	2,044,545	2,713,382
Total Liabilities and Fund Balance	\$1,093,768	\$1,033,610	\$1,187,172	\$1,082,255	\$3,049,353

Source: City of Portland audited financial statements. Results for FY 2004-05 are unaudited.

APPENDIX D
LEGAL OPINION



September 29, 2005

City of Portland
1221 S.W. Fourth Avenue, Room 120
Portland, Oregon 97204

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Subject: \$45,370,000 City of Portland, Oregon, Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A (the "2005 Series A Bonds"), in the aggregate principal amount of Forty-Five Million Three Hundred Seventy Thousand Dollars (\$45,370,000).

The 2005 Series A Bonds are being issued pursuant to Article IX, Section 1c and Article XI, Section 11(16) of the Oregon Constitution, Oregon Revised Statutes Chapter 457, the City Charter, City Ordinance No. 179518 adopted August 24, 2005, and a bond declaration, as amended and supplemented by a supplemental bond declaration (collectively, the "Declaration").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Declaration and other certified proceedings and certifications of officials of the City and others furnished to us without undertaking to verify such representations and certifications by independent investigation. We have also relied on the covenants of the City to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") with respect to the investment and use of proceeds of the 2005 Series A Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the 2005 Series A Bonds, except to the extent, if any, stated in the official statement, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The 2005 Series A Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City. The 2005 Series A Bonds constitute valid and legally binding special obligations of the City enforceable in accordance with their terms. The 2005 Series A Bonds are payable solely from the Security, as defined and provided in the Declaration.
2. Interest on the 2005 Series A Bonds is excluded from gross income for federal income tax purposes under existing law.
3. Interest on the 2005 Series A Bonds is not an item of tax preference under the Code for purposes of determining the alternative minimum tax imposed on individuals or corporations. Interest on a 2005 Series A Bond held by a corporation (other than an S Corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a 2005 Series A Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

4. The initial public offering price for certain maturities of the 2005 Series A Bonds is less than the amount payable at maturity. This difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. The appropriate portion of the original issue discount that is allocable to the original and each subsequent holder is treated as interest upon sale, exchange, redemption, or payment at maturity of such 2005 Series A Bond and is excluded from gross income for federal income tax purposes under existing law to the same extent as the stated interest on the 2005 Series A Bonds.

5. Interest on the 2005 Series A Bonds is exempt from Oregon personal income tax under existing law.

6. Interest on the 2005 Series A Bonds is exempt from personal income taxation by Multnomah County, Oregon, under existing law.

We note that the City has not designated the 2005 Series A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Ownership of the 2005 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2005 Series A Bonds. We express no opinion as to such collateral federal income tax consequences.

Under the Code, the City is required to comply with certain requirements relating to the investment and use of the proceeds of the 2005 Series A Bonds, and the City has covenanted to comply with these requirements. Failure to comply with these requirements may cause the interest on the 2005 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2005 Series A Bonds. Our opinion assumes compliance with such covenants, and we do not undertake to determine, or to inform any person, whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the 2005 Series A Bonds may affect the tax status of interest on the 2005 Series A Bonds.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to ownership of the 2005 Series A Bonds.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

The opinions set forth above are qualified only to the extent that enforceability of the 2005 Series A Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

Legal Opinion
September 29, 2005
Page 3

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

The opinions expressed herein are solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the 2005 Series A Bond, nor may copies be furnished to any other person or entity, without the prior written consent to Preston Gates & Ellis LLP.

We have served only as bond counsel to the City and have not and are not representing any other party in connection with the 2005 Series A Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers



APPENDIX E
CONTINUING DISCLOSURE CERTIFICATE



CONTINUING DISCLOSURE CERTIFICATE

\$45,370,000

City of Portland, Oregon

Airport Way Urban Renewal and Redevelopment Refunding Bonds 2005 Series A

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Portland, Oregon (the “City”) in connection with the issuance of the City’s Airport Way Urban Renewal and Redevelopment Refunding Bonds, 2005 Series A (the “2005 Series A Bonds”).

Section .1 Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the 2005 Series A Bondowners and to assist the underwriter(s) of the 2005 Series A Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (the “Rule”). This Certificate constitutes the City’s written undertaking for the benefit of the 2005 Series A Bondowners as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2005 Series A Bonds, including persons holding 2005 Series A Bonds through nominees or depositories.

“2005 Series A Bondowners” means the registered owners of the 2005 Series A Bonds, as shown on the bond register maintained by the Paying Agent for the 2005 Series A Bonds, and any Beneficial Owners.

“Commission” means the Securities and Exchange Commission.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“NRMSIR” means a nationally recognized municipal securities information repository.

“Official Statement” means the final official statement for the 2005 Series A Bonds dated September 20, 2005.

“Rule” means the Commission’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

“SID” means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2006, for the fiscal year ended June 30, 2005):

A. The City’s previous fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors); and,

B. To the extent not included in those annual financial statements, information generally of the type included in the official statement for the 2005 Series A Bonds under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the 2005 Series A Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the 2005 Series A Bonds;
7. Modifications to the rights of 2005 Series A Bondowners;
8. 2005 Series A Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the 2005 Series A Bonds; and
11. Rating changes.

Section 6. Termination/Modification. The City's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2005 Series A Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the 2005 Series A Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the 2005 Series A Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

original issuance of the 2005 Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the 2005 Series A Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the 2005 Series A Bondowners.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. 2005 Series A Bondowner's Remedies Under This Certificate. The right of any 2005 Series A Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the 2005 Series A Bonds hereunder. 2005 Series A Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the 2005 Series A Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

Section 9. DisclosureUSA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 29th day of September, 2005.

City of Portland, Oregon

Eric H. Johansen, Debt Manager



APPENDIX F
BOOK-ENTRY SYSTEM



BOOK-ENTRY SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC -- bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to

the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent 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 [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
INSURANCE POLICY SPECIMEN







Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee F



