OFFICIAL STATEMENT DATED JANUARY 30, 2018

New Issue — Book-Entry-Only **RATINGS: (See "RATINGS" herein)**
MOODY'S: A3
S&P: A

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to TriMet ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2018 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In the opinion of Bond Counsel, interest on the Series 2018 Bonds is exempt from State of Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

$113,900,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE BONDS
SERIES 2018A

DATED: Date of Delivery **DUE: As Shown on Inside Cover**

This Official Statement describes the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and its $113,900,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2018A (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued on parity with TriMet's Capital Grant Receipt Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and Capital Grant Receipt Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds"). The Series 2018 Bonds, together with the Series 2011A Bonds, the Series 2017A Bonds, and any series of additional Parity Bonds and any Parity Exchange Agreements that may be issued in the future under the Master Trust Agreement, are collectively referred to as the "Bonds." The Series 2018 Bonds are special obligations of TriMet secured solely by a pledge of and a lien on the Pledged Property. The Pledged Property includes the Grant Receipts and all amounts credited to the Debt Service Account. The Grant Receipts consist of federal grant funds that are required to be paid to TriMet under intergovernmental agreements that have been pledged to pay the Bonds and federal grant funds that are due to TriMet under Section 5307 of Title 49, subtitle III, Chapter 53 of the United States Code, as that section may be amended from time to time, and any replacement federal funding programs. **The Series 2018 Bonds are not a general obligation of TriMet, and no other revenues or funds of TriMet are pledged as security for the payment of the Series 2018 Bonds.**

The Series 2018 Bonds are being executed and delivered pursuant to a Master Capital Grant Receipt Revenue Bond Trust Agreement dated as of June 1, 2005, as amended (the "2005 Master Trust Agreement"), between TriMet and Wells Fargo Bank, National Association, as trustee (the "Trustee") and the Third Supplemental Trust Agreement dated as of February 1, 2018 (the "Third Supplemental Trust Agreement"), between TriMet and the Trustee. The Series 2018 Bonds are being issued to pay (i) costs of certain transit and transit supportive projects, (ii) capitalized interest, and (iii) the costs of issuing the Series 2018 Bonds.

Interest on the Series 2018 Bonds from the date of delivery is payable semiannually on October 1 and April 1 of each year, commencing April 1, 2018. The Series 2018 Bonds are subject to redemption prior to maturity as described herein.

The Series 2018 Bonds are being issued as fully registered bonds, registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interest in the Series 2018 Bonds will be made in book-entry form in denominations of $5,000 and integral multiples thereof. Individual purchasers of Series 2018 Bonds will not receive physical delivery of bond certificates.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF ANY INFORMED INVESTMENT DECISION.

The Series 2018 Bonds are offered when, as and if issued, subject to prior sale, withdrawal or modification of the offer without notice, and subject to receipt of the approving opinion of Hawkins Delafield and Wood, LLP, Portland, Oregon, Bond Counsel to TriMet. Certain legal matters will be passed upon for TriMet by Shelley Devine, General Counsel to TriMet, and for the Underwriters by their counsel Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. The Series 2018 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York or to the Trustee, as agent for DTC for Fast Automated Securities Transfer, on or about February 6, 2018.

J.P. Morgan **Citigroup**

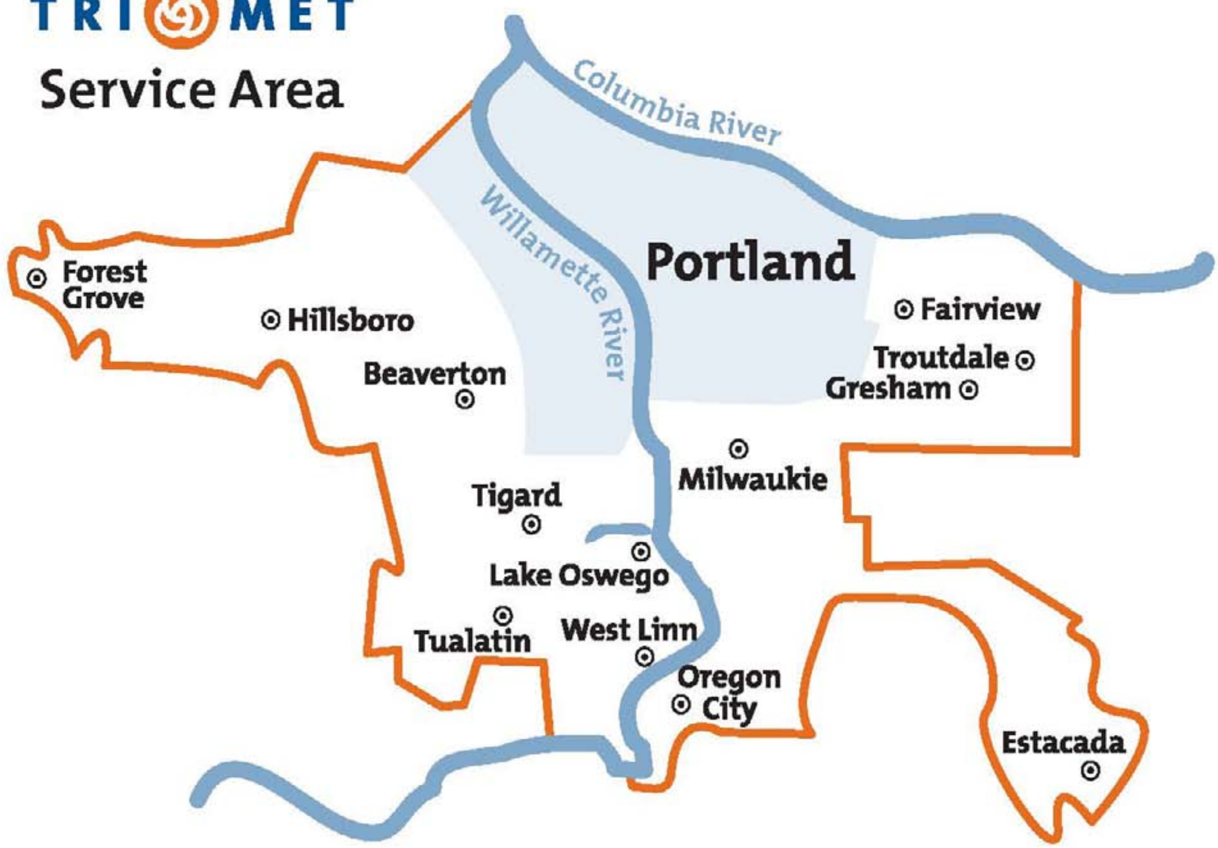
$113,900,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE BONDS
SERIES 2018A

Due October 1	Principal Amount	Interest Rate	Yield	CUSIP† 89546R
2020	$ 395,000	5.000%	1.800%	PF5
2021	410,000	5.000	1.950	PG3
2022	1,660,000	5.000	2.050	PH1
2023	1,730,000	5.000	2.200	PJ7
2024	1,785,000	5.000	2.370	PK4
2025	1,855,000	5.000	2.520	PL2
2026	1,930,000	5.000	2.650	PM0
2027	2,010,000	5.000	2.780	PN8
2028	12,620,000	5.000	2.870*	PP3
2029	13,235,000	5.000	2.930*	PQ1
2030	13,875,000	5.000	3.010*	PR9
2031	14,550,000	5.000	3.070*	PS7
2032	15,245,000	5.000	3.100*	PT5
2033	15,990,000	4.000	3.440*	PU2
2034	16,610,000	3.250	3.640	PV0

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of TriMet, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.*

* Priced to the call date of April 1, 2018

TRIMET Service Area



TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON

BOARD OF DIRECTORS

Bruce Warner, Board President, District 1: Washington County
Joe Esmonde, District 2: N, NW and portions of SW Portland
Dr. Linda Simmons, District 3: SW Portland
Lori Irish Bauman, District 4: SE Portland
Dr. T. Allen Bethel, Board Vice President, District 5: N and NE Portland
Travis Stovall, District 6: E. Multnomah County
Craig Prosser, District 7: Clackamas County

DISTRICT OFFICIALS

Neil McFarlane[*], General Manager
Shelley Devine, General Counsel
Dee Brookshire, Executive Director of Finance and Administration
Cara Fitzpatrick, Director of Financial Services
Nancy Young-Oliver, Director of Budgets and Grants

BOND COUNSEL

Hawkins Delafield & Wood LLP
Portland, Oregon

FINANCIAL ADVISOR

Ross Financial
San Francisco, California

TRUSTEE, PAYING AGENT AND REGISTRAR

Wells Fargo Bank, National Association
Denver, Colorado

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[*] Mr. McFarlane is expected to retire in February, 2018. TriMet is actively searching for his replacement and anticipates that a finalist for the position will appear before the TriMet Board of Directors at the Board's January 24, 2018 meeting. TriMet expects to select a replacement shortly after the January 24 Board meeting.

No dealer, broker, salesperson or other person has been authorized by TriMet to give any information or to make any representations, other than as 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 TriMet. The information and expressions of opinion stated 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 TriMet or DTC since the date hereof.

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

No website mentioned in this Official Statement is intended to be part of this Official Statement, and investors should not rely upon any other information presented on any such website in determining whether to purchase the Series 2018 Bonds. Inactive textual references to any TriMet website are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2018 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2018 Bonds to the public. The Underwriters may offer and sell the Series 2018 Bonds to certain dealers (including dealers depositing the Series 2018 Bonds to investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The Underwriters may change the public offering prices from time to time without prior notice.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, DO NOT REFLECT HISTORICAL FACTS BUT ARE FORECASTS AND "FORWARD LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, WORDS SUCH AS "ESTIMATE," "FORECAST," "ANTICIPATE," "EXPECT," "INTEND," "PLAN," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS AND OTHER FORWARD LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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$113,900,000
TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE BONDS
SERIES 2018A

INTRODUCTION

This Official Statement, including the cover page, inside cover page, table of contents and appendices, sets forth certain information regarding the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and its $113,900,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2018A (the "Series 2018 Bonds").

The Series 2018 Bonds are being issued to pay (i) costs of certain transit and transit supportive projects, (ii) capitalized interest, and (iii) the costs of issuing the Series 2018 Bonds. See "PROJECTS" herein.

TriMet previously issued its Capital Grant Receipt Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and Capital Grant Receipt Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds"). The Series 2018 Bonds, together with the Series 2011A Bonds, the Series 2017A Bonds and any series of additional Parity Bonds and any Parity Exchange Agreements that may be issued in the future under the Master Trust Agreement (as defined below), are collectively referred to herein as the "Bonds" or as "Parity Obligations." The Series 2018 Bonds are being issued in compliance with the conditions of the 2005 Master Trust Agreement and the Third Supplemental Trust Agreement (as defined below) for the execution and delivery of Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Parity Obligations."

Authorization and Purpose

The Series 2018 Bonds are being issued under and pursuant to Oregon Revised Statutes ("ORS") Chapter 267 and 287A and related provisions of the laws of the State of Oregon (the "State"), and pursuant to Resolution No. 17-10-75, adopted by TriMet's Board of Directors on October 25, 2017. The Series 2018 Bonds are being executed and delivered pursuant to a Master Capital Grant Receipt Revenue Bond Trust Agreement, dated as of June 1, 2005 (the "2005 Master Trust Agreement"), between TriMet and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended by the First Supplemental Trust Agreement dated as of June 1, 2011 (the "First Supplemental Trust Agreement"), the Second Supplemental Trust Agreement, dated as of August 1, 2017 (the "Second Supplemental Trust Agreement"), and the Third Supplemental Trust Agreement dated as of February 1, 2018 (the "Third Supplemental Trust Agreement"), between TriMet and the Trustee. The 2005 Master Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, and the Third Supplemental Trust Agreement are referred to collectively herein as the "Master Trust Agreement."

Capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings assigned thereto in the Master Trust Agreement. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT."

The Series 2018 Bonds are being issued to pay (i) costs of certain transit and transit supportive projects, (ii) capitalized interest, and (iii) the costs of issuing the Series 2018 Bonds. See "PROJECTS" herein.

Security and Sources of Payment

The Bonds, including the Series 2018 Bonds, are payable solely from and are secured solely by a pledge of and a lien on the Grant Receipts and all amounts credited to the Debt Service Account. The Grant Receipts consist of the IGA Receipts and the Section 5307 Receipts. The IGA Receipts consist of federal grant funds that are required to be paid to TriMet under intergovernmental agreements that are pledged to pay the Bonds. The Section 5307 Receipts consist of federal grant funds that are due to TriMet under Section 5307 of Title 49, subtitle III, Chapter 53 of the United States Code as that section may be amended from time to time, and any replacement federal funding program. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "INTERGOVERNMENTAL GRANT AGREEMENTS" and "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING."

The Bonds are not a general obligation of TriMet, and no other revenues or funds of TriMet are pledged as security for the payment of the Bonds.

TriMet

TriMet is a municipal corporation established in 1969 under State law, particularly ORS Chapter 267, to provide public transportation in the Portland, Oregon metropolitan area. TriMet's service area covers approximately 533 square miles within Multnomah, Washington and Clackamas counties. The purpose of TriMet's transit programs within the Portland metropolitan area is to provide mass transit alternatives to the use of the automobile, to reduce air pollution and to relieve traffic congestion. TriMet provides transit service to the Portland metropolitan area through its integrated mass transit system of bus service, commuter rail service, the Portland Streetcar (owned and financed by the City of Portland) and light rail, which is also known as the Metropolitan Area Express or "MAX" (collectively, the "Mass Transit System"). See "INTRODUCTION—TriMet" and APPENDIX A—"INFORMATION REGARDING TRIMET, INCLUDING AUDITED BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016."

Miscellaneous

Brief descriptions of the Series 2018 Bonds, the security for the Series 2018 Bonds, the use of Series 2018 Bond proceeds, the Master Trust Agreement, the intergovernmental agreements and the federal highway and transit programs, and information relating to TriMet are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Master Trust Agreement are qualified in their entirety by reference to the Master Trust Agreement, and references to the Series 2018 Bonds are qualified in their entirety by reference to the form thereof included in the Form of Third Supplemental Trust Agreement and to the information with respect thereto in the 2005 Master Trust Agreement and the Form of Third Supplemental Trust Agreement. The 2005 Master Trust Agreement, First Supplemental Trust Agreement, Second Supplemental Trust Agreement, and the form of the Third Supplemental Trust Agreement are included in this Official Statement as Appendix E.

Continuing Disclosure

TriMet is covenanting for the benefit of the holders and beneficial owners of the Series 2018 Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "CONTINUING DISCLOSURE" below and APPENDIX C—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

THE SERIES 2018 BONDS

General

When issued, the Series 2018 Bonds will be dated the date of delivery and will bear interest at the rates per annum and will mature, subject to prior redemption, on October 1 of the years and in the aggregate principal amounts, set forth on the inside cover page of this Official Statement. Interest on the Series 2018 Bonds will be payable semiannually on each April 1 and October 1, commencing on April 1, 2018, until maturity or prior redemption. Interest on the Series 2018 Bonds is calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2018 Bonds are being issued in fully registered form in denominations of $5,000 and integral multiples thereof within a series and maturity and when issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC is to act as securities depository for the Series 2018 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Series 2018 Bonds purchased. Except as provided in the Master Trust Agreement, so long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the registered owner of the Series 2018 Bonds, as nominee of DTC, references herein to "Owners," "Bondholders" or "Registered Owners" mean Cede & Co. and not the Beneficial Owners of the Series 2018 Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC Participant acquires an interest in the Series 2018 Bonds.

So long as Cede & Co. is the registered owner of the Series 2018 Bonds, the principal of and interest on the Series 2018 Bonds are payable by wire transfer to Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX D—"BOOK-ENTRY SYSTEM."

So long as the Series 2018 Bonds are subject to the Book-Entry System with DTC, they may only be exchanged and transferred in accordance with the rules, regulations and practices of DTC. During any period in which the Series 2018 Bonds are not subject to the Book-Entry System, the exchange and transfer of Series 2018 Bonds will be permitted as set forth in the Master Trust Agreement. TriMet may alter the provisions of the Master Trust Agreement regarding registration and transfer by mailing notification of the altered provisions to all Owners. The Master Trust Agreement provides that 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.

Redemption of Series 2018 Bonds

Optional Redemption of Series 2018 Bonds. The Series 2018 Bonds maturing on and after October 1, 2028 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after April 1, 2028, in any order of maturity and by lot within a maturity, at a redemption price equal to 100 percent of the principal thereof, plus accrued interest thereon to the date fixed for redemption.

Selection for Redemption of Series 2018 Bonds. If fewer than all of the Outstanding Series 2018 Bonds within a maturity are to be redeemed prior to maturity, the Series 2018 Bonds to be redeemed shall be selected randomly in accordance with DTC's operating procedures (and by the Trustee in accordance with the Master Trust Agreement if the Series 2018 Bonds are no longer in book-entry form).

Notice of Redemption

While the Series 2018 Bonds are in book-entry form the Trustee is required to give DTC notice of redemption not less than twenty (20) days prior to the date fixed for redemption.

Conditional Notice of Redemption

Notices of optional redemption may state that the optional redemption is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Series 2018 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Master Trust Agreement provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Master Trust Agreement requires notice of such rescission or of the failure of any such condition to be given by the Trustee to affected Owners of Series 2018 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Effect of Notice of Redemption

The Master Trust Agreement provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the Series 2018 Bonds or portions of Series 2018 Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless TriMet fails to pay the redemption price) such Series 2018 Bonds or portions of such Bonds shall cease to bear interest.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds, including the Series 2018 Bonds, are special obligations of TriMet that are secured solely by the Grant Receipts and amounts credited to the Debt Service Account. The Grant Receipts consist of: (i) all federal grant funds that are required to be transferred to TriMet pursuant to the intergovernmental agreements that are pledged to pay the Bonds (the "IGA Receipts"), plus (ii) all federal grant funds paid to TriMet under Section 5307 of Title 49, subtitle III, Chapter 53 of the United States Code, as that section may be amended from time to time, and any replacement federal funding program (the "Section 5307 Receipts"). See "INTERGOVERNMENTAL GRANT AGREEMENTS" and "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING" below.

In General

In the Master Trust Agreement, TriMet pledges the Grant Receipts and all amounts credited to the Debt Service Account (collectively, the "Pledged Property"), to pay the principal of, premium (if any) and interest on the Bonds, including the Series 2018 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Grant Receipts" below and APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Bond Funds and Accounts."

The laws of the State of Oregon provide that the pledge of the Grant Receipts is valid and binding from the execution and delivery of the Master Trust Agreement. Pursuant to ORS 287A.310, the Grant Receipts are immediately subject to the pledge of and lien on the Master Trust Agreement without physical delivery, filing or any further act, and the lien of such pledge is valid against all other claims and liens of any kind whatsoever. ORS 287A.310 provides that the lien of the pledge is superior to all other claims and liens of any kind. In the Master Trust Agreement, TriMet covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of its pledge.

The Master Trust Agreement permits TriMet to create one or more Bond Reserve Accounts in the Grant Receipt Deposit Fund. TriMet has determined not to create or to fund a Bond Reserve Account for the Series 2018 Bonds. TriMet did not establish a Bond Reserve Account for the Series 2011A Bonds or the Series 2017A Bonds. Any Bond Reserve Accounts created in the future are to be used only to pay the Bonds for which the Bond Reserve Accounts were created, and Owners of the Series 2018 Bonds will have no claim to any amounts in those Bond Reserve Accounts.

Only the Pledged Property is pledged by TriMet to the payment of the Bonds. No Bond proceeds and no other revenues or funds of TriMet are pledged to the payment of the Bonds.

THE BONDS AND ALL OTHER FINANCIAL OBLIGATIONS OF TRIMET ARISING UNDER THE MASTER TRUST AGREEMENT ARE SPECIAL OBLIGATIONS OF TRIMET THAT ARE PAYABLE SOLELY FROM, AND SECURED SOLELY BY THE PLEDGED PROPERTY. NEITHER THE BONDS NOR ANY OTHER OBLIGATIONS OF TRIMET UNDER THE MASTER TRUST AGREEMENT ARE PAYABLE FROM ANY FUNDS OF TRIMET EXCEPT THE PLEDGED PROPERTY.

The Grant Receipts

The Grant Receipts pledged to the payment of the Bonds consist of IGA Receipts and Section 5307 Receipts. TriMet has been transferring Grant Receipts to the Trustee as required by the Master Trust Agreement since 2005. See "HISTORIC AND PROJECTED SOURCES OF FUNDS—Grant Receipts Cash Flows" below.

IGA Receipts. The IGA Receipts consist of the amounts of federal grant funds that transferors are required to transfer to TriMet under the intergovernmental agreements that TriMet has pledged to pay the Bonds. See "INTERGOVERNMENTAL GRANT AGREEMENTS" and "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING" below.

Section 5307 Receipts. The Section 5307 Receipts consist of TriMet's share of the funds apportioned to the Portland, OR-WA Urbanized Area under the Section 5307 Urbanized Area Formula Program that is authorized by Title 49, subtitle III, Chapter 53 of the United States Code, as that section may be amended from time to time, and any replacement federal transportation funding program ("Section 5307"). See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING" below.

TriMet's Covenants Concerning Grant Receipts

The Master Trust Agreement includes the following covenants by TriMet.

(A) TriMet shall take all actions within the reasonable control of TriMet to secure Grant Receipts sufficient to pay all Bonds as they become due.

(B) TriMet shall promptly deposit the Grant Receipts into the funds and accounts specified in the Master Trust Agreement.

(C) TriMet shall pay or cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of the Master Trust Agreement and any Supplemental Trust Agreement, but solely from the Pledged Property.

(D) TriMet shall maintain complete books and records relating to the Grant Receipts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Fiscal Year, and shall have an audit report prepared by the Auditor and made available for the inspection of the Owners.

(E) TriMet shall not create any liens on the Pledged Property that are superior to the lien and pledge that secures the Bonds.

(F) TriMet shall not create any liens on the Pledged Property that are equal to the lien and pledge that secures the Bonds, except for Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Parity Obligations."

TriMet also covenants in the Master Trust Agreement that it shall: (i) comply with all requirements of the federal government that apply to Projects; (ii) take all reasonable steps to assure that TriMet receives Grant Receipts as soon as practicable for a sum at least sufficient to pay all scheduled Bond principal and interest when due; (iii) if current Section 5307 Receipts, together with other IGA Receipts reasonably expected to be available, are insufficient to pay debt service, reprogram other available Section 5307 grants to the extent necessary to make up the shortfall; (iv) except as otherwise provided in the Master Trust Agreement, maintain all IGAs and not agree to any termination or reduction of payments to TriMet under those IGAs; and (v) except as otherwise provided in the Master Trust Agreement, if IGA Receipts are less than the amounts that TriMet is scheduled to receive under an IGA, take all actions reasonably within its control to increase the amounts available to TriMet so that TriMet receives the amounts that TriMet was originally scheduled to receive under an IGA. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING."

Flow of Funds

The Master Trust Agreement requires that all Grant Receipts be deposited to and maintained in the Grant Receipts Deposit Fund maintained by TriMet and be used only as described in the Master Trust Agreement so long as any Bonds remain Outstanding. TriMet is required to apply Grant Receipts in the Grant Receipts Deposit Fund for the following purposes in the following order of priority.

(A) At the beginning of each Bond Year, TriMet is required to transfer to the Trustee all Grant Receipts received by TriMet within thirty (30) days after TriMet receives those Grant Receipts, until TriMet has transferred to the Trustee an amount that, when added to the balance in the Debt Service Account at the beginning of the Bond Year, is equal to the sum of: (i) all Bond principal and interest which is scheduled to be paid on or before the end of that Bond Year; plus, (ii) one half of the Bond interest that is scheduled to be paid in the following Bond Year. In addition, if TriMet calls Bonds for optional redemption, TriMet is required to transfer to the Trustee Grant Receipts or other amounts sufficient to pay all Bond principal, premium (if any) and interest that is due as a result of the optional redemption, not later than one Business Day prior to the date fixed for optional redemption. The Trustee is required to deposit all amounts transferred to it under the Master Trust Agreement in the Debt Service Account. "Bond Year" is defined in the Master Trust Agreement to mean the one year period that begins on October 2, which is the day after the beginning of the Federal Fiscal Year ("FFY"), and ends on October 1, which is the day after the end of the FFY. The Bond Year was selected to maximize the amount of time during which Grant Receipts can be received before Bond payments are due.

(B) After all required transfers described above have been made, to the extent required by any Supplemental Trust Agreement, TriMet is required to make transfers to each Bond Reserve Account, as provided in the Master Trust Agreement. The Master Trust

Agreement permits TriMet to create one or more Bond Reserve Accounts in the Grant Receipts Deposit Fund to be used only to pay the Bonds for which the Bond Reserve Accounts were created if amounts in the Debt Service Account are insufficient to pay those Bonds. A Bond Reserve Account was not established for the Bonds issued before the Series 2018 Bonds and is not being created or funded in connection with the Series 2018 Bonds.

(C) To the extent not paid from other sources, TriMet is required to apply sufficient Grant Receipts to pay any rebates or penalties for Bonds that are due to be paid to the United States pursuant to Section 148 of the Internal Revenue Code of 1986.

(D) On the dates specified in any proceedings authorizing Subordinate Obligations, TriMet is required to transfer to the Subordinate Obligations Account the Grant Receipts required by those proceedings. There are currently no Subordinate Obligations outstanding under the Master Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Subordinated Debt and Other Obligations" below.

(E) After all transfers and payments having a higher priority have been made, TriMet may use Grant Receipts for any lawful purpose.

See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Deposit, Pledge and Use of Grant Receipts."

Parity Obligations

The Master Trust Agreement permits TriMet to issue Parity Obligations, provided that certain conditions are satisfied. "Parity Obligations" means Parity Bonds and Parity Exchange Agreements. The Series 2018 Bonds are being issued in compliance with the conditions of the 2005 Master Trust Agreement, described below, for the execution and delivery of Parity Bonds.

Parity Bonds. Under the Master Trust Agreement, TriMet may issue Parity Bonds only to provide funds for Projects or to refund Outstanding Bonds (including the cost of terminating any Parity Exchange Agreement) or other obligations. TriMet may issue Parity Bonds if:

(A) No Event of Default under the Master Trust Agreement or any Supplemental Trust Agreement has occurred and is continuing; and

(B) There has been filed with TriMet a certificate of the General Manager stating that the Projected Grant Receipts for each Bond Year in which the proposed Parity Bonds are scheduled to be Outstanding are at least 1.50 times the Annual Bond Debt Service for that Bond Year, calculated as of the date of issue of the proposed Parity Bonds and with the Proposed Parity Bonds treated as Outstanding. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT" for the definition of Annual Bond Debt Service.

"Projected Grant Receipts" for any Bond Year means an amount equal to the sum of the Average 5307 Receipts plus the IGA Receipts that are scheduled to be paid to TriMet in that Bond Year. "Average 5307 Receipts" means the arithmetic average of the Section 5307 Receipts for the three Bond Years that were completed immediately before the date the proposed Parity Bonds are issued.

The Master Trust Agreement also provides that TriMet may issue Parity Bonds to refund Outstanding Bonds without complying with the requirements described above if the refunded Bonds are defeased on the date of delivery of the refunding Parity Bonds and if the Annual Bond Debt Service on the refunding Parity Bonds does not exceed by more than $5,000 the Annual Bond Debt Service on the refunded Bonds in any Bond Years in which Bonds are Outstanding.

In addition, under the Master Trust Agreement TriMet may issue Parity Bonds to refund Outstanding Balloon Payments without complying with the requirements described above if the Parity Bonds that refund the Balloon Payments have "substantially equal" annual debt service and a term that is not substantially shorter than the term most recently used for the hypothetical amortization of the Balloon Payments pursuant to the terms of the Master Trust Agreement. The Master Trust Agreement provides that annual debt service on an issue of Parity Bonds shall be considered "substantially equal" if the highest debt service payment in any Fiscal Year on the Parity Bonds is no more than ten percent (10%) greater than the lowest debt service payment in any Fiscal Year on the Parity Bonds. Currently there are no outstanding Balloon Payments.

The Master Trust Agreement provides that all Parity Bonds shall have a lien on the Grant Receipts that is equal to the lien of all other Bonds that are Outstanding. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Parity Bonds."

Parity Exchange Agreements. The Master Trust Agreement also permits TriMet to enter into an Exchange Agreement, which includes a swap, cap, floor, collar or similar transaction. An Exchange Agreement may be a Parity Exchange Agreement and a Parity Obligation if the Annual Debt Service, adjusted as provided in the 2005 Master Trust Agreement for the net payments TriMet will pay or receive under the Exchange Agreement, satisfies the test for Parity Bonds. Any Parity Exchange Agreement must clearly state that it is a Parity Exchange Agreement and has qualified as a Parity Bond under the 2005 Master Trust Agreement. Currently, there are no outstanding Parity Exchange Agreements, and it would be necessary for TriMet's Board to amend its debt policy to permit TriMet to enter into a Parity Exchange Agreement. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Parity Bonds."

In addition, under the Master Trust Agreement, TriMet may replace a Parity Exchange Agreement with another Parity Exchange Agreement without qualifying the replacement Exchange Agreement under the Master Trust Agreement if the General Manager estimates that the replacement will not increase the Annual Bond Debt Service in any Bond Year in which Bonds are Outstanding by more than $5,000. The Master Trust Agreement also provides that payments that are due from TriMet under a Parity Exchange Agreement as a result of an early termination of the Parity Exchange Agreement shall be subordinate to TriMet's obligations on the Bonds. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Parity Bonds."

Subordinated Debt and Other Obligations

"Subordinate Obligations" means obligations having a lien on the Grant Receipts that is subordinate to the lien of the Bonds. TriMet may issue Subordinate Obligations only if TriMet is obligated to pay the Subordinate Obligations from Grant Receipts available under the Master Trust Agreement after the payments and transfers described in paragraphs A, B and C under "Flow of Funds" have been made, and only if the Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Grant Receipts that is subordinate to the lien on, and pledge of, the Grant Receipts for the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds" above. The Master Trust Agreement provides that Subordinate Obligations shall not be subject to mandatory prepayment on default, but that such limitation shall not be deemed to preclude termination payments under Exchange Agreements, puts or tenders in connection with obligations that are expected to be remarketed or similar prepayment obligations. Currently, there are no outstanding Subordinate Obligations under the Master Trust Agreement. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Subordinate Obligations."

PROJECTS

The proceeds to be received from the sale of the Series 2018 Bonds are to be applied to pay (i) costs of certain transit and transit supportive projects, (ii) capitalized interest, and (iii) the costs of issuing the Series 2018 Bonds.

TriMet expects to finance all or a portion of the costs of certain transit projects and transit supportive projects described below with proceeds of the Series 2018 Bonds. These capital projects represent a portion of the projects in TriMet's Capital Improvement Program ("CIP") for FYs 2017 through 2019. Other transit projects and transit supportive projects may be substituted for any of these projects.

Project Summary	Estimated Bond Proceeds (In Millions)
Southwest Corridor Project	$ 60
Division Transit Project	25
Grant for ODOT Projects Highway/Arterials	10
Powell Garage	25
Total	**$120**

ESTIMATED APPLICATION OF PROCEEDS

The estimated application of the proceeds of the Series 2018 Bonds are as follows:

Sources of Funds	
Par amount	$113,900,000.00
Net original issue premium	13,916,281.50
Total sources	$127,816,281.50
Uses of Funds	
Projects	$119,104,802.65
Capitalized Interest (through 10/1/2019)	8,167,169.10
Costs of Issuance[1]	544,309.75
Total uses	$127,816,281.50

(1) Costs of issuance include underwriters' discount, trustee fees, legal fees, municipal advisory fees, rating agency fees, printing and other expenses.

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Series 2018 Bonds.

Debt Service Requirements[1]

Period Ending October 1	Outstanding Bonds[2]	Series 2018 Bonds			Total Debt Service
		Principal	Interest	Total	
2018	$ 15,748,150		$ 3,423,444	$ 3,423,444	$ 19,171,594
2019	15,751,150		5,244,425	5,244,425	20,995,575
2020	15,749,750	$ 395,000	5,244,425	5,639,425	21,389,175
2021	15,751,750	410,000	5,224,675	5,634,675	21,386,425
2022	14,975,750	1,660,000	5,204,175	6,864,175	21,839,925
2023	14,977,000	1,730,000	5,121,175	6,851,175	21,828,175
2024	14,975,250	1,785,000	5,034,675	6,819,675	21,794,925
2025	14,979,250	1,855,000	4,945,425	6,800,425	21,779,675
2026	14,977,250	1,930,000	4,852,675	6,782,675	21,759,925
2027	14,973,000	2,010,000	4,756,175	6,766,175	21,739,175
2028		12,620,000	4,655,675	17,275,675	17,275,675
2029		13,235,000	4,024,675	17,259,675	17,259,675
2030		13,875,000	3,362,925	17,237,925	17,237,925
2031		14,550,000	2,669,175	17,219,175	17,219,175
2032		15,245,000	1,941,675	17,186,675	17,186,675
2033		15,990,000	1,179,425	17,169,425	17,169,425
2034		16,610,000	539,825	17,149,825	17,149,825
Total	**$152,858,300**	**$113,900,000**	**$67,424,644**	**$181,324,644**	**$334,182,944**

(1) Annual Debt Service shown for Bond Year, beginning October 2.
(2) The Outstanding Bonds consist of the Series 2011A Bonds and the Series 2017A Bonds.
Source: TriMet.

INTERGOVERNMENTAL GRANT AGREEMENTS

The "Revised and Restated Intergovernmental Agreement to Provide Regional Flexible Funds for the Milwaukie LRT, Commuter Rail, Portland-Lake Oswego Transit, and Southwest Corridor Projects," (the "2011 IGA") was entered into on February 3, 2011 by Metro, as the Metropolitan Planning Organization (the "MPO") for the Portland metropolitan region, and TriMet.

The "Intergovernmental Agreement to Provide Regional Flexible Funds for the Division Transit Project, the Southwest Corridor, Highway/Arterial Project Development and Active Transportation/Safe Routes Projects" (the "Original 2017 IGA") was entered into on June 7, 2017 by Metro, as the MPO for the Portland metropolitan region, and TriMet. The parties amended the 2017 IGA with the "First Amendment to Intergovernmental Agreement No. 934681" as of December 5, 2017 to increase the amounts that are scheduled to be paid to TriMet. The Original 2017 IGA, as amended by its First Amendment is referred to in this Official Statement as the "2017 IGA."

The 2011 IGA and the 2017 IGA are the only intergovernmental agreements that are pledged to pay the Bonds. They are referred to in this Official Statement as the "Pledged IGAs." See "The Pledged IGAs" below. TriMet anticipates receiving payments under the Pledged IGAs through FFY 2034 pursuant to the schedules attached to the Pledged IGAs. See "Scheduled Receipts Under the Pledged

IGAs" table below. However, the payments may extend beyond that FFY upon a shortfall or project termination pursuant to the terms of the Pledged IGAs.

The Master Trust Agreement allows TriMet to pledge additional intergovernmental agreements to pay Bonds by executing a Supplemental Trust Agreement.

Metro

Metro, the MPO for the Portland metropolitan region, is an elected regional government authorized and created pursuant to Article XI, Section 14 of the Oregon Constitution, chapter 268 of the Oregon Revised Statutes and the 1992 Metro Charter to provide planning and policy making, to preserve and enhance the quality of life and to provide regional services for the Portland metropolitan region. A seven-member Council, whose members are elected to four-year terms by the citizens of the Portland metropolitan area, sets Metro policy. The Metro Council President is elected district-wide and presides over Council meetings; the other six Council members represent geographical districts.

The Joint Policy Advisory Committee on Transportation (the "JPACT"), a seventeen-member committee of elected officials and representatives of agencies involved in transportation in the Metro district, makes recommendations to the Metro Council on transportation needs in the Portland metropolitan region. Through JPACT, local general-purpose governments participate directly in regional transportation planning as required by federal law, including the development of a regional funding plan (the "Regional Funding Plan") for transit and other transportation projects.

TriMet and Metro entered into the Pledged IGAs pursuant to the provisions of ORS Chapter 190, which authorizes units of local government, including TriMet and Metro, to enter into written agreements for the performance of any or all of the functions and activities that a party to the agreement has the authority to perform.

The Pledged IGAs

The Pledged IGAs obligate Metro to program and otherwise facilitate TriMet's receipt of federal grant funds from the Surface Transportation Block Grant Program ("STPBG") and Congestion Mitigation and Air Quality Improvement ("CMAQ") programs and any successor or comparable federal urban transportation fund programs in the amounts specified in the Pledged IGAs. Funds from these federal programs are referred to in this Official Statement as the "Committed Funds." See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING" below for more information about the STPBG and CMAQ programs.

The Pledged IGAs acknowledge that TriMet will issue Bonds payable from the Committed Funds that TriMet is scheduled to receive under the Pledged IGAs, and specifies that Metro is obligated to program and facilitate TriMet's receipt of the specified amounts of Committed Funds while bonds are outstanding, regardless of whether TriMet complies with its obligations under the Pledged IGAs. See "INTERGOVERNMENTAL GRANT AGREEMENTS" and "HISTORIC AND PROJECTED SOURCES OF FUNDS— Estimated Projected Debt Service Coverage" and "—IGA Receipts."

As of the end of FFY 2017 all amounts due to TriMet under the Pledged IGAs have been received. See "HISTORIC AND PROJECTED SOURCES OF FUNDS—Grant Receipt Cash Flows."

The Pledged IGAs have been amended in the past, and may be amended in the future in the manner permitted by the Trust Agreement. The Trust Agreement prohibits amendments to the pledged IGAs that terminate or reduce payments to TriMet under the IGAs, unless Bonds are no longer outstanding or the General Manager of TriMet provides a certificate as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Parity Obligations—Parity Bonds(B)" herein.

The Pledged IGAs require Metro to facilitate TriMet's receipt of the following amounts in the following FFYs:

Scheduled Receipts Under the Pledged IGAs

FFY†	Scheduled Receipts Under the 2011 IGA	Scheduled Receipts Under the 2017 IGA	Scheduled Receipts Under the Pledged IGAs
2017	$ 16,000,000	-	$ 16,000,000
2018	16,000,000	-	16,000,000
2019	16,000,000	$ 4,380,000	20,380,000
2020	16,000,000	5,390,000	21,390,000
2021	16,000,000	5,390,000	21,390,000
2022	16,000,000	5,840,000	21,840,000
2023	16,000,000	5,830,000	21,830,000
2024	16,000,000	5,800,000	21,800,000
2025	16,000,000	5,780,000	21,780,000
2026	16,000,000	5,760,000	21,760,000
2027	16,000,000	5,740,000	21,740,000
2028	-	17,280,000	17,280,000
2029	-	17,260,000	17,260,000
2030	-	17,240,000	17,240,000
2031	-	17,220,000	17,220,000
2032	-	17,190,000	17,190,000
2033	-	17,170,000	17,170,000
2034	-	17,150,000	17,150,000
Total	**$176,000,000**	**$170,420,000**	**$346,420,000**

† References are to FFYs (October 1 – September 30).
Source: The Pledged IGAs.

Committed Funds and Obligations of Metro and TriMet under the Pledged IGAs

Metro's Obligations. The Pledged IGAs require Metro to take all actions under its control to facilitate TriMet's receipt of the full annual amounts of Committed Funds set out in the Pledged IGAs, subject only to reauthorization or continuation of the STPBG and the CMAQ Program or successor programs.

The Pledged IGAs specifically provide that each year during the term of the Pledged IGAs the allocation to TriMet of Committed Funds due under the Pledged IGAs has precedence over all other allocations of Committed Funds by Metro to other projects in the Metropolitan Transportation Improvement Program.

Metro's obligation under the Pledged IGAs to make Committed Funds available to TriMet is required to be fulfilled solely through (i) programming of Committed Funds and (ii) taking such other actions as may be necessary under federal and regional rules and procedures to facilitate TriMet's receipt of the annual amounts of Committed Funds due to TriMet under the Pledged IGAs. The Pledged IGAs do not obligate Metro to make payments to TriMet from other sources. The Pledged IGAs provide that if the federal government ceases to authorize, appropriate or allocate Committed Funds to Metro as the MPO, Metro is not liable in any way for funding the amounts described in the Pledged IGAs, except from any Committed Funds as set forth above.

If in any year the amounts of federal grant allocation authority available to Metro are not sufficient to provide TriMet with the amounts of Committed Funds specified in the Pledged IGAs, Metro is obligated to provide the future value of shortfall to TriMet from Committed Funds when Committed Funds are available. The future value of the shortfall will be calculated using a discount rate of five percent, so that the Committed Funds actually received by TriMet have a present value that is equal to the present value of the scheduled receipts under the Pledged IGAs, discounted at five percent. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING," and "INVESTMENT CONSIDERATIONS" for discussion of the risks related to the commitment and delivery of federal funds.

If TriMet has issued Bonds for a project and the project is terminated Metro may not reduce the scheduled payments to TriMet under the Pledged IGAs if Metro has pledged those payments to pay Bonds. With the delivery of the 2018 Bonds, TriMet will have pledged all amounts scheduled to be paid to TriMet under the Pledged IGAs to pay Bonds.

The Pledged IGAs also provide that, if a dispute arises between Metro and TriMet, Metro may not reduce the amounts that are scheduled to be provided to TriMet under the Pledged IGAs while any Bonds are outstanding and may only seek damages from revenues of TriMet that are not committed to pay Bonds.

TriMet's Obligations. The Pledged IGAs require TriMet to (i) take all actions in a timely manner that are required of grantees by the Federal Highway Administration ("FHWA") and/or the FTA for receipt of Committed Funds; (ii) diligently fulfill the duties assigned to TriMet in the Regional Funding Plan, including without limitation: (a) preparing and undertaking the financing program(s) required to implement the Regional Funding Plan; (b) using the funds provided under the Pledged IGAs in the manner described in the Regional Funding Plan to finance the projects identified in the Pledged IGAs, or, if those projects are terminated, other projects determined by Metro and TriMet; and, (c) providing the projects identified in the Pledged IGAs, regardless of TriMet's borrowing costs.

FEDERAL TRANSPORTATION PROGRAMS AND FUNDING

TriMet receives the Grant Receipts from amounts authorized by Congress. In 2015 Congress authorized the federal transportation programs that provide those amounts with the Fixing America's Surface Transportation Act, which is described in greater detail below. That act authorizes funding through FFY 2020, and could be amended before then by Congress. Congress must also appropriate the authorized funds and Congress and the federal government must take other actions for TriMet to receive the Grant Receipts. On January 22, 2018, Congress passed House Resolution 195, which, among other things, appropriates the funds that comprise the Grants Receipts through February 8, 2018. Additional action by Congress may be required for TriMet to receive Grant Receipts after February 8, 2018.

No assurance can be given that Congress will continue to appropriate the funding authorized by the Fixing America's Surface Transportation Act or subsequent authorizing legislation, that Congress will authorize funding after FFY 2020, that Congress will not change the current authorization for the federal transportation programs, or that Congress and the federal government will take all actions necessary for TriMet to receive Grant Receipts in amounts sufficient to pay the Bonds. See "INVESTMENT CONSIDERATIONS—Uncertainties in Federal Funding."

The Bonds, including the Series 2018 Bonds, are secured by the Grant Receipts. The Grant Receipts consist of the IGA Receipts and the Section 5307 Receipts. The IGA Receipts consist of federal funding made available to TriMet under the Pledged IGAs, and under any additional IGAs that TriMet may pledge to pay the Bonds in the future. The Pledged IGAs commit Metro, as MPO, to provide TriMet with funding from FHWA's STPBG and CMAQ programs, which are part of the federal aid highway program ("FAHP"). FAHP is an "umbrella" term that encompasses most of the federal programs that provide highway funds. The Section 5307 Receipts consist of federal funding made available to TriMet under the under the FTA's Urbanized Area Formula Program, which is part of the Federal Transit Program ("FTP").

General

Congress has authorized funding for federal transportation programs for many years and through many different legislative acts, alternating between reauthorizations of various lengths as well as short-term extensions of those programs. The most recent authorization is Public Law 114-94, the Fixing America's Surface Transportation Act (the "FAST Act"). The FAST Act became law on December 4, 2015, and authorizes funding for surface transportation programs, including mass transit programs, for FFY 2016 through FFY 2020.

Congressional authorization of federal funding for the Grant Receipts is not, by itself, sufficient to allow TriMet to receive the Grant Receipts. Appropriations acts are necessary in order to create budget authority for federal expenditures such as the expenditure of the funds that comprise the Grant Receipts. Other federal actions must also take place to allow TriMet to receive Grant Receipts. See "Federal Appropriations" and "Other Required Federal Actions" below.

Reauthorization and Extensions

Federal transportation program funding must be reauthorized periodically by Congress; historically Congress has often authorized funding through multi-year reauthorization legislation. Prior to the enactment of the FAST Act, the last multi-year authorization of federal transportation funding was the "Moving Ahead for Progress in the 21st Century Act," or MAP 21, which provided funding for two FFYs, 2012-2014. In periods between multi-year authorizations, Congress consistently has used short-term extensions to fund federal transportation programs at the previously authorized funding levels. For example, between August 2014 and December 2015, Congress enacted five short-term extensions to provide continued funding for federal transportation programs, including the programs that provide the Grant Receipts.

ALTHOUGH CONGRESS HAS PROVIDED MULTI-YEAR AUTHORIZATIONS AND SHORT-TERM EXTENSIONS FOR TRANSPORTATION PROGRAMS IN THE PAST, THERE CAN BE NO ASSURANCE THAT ANY SUCH AUTHORIZATIONS WILL BE PROVIDED AFTER THE FAST ACT, OR ANY LEGISLATION THAT REPLACES THE FAST ACT, EXPIRES.

The Federal Highway Trust Fund

The Federal Highway Trust Fund ("HTF") provides the primary funding for federal transportation programs. The HTF was created by Congress in 1956 as a user-supported fund. The revenues of the HTF were intended for financing highways, with the taxes dedicated to the HTF paid by the users of the highways. The HTF has two accounts: the Highway Account which is the primary source of funding for FWHA programs such as the STPBG and CMAQ programs, and the Mass Transit Account that is the primary source of funding for FTA programs such as the Section 5307 program.

Taxes dedicated to the HTF have not kept pace with outlays from the HTF, and Congress has occasionally authorized transfers of U.S. Treasury general fund dollars and other amounts to maintain a balance in the HTF that is sufficient to provide for anticipated outlays from the HTF. Most recently the FAST Act authorized transfers to the HTF of $100 million from the Leaking Underground Storage Tank Trust Fund to the Highway Account (reduced to $93,400,000 by a sequester).

The table below shows the balance in the Highway Account and the Mass Transit Account from FFY 2009 through November 30, 2017.

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Status of the Highway Trust Fund (FFY 2009 – November 30, 2017†) (billions)

FFY	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018†
Highway Account										
Opening Balance	$10.032	$8.881	$20.743	$14.323	$9.731	$3.771	$11.376	$9.040	$51.435	$41.443
Receipts										
Net Tax Receipts	30.126	30.150	31.961	35.143	31.800	34.066	35.740	36.062	35.699	0.004
Interest Income	0.000	0.012	0.011	0.005	0.005	0.003	0.001	0.092	0.281	0.066
Other Receipts	7.191(1)	14.730(2)	0.038	2.493(3)	5.899(4)	18.435(5)	6.092(7)	52.120(8)	0.128(9)	0.098(10)
Total Receipts	37.317	44.893	32.010	37.641	37.704	52.504	41.834	88.274	36.108	4.315
Transfers										
To Mass Transit Account	1.005	1.052	1.140	1.103	0.796	1.159	1.246	1.170	1.175	0.400
From Mass Transit Account	0.108	0.028	0.034	0.020	0.050	0.051	0.029	0.078	0.052	0.000
Outlays	37.571	32.007	37.325	41.150	42.917	43.791	42.952	44.787	44.977	7.734
Closing Balance	8.881	20.743	14.323	9.731	3.771	11.376	9.040	51.435	41.443	37.624
Mass Transit Account										
Opening Balance	6.787	5.212	8.489	7.315	5.194	2.492	3.471	2.869	17.782	14.850
Receipts										
Net Tax Receipts	4.809	4.811	4.922	5.003	4.648	4.965	5.049	5.162	5.286	0.616
Interest Income	0.000	0.005	0.005	0.002	0.002	0.001	0.000	0.032	0.102	0.025
Other Receipts	0.000	4.800(2)	0.000	0.000	0.000	4.042(6)	2.000(7)	18.100(8)	0.000	0.000
Total Receipts	4.809	9.616	4.927	5.006	4.649	9.007	7.049	23.294	5.388	0.641
Transfers										
To Highway Account	0.108	0.028	0.034	0.020	0.050	0.051	0.029	0.078	0.052	0.000
From Highway Account	1.005	1.052	1.140	1.103	0.796	1.159	1.246	1.170	1.175	0.400
Outlays	7.281	7.363	7.207	8.210	8.098	9.136	8.868	9.472	9.442	1.525
Closing Balance	5.212	8.489	7.315	5.194	2.492	3.471	2.869	17.782	14.850	14.367

†Amounts shown for FFY 2018 are partial; through November 30, 2017.

(1) Includes a transfer of $7.0 billion to the Highway Account from the General Fund pursuant to P.L. 111-46.
(2) Includes a transfer of $14.7 billion to the Highway Account and a transfer of $4.8 billion to the Mass Transit Account from the General Fund pursuant to P.L. 111-147.
(3) Includes a transfer of $2.4 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 112-141.
(4) Includes a transfer of $6.2 billion to the Highway Account from the General Fund pursuant to P.L. 112-141, of which $316.2 million was sequestered.
(5) Includes transfers of $10.4 billion to the Highway Account from the General Fund pursuant to P.L. 112-141, of which $748.8 million was sequestered, $7.765 billion to the Highway Account from the General Fund and $1.0 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 113-159.
(6) Includes transfers of $2.2 billion to the Mass Transit Account pursuant to P.L. 112-141, of which $158.4 million was sequestered, and $2.0 billion to the Mass Transit Account pursuant to P.L. 113-159.
(7) Includes a transfer of $6.068 billion to the Highway Account and a transfer of $2.0 billion to the Mass Transit Account from the General Fund pursuant to P.L. 114-41.
(8) Includes transfers of $51.9 billion to the Highway Account and $18.1 billion to the Mass Transit Account from the General Fund and $100 million to the Mass Transit Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 114-94.
(9) Includes a transfer of $100 million (reduced to $93,100,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 114-94.
(10) Includes a transfer of $100 million (reduced to $93,400,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 114-94.

Source: Federal Highway Administration Table FE-1 as of November 30, 2017.

Statutory authority (i) to impose the taxes that are dedicated to the HTF, (ii) to place the revenues resulting from those taxes in the HTF and (iii) to expend moneys from the HTF all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by the FAST Act. The FAST Act extends the imposition of the majority of the taxes as well as the transfer of the taxes to the HTF through September 30, 2022. Expenditures from the HTF are authorized through September 30, 2020.

Over the past nine years, spending has exceeded the HTF's revenues by a total of $74 billion. Since 2008, Congress has authorized a series of transfers to the HTF to avoid delaying payments to state and local governments. Most recently, the FAST Act authorized the transfer of about $100 million to the HTF in FFY 2018 (reduced to $93,400,000 by a sequester). Including that amount, transfers into the HTF since 2009 have totaled over $135 billion, taking into account transfers from the General Fund and the Leaking Underground Storage Fund, but reduced by $1.237 billion that was sequestered in FFY 2013, 2014, 2017 and 2018.

Based on a Congressional Budget Office ("CBO") report dated December 2, 2015, the FAST Act was projected to reduce budget deficits in the HTF by $71 billion over the FFY 2016-2025 period, mostly due to the transfer to the HTF in December 2015 of $70 billion, largely from the general fund of the U.S. Treasury. Implementing the major provisions of the FAST Act is expected to result in additional discretionary spending totaling $201 billion over the period from FFY 2016 through FFY 2020, with spending from the HTF in that period expected to total $280 billion, and revenues and interest credited to the HTF over that period expected to amount to $208 billion.

Although the user-taxes that fund the HTF will continue to be collected and allocated to the HTF under the FAST Act, and despite the $70 billion transfer to the HTF provided for by the FAST Act, the HTF faces projected revenue shortfalls in the future. Because the primary source of funds in the HTF is federal excise taxes on motor fuels, any trends that reduce total vehicle miles traveled or increase fuel efficiency of automobiles and trucks in the United States could result in the HTF receiving less revenue from gasoline and diesel sales. The CBO, in its Budget and Economic Outlook: 2016 to 2026, projects that the HTF will be able to meet all obligations through FFY 2020, but that the HTF balance will be exhausted in FFY 2021. Under current federal law, a positive balance is required to be maintained in the HTF to ensure that prior commitments for distribution of federal revenues can be met. Unless Congress enacts a measure to address revenue generation for the HTF, the HTF is projected to face another revenue shortfall when the FAST Act expires, which may impact the availability of federal transportation funds to pay debt service on the Series 2018 Bonds.

IGA Receipts

TriMet has pledged the IGA Receipts to pay the Bonds. The IGA Receipts currently consist of amounts that TriMet receives under the Pledged IGAs from the STPBG program and the CMAQ program.

The STPBG program, or "Surface Transportation Block Grant Program" was created by the FAST Act to replace the long-standing FHWA Surface Transportation Program ("STP"). The FAST Act converts the STP to a block grant program to conform that program to the way that the FHWA historically has administered the STP. For simplicity this Official Statement refers to both the STP and the STPBG as the "STPBG." The FAST Act's STPBG program continues all prior STP eligibilities and adds additional eligibilities. The FAST Act authorizes funding for the STPBG of $11.7 billion in FFY 2018, and increasing amounts in each year thereafter until FFY 2020, when STPBG receives $12.1 billion of authorization.

The CMAQ program, or "Congestion Mitigation and Air Quality Improvement Program," is jointly administered by the FHWA and the FTA. It provides a flexible funding source for transportation projects and programs that help improve air quality and reduce congestion. The FAST Act continued the

CMAQ program, authorizing total CMAQ program funding of $2.4 billion in FFY 2018, and increasing amounts in each year thereafter, ending with $2.5 billion in FFY 2020.

Section 5307 Receipts

TriMet has pledged the Section 5307 Receipts to pay the Bonds. The Section 5307 Receipts consist of the amounts TriMet receives under the Urbanized Area Formula Program authorized by Section 5307 of Title 49, subtitle III, Chapter 53 of the United States Code, as that section may be amended from time to time, and any replacement federal funding programs. The Urbanized Area Formula Program is administered by the FTA, and provides for federal capital and operating assistance for mass transportation in urbanized areas. With a population greater than 200,000, TriMet does not qualify for grants for operating assistance under the Section 5307 program but is eligible for grants related to capital and planning assistance.

TriMet receives a share of the Urbanized Area Formula Program funds apportioned to the Portland, OR-WA Urbanized Area. The Portland, OR-WA Urbanized Area includes three transit agencies that qualify for Urbanized Area Section 5307 apportioned funds: TriMet, C-TRAN (which serves Clark County, Washington), and SMART (which serves Wilsonville, Oregon).

Once Congress appropriates Section 5307 funds, the FTA announces the amount of Section 5307 funds apportioned to each urbanized area with populations greater than 50,000 (each an "Urbanized Area") based upon a legislatively-mandated formula and the amounts available to be obligated by the FTA. For areas with populations of 200,000 or more, the formula is based on a combination of bus revenue miles, bus passenger miles, fixed guideway vehicle miles, and fixed guideway route miles as well as population and population density.

Section 5307 funds are then sub-allocated among the qualifying transit agencies within the Urbanized Area, after which the transit agencies may submit grant applications to the FTA. Following FTA approval of an application, the FTA obligates federal funds for the specific eligible projects and reserves those funds to be drawn by the designated recipient on a reimbursement basis for approved projects. Once obligated and reserved, the obligated funds are available to be drawn until expended and do not lapse. Section 5307 funds apportioned to a Urbanized Area must be requested by the designated recipients and obligated within five FFYs following the FFY of apportionment. If apportioned funds are not obligated within that time frame, the apportionment to the Urbanized Area lapses and the apportioned funds revert to FTA for reapportionment under the Urbanized Area Formula Program. See "HISTORIC AND PROJECTED SOURCES OF FUNDS—Section 5307 Receipts—TriMet's Share of Section 5307 Formula Funds" table below.

TriMet does not receive Section 5307 formula funds from the FTA until moneys are expended for costs permitted by the underlying grants. Historically, TriMet has expended the full amount of its annual apportionment amount in the year the grants are awarded and the Section 5307 formula funds are obligated. TriMet has agreed in the Master Trust Agreement to take all the necessary steps to reprogram available Section 5307 formula funds appropriated in prior FFYs to the extent Grant Receipts are not sufficient to pay debt service on the Series 2018 Bonds.

The FAST Act authorizes a total of $4.7 billion of Section 5307 Formula Funds in FFY 2018, and increasing amounts each year thereafter, ending with $4.9 billion in FFY 2020.

Required TriMet Actions

STPBG, CMAQ and Section 5307 funding is generally available only for projects that are approved by the FHWA or the FTA. STPBG, CMAQ and Section 5307 funding is generally only available on a reimbursement basis in an amount that does not exceed the applicable federal share for the project. The federal share varies, but in many cases is 80 percent.

To receive STPBG, CMAQ and Section 5307 funding TriMet must provide the remaining funds for a project (the "local share") from money available to TriMet. TriMet's budget for the current Fiscal Year includes amounts sufficient to pay its local share of projects that are eligible for STPBG, CMAQ and Section 5307 funding, and TriMet's long-term financial plan anticipates providing sufficient TriMet funds to pay the local match for projects that are eligible for STPBG, CMAQ and Section 5307 funding in future years.

Federal Appropriations

Expenditure of the federal funds that comprise the Grant Receipts requires both that Congress adopt legislation, such as the FAST Act, that authorizes use of federal funds for particular purposes, and a separate Congressional authorization to spend the federal funds during a specified period (often called "appropriation"). Congress can appropriate funds by adopting a budget, passing an appropriations bill, or passing a continuing resolution. If no appropriation is in effect for a particular period, the federal government may not be able to provide the funds that comprise the Grant Receipts for that period.

Historically Congress has provided appropriations by adopting a budget for each Federal Fiscal Year. However, Congress has occasionally appropriated funds for shorter periods. For example, in FFY 2017, Congress did not adopt a comprehensive budget that appropriated the expenditures that comprise the Grant Receipts for all of FFY 2017. Instead, Congress adopted a series of short-term extensions that maintained funding levels. On September 29, 2016, House Resolution 5325 went into effect, which provided appropriations through December 9, 2016. House Resolution 2028, which became law on December 10, 2016, provided continuing appropriations through the earlier of April 28, 2017, or the enactment of the applicable appropriations legislation. House Joint Resolution 99 was subsequently adopted on April 28, 2017, and provided continuing appropriations through the earlier of May 5, 2017 or the enactment of applicable appropriations legislation

On May 4, 2017, Congress passed the Consolidated Appropriations Act, 2017, which appropriated funds through September 30, 2017 (the end of the then-current Federal Fiscal Year) to make the federal expenditures that comprise the Grant Receipts. Since then, Congress has passed a series of short-term funding extensions, including: House Resolution 601, which appropriated funds through December 8, 2017; House Joint Resolution 123, which appropriated funds through December 22, 2017; House Bill 1370, which appropriated funds through January 19, 2018, and House Resolution 195, which appropriates funds through February 8, 2018.

ADDITIONAL ACTION BY CONGRESS MAY BE REQUIRED FOR TRIMET TO RECEIVE GRANT RECEIPTS AFTER FEBRUARY 8, 2018.

Other Required Federal Actions

In addition to authorizing federal transportation funding that provide the Grant Receipts and appropriating the federal funds that comprise the Grant Receipts, funding for federal transportation programs also includes: (1) apportionment and allocation of funds to the states each FFY according to statutory formulas or, for some funding categories through administrative action; (2) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; and (3) continuing implementation of the programs that provide the Grant Receipts and reimburse TriMet for its expenditures of eligible project costs.

Other Federal Funds Not Pledged

TriMet receives funding from other federal programs that are not included in the Grant Receipts and are not pledged to pay the Bonds. These other programs include Section 5309 (Capital Investment Grants), Section 5310 (Enhanced Mobility of Seniors and Individuals with Disabilities), Section 5337 (State of Good Repair Grants) and Section 5339 (Buses and Bus Facilities Grants.

HISTORIC AND PROJECTED SOURCES OF FUNDS

IGA Receipts

The IGA Receipts consist of the amounts Metro is required to pay to TriMet under the Pledged IGAs from STPBG and CMAQ funds that are allocated to the Portland metropolitan region. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING—IGA Receipts" above.

The Pledged IGAs obligate Metro to transfer Committed Funds each FFY to TriMet, beginning in FFY 2011. STPBG and CMAQ funds that were allocated to the Portland metropolitan region for FFY 2011 through 2017 substantially exceeded the amount Metro is required to transfer to TriMet under the Pledged IGAs, and are shown in the following table.

Total STPBG and CMAQ Funds Allocated To Metro

FFY†	STPBG Funds*	CMAQ Funds	Total
2011	$23,117,089	$14,985,440	$38,102,529
2012	22,261,555	14,412,136	36,673,691
2013	23,983,647	13,418,422	37,402,069
2014	24,570,295	13,265,002	37,835,297
2015	24,665,502	12,849,056	37,514,558
2016	25,837,745	13,067,490	38,905,235
2017	26,464,188	14,188,864	40,653,052

† References are to FFYs (October 1 – September 30).
* FFY 2013 and forward includes apportioned Transportation Alternatives Program (TAP) funding.
Source: Metro.

Section 5307 Receipts

The Section 5307 Receipts consist of amounts TriMet receives under the Urbanized Area Formula Program authorized by Section 5307. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING—Section 5307 Receipts" above.

The following table sets forth total Section 5307 formula funds and the allocation of Section 5307 formula funds to the Portland, OR-WA Urbanized Area from FFYs 2011 through 2017 and TriMet's share of those funds.

TriMet's Share of Section 5307 Formula Funds

FFY†	Total Section 5307 Formula Funds(1)	Portland, OR-WA Local Urbanized Area Apportionment	TriMet(1)	TriMet's % Share of Urbanized Area Apportionment
2011	$3,217,975,318	$38,964,404	$34,564,993	89%
2012	3,216,794,430	39,072,871	34,580,799	89
2013	3,335,065,682	40,154,033	34,899,189	87
2014	3,383,335,801	41,053,972	36,100,977	88
2015	3,375,155,480	40,906,375	35,781,973	87
2016	3,433,209,749	42,833,891	37,185,990	87
2017	3,503,723,873	43,924,894	38,266,320	87

† References are to FFYs (October 1 – September 30).

(1) Amounts apportioned to urbanized areas with populations of one million or more. No assurance can be given that the legislatively set formula will not change and that if the formula were to change, such change would maintain TriMet's current share of the Section 5307 Urbanized Area Formula apportionment.

Source: FTA and TriMet.

As stated above, the Portland, OR-WA Urbanized Area includes three transit agencies that qualify for Urbanized Area Section 5307 apportioned funds: TriMet, C-TRAN, and SMART. TriMet, C-TRAN, and SMART annually engage in discussions on the allocation methodology and TriMet cannot guarantee that it will continue to receive its current percentage of the Urbanized Area apportionment.

Grant Receipt Cash Flows

The Master Trust Agreement obligates TriMet to deposit the first available Grant Receipts with the Trustee each Bond Year until the balance in the Debt Service Account is equal to all Bond principal and interest that are scheduled to be paid before the end of the Bond Year, plus one half of the Bond interest that is scheduled to be paid for the following Bond Year. TriMet receives Grant Receipts in multiple installments of varying amounts throughout each FFY. Historically TriMet has received and transferred sufficient Grant Receipts to the Trustee each Bond Year to comply with this deposit obligation, and to provide the Trustee with sufficient Grant Receipts in time to pay Bond principal and interest when it was due.

Once TriMet has complied with this obligation, TriMet may use subsequently received Grant Receipts for any authorized purpose.

Historical Coverage

The following table presents historical Coverage from Regional Transportation Funds and historical Coverage from Grant Receipts. Historical coverage is calculated using all Bonds that were then outstanding. Coverage from Regional Transportation Funds is calculated by dividing Annual Debt Service into Total Regional Transportation Funds. Total Regional Transportation Funds consist of all STPBG and CMAQ funds made available to Metro, plus TriMet's share of Section 5307 formula funds ("Section 5307 Receipts"). Coverage from Grant Receipts is calculated by dividing Annual Debt Service into Grant Receipts. Grant Receipts consist of payments made to TriMet under the Pledged IGAs and a 2005 IGA, the borrowings related to which have matured (the "IGA Receipts") plus Section 5307 Receipts.

Historical Coverage

FFY[†]	Total STPBG and CMAQ Funds Allocated to Metro (A)	IGA Receipts (B)	Section 5307 Receipts (C)	Total Regional Transporta-tion Funds (A+C)	Total Grant Receipts (B +C)	Annual Debt Service On Outstanding Bonds	Coverage from Regional Transporta-tion Funds	Coverage from Grant Receipts
2007	$27,615,782	$9,300,000	$29,377,890	$56,993,672	$38,677,890	$9,178,363	6.21	4.21
2008	28,838,377	9,300,000	31,419,385	60,257,762	40,719,385	10,673,413	5.65	3.82
2009	30,463,087	9,300,000	33,015,485	63,478,572	42,315,485	10,685,813	5.94	3.96
2010	35,317,013	9,300,000	32,060,548	67,377,561	41,360,548	10,707,013	6.29	3.86
2011	38,102,529	9,300,000	34,564,993	72,667,522	43,864,993	12,440,120	5.84	3.53
2012	36,673,691	13,000,000	34,580,799	71,254,490	47,580,799	17,547,172	4.06	2.71
2013	37,402,069	13,000,000	34,899,189	72,301,258	47,899,189	17,552,191	4.12	2.73
2014	37,835,297	15,000,000	36,100,977	73,936,274	51,100,977	17,573,941	4.21	2.91
2015	37,514,558	15,000,000	35,781,973	73,296,531	50,781,973	17,580,941	4.17	2.89
2016	38,905,235	16,000,000	37,185,990	76,091,225	53,185,990	17,433,460	4.36	3.05
2017	40,653,052	16,000,000	38,266,320	78,919,372	54,266,320	17,146,550	4.60	3.16

† References are to FFYs (October 1 – September 30).
Source: Metro for column A, Pledged IGAs for column B to TriMet for column C and remaining columns.

Estimated Projected Debt Service Coverage

The following table presents projected Coverage from Regional Transportation Funds and projected Coverage from Grant Receipts, calculated in the same manner as the preceding historical coverage table, using the following assumptions:

1. TriMet receives IGA Receipts according to the schedule in the Pledged IGAs. See "INTERGOVERNMENTAL GRANT AGREEMENTS—The Pledged IGAs" above.

2. Total STPBG and CMAQ Funds Allocated to Metro in FFY 2018 and beyond are equal to the average amounts allocated to Metro in FFY 2015-2017 (the last FFYs for which information is available) and do not increase. See "HISTORIC AND PROJECTED SOURCES OF FUNDS—Total STPBG and CMAQ Funds Allocated To Metro" table above.

3. Section 5307 Receipts remain the same as the average amount received by TriMet in FFY 2015 – 2017 (the last FFYs for which information is available) and do not increase. See "HISTORIC AND PROJECTED SOURCES OF FUNDS—TriMet's Share of Section 5307 Formula Funds" table above.

ESTIMATED PROJECTED DEBT SERVICE COVERAGE

FFY†	Total STPBG and CMAQ Funds Allocated to Metro (A)	Pledged IGA Receipts (B)	Section 5307 Receipts (C)	Total Regional Transportation Funds (A+C)	Total Grant Receipts (B+C)	Debt Service on Outstanding Bonds	Debt Service on Series 2018 Bonds	Total Debt Service on Bonds	Projected Coverage from Regional Transportation Funds	Projected Coverage from Grant Receipts
2018	$38,904,422	$16,000,000	$37,078,094	$75,982,516	$53,078,094	$15,748,150	$ 251,850(1)	$16,000,000	4.75	3.32
2019	38,904,422	20,380,000	37,078,094	75,982,516	57,458,094	15,751,150	248,850(1)	16,000,000	4.75	3.59
2020	38,904,422	21,390,000	37,078,094	75,982,516	58,468,094	15,749,750	5,639,425	21,389,175	3.55	2.73
2021	38,904,422	21,390,000	37,078,094	75,982,516	58,468,094	15,751,750	5,634,675	21,386,425	3.55	2.73
2022	38,904,422	21,840,000	37,078,094	75,982,516	58,918,094	14,975,750	6,864,175	21,839,925	3.48	2.70
2023	38,904,422	21,830,000	37,078,094	75,982,516	58,908,094	14,977,000	6,851,175	21,828,175	3.48	2.70
2024	38,904,422	21,800,000	37,078,094	75,982,516	58,878,094	14,975,250	6,819,675	21,794,925	3.49	2.70
2025	38,904,422	21,780,000	37,078,094	75,982,516	58,858,094	14,979,250	6,800,425	21,779,675	3.49	2.70
2026	38,904,422	21,760,000	37,078,094	75,982,516	58,838,094	14,977,250	6,782,675	21,759,925	3.49	2.70
2027	38,904,422	21,740,000	37,078,094	75,982,516	58,818,094	14,973,000	6,766,175	21,739,175	3.50	2.71
2028	38,904,422	17,280,000	37,078,094	75,982,516	54,358,094		17,275,675	17,275,675	4.40	3.15
2029	38,904,422	17,260,000	37,078,094	75,982,516	54,338,094		17,259,675	17,259,675	4.40	3.15
2030	38,904,422	17,240,000	37,078,094	75,982,516	54,318,094		17,237,925	17,237,925	4.41	3.15
2031	38,904,422	17,220,000	37,078,094	75,982,516	54,298,094		17,219,175	17,219,175	4.41	3.15
2032	38,904,422	17,190,000	37,078,094	75,982,516	54,268,094		17,186,675	17,186,675	4.42	3.16
2033	38,904,422	17,170,000	37,078,094	75,982,516	54,248,094		17,169,425	17,169,425	4.43	3.16
2034	38,904,422	17,150,000	37,078,094	75,982,516	54,228,094		17,149,825	17,149,825	4.43	3.16

† References are to FFYs (October 1 – September 30).
(1) Excludes the interest on the Series 2018 Bonds which is capitalized.
NOTE: Totals may not add due to rounding.
Source: TriMet.

INVESTMENT CONSIDERATIONS

This section describes certain risks that could have an adverse effect on TriMet's ability to pay the Bonds, including the Series 2018 Bonds. The following discussion is not meant to be a comprehensive list of the risks associated with the purchase of any Series 2018 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following points, among others, and to review the other information in this Official Statement, including the Appendices hereto, in evaluating the Series 2018 Bonds. Any one or more of the risks discussed, and others, could have an adverse effect on TriMet's ability to pay the Bonds and could lead to a decrease in the market value and/or in the liquidity of the Series 2018 Bonds. There can be no assurance that other risk factors will not become material in the future.

Uncertainties in Federal Funding

There can be no assurance that Congress and the federal government will take the actions necessary to allow STPBG, CMAQ and Section 5307 federal grant funds to be paid to TriMet in the amounts and by the dates required to enable TriMet to pay the debt service on the Bonds, including the Series 2018 Bonds. The amount of Grant Receipts that are paid to TriMet for payment of debt service on the Bonds, including the Series 2018 Bonds, is subject to continuing authorization and annual appropriation by Congress, to approval on an annual basis by the FHWA and the FTA and to continuing compliance by TriMet with ongoing requirements of numerous federal regulations and the Pledged IGAs. See "INTERGOVERNMENTAL GRANT AGREEMENTS" and "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING."

As described above, the Portland, OR-WA Urbanized Area includes three transit agencies, including TriMet, that qualify for an allocation of Section 5307 funds. Although the Section 5307 formula funds are sub-allocated in accordance with formulas that are published annually in the Federal Register, no assurance can be given that this policy (i) will not be deviated from on an exception basis, (ii) will not change in the future, or (iii) would maintain, if changed, the proportionate share TriMet receives under the current policy.

The FAST Act authorizes STPBG, CMAQ and Section 5307 funding through FFY 2020. No assurance can be given that Congress will renew or replace the FAST Act in a way that permits TriMet to receive sufficient STPBG, CMAQ and Section 5307 funding to pay the Bonds, including the Series 2018 Bonds.

As discussed above, the HTF was created by Congress to support state highway infrastructure, safety and mass transit projects, and was originally intended to be self-supporting from user taxes that are dedicated to the HTF. However, taxes dedicated to the HTF have not kept pace with outlays from the HTF and Congress appropriated about $70 billion of general and other fund money for the HTF as part of the FAST Act. The Congressional budget office recently predicted that the HTF balance will be exhausted in FFY 2021. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING—The Federal Highway Trust Fund" above.

As discussed above, on May 4, 2017, Congress passed the Consolidated Appropriations Act, 2017, which appropriated funds through September 30, 2017 (the end of the then-current Federal Fiscal Year) to make the federal expenditures that comprise the Grant Receipts. Since then, Congress has passed a series of short-term funding extensions, including: House Resolution 601, which appropriated funds through December 8, 2017; House Joint Resolution 123, which appropriated funds through December 22, 2017; House Bill 1370, which appropriated funds through January 19, 2018, and House Resolution 195, which appropriates funds through February 8, 2018.

ADDITIONAL ACTION BY CONGRESS MAY BE REQUIRED FOR TRIMET TO RECEIVE GRANT RECEIPTS AFTER FEBRUARY 8, 2018. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING—Federal Appropriations" above.

TRIMET CANNOT PREDICT WHETHER THE EXISTING FEDERAL PROGRAMS THAT CURRENTLY PROVIDE THE GRANT RECEIPTS WILL BE CONTINUED IN AMOUNTS SUFFICIENT TO ALLOW TRIMET TO PAY THE BONDS, INCLUDING THE SERIES 2018 BONDS.

Limited Obligations

The Series 2018 Bonds are limited obligations of TriMet payable solely from, and secured solely by a lien on, the Pledged Property, which includes only the IGA Receipts and Section 5307 Receipts and amounts credited to the Debt Service Account. The Bonds, including the Series 2018 Bonds are not a general obligation of TriMet and no other revenues or funds of TriMet and no Bond proceeds, are pledged to the payment of the Bonds, including the Series 2018 Bonds or the interest thereon. Neither the payment of the principal of or any part thereof nor any interest on the Bonds, including the Series 2018 Bonds constitutes a debt, liability or obligation of the State of Oregon or any political subdivision thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Limitations on Remedies of Bondholders

The rights and remedies of the Owners of the Series 2018 Bonds could be limited by the provisions of the United States Bankruptcy Code, as now or hereafter enacted (the "Bankruptcy Code"), or by other laws or legal or equitable principles that may affect the enforcement of creditors' rights or by the limitations on legal remedies against public entities in the State of Oregon. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a public entity to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such public entity is generally not paying its debts as they became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a public entity. To proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the public entity to file a petition under the Bankruptcy Code.

TriMet is currently not authorized by Oregon state law to file a petition under the Bankruptcy Code. Although TriMet is not aware of any active discussion by Oregon lawmakers regarding this issue, the Oregon Legislative Assembly could authorize TriMet to file such a petition in the future.

No Acceleration

Upon the occurrence and continuance of a Default under the Master Trust Agreement, payment of the principal of and accrued interest on the Bonds, including the Series 2018 Bonds, is not subject to acceleration. Payments of debt service on the Bonds, including the Series 2018 Bonds, are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, including the Series 2018 Bonds, the Bond owners would be required to bring a separate action for each payment not made. Any such action to compel payment or for money damages would be subject to limitations on legal claims and remedies, and legal opinions delivered in connection with the issuance of the Series 2018 Bonds will be qualified in such respect. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2018 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2018 Bonds, as a result of acts or omissions of TriMet subsequent to the issuance of the Series 2018 Bonds or a change in federal law.

Change in Tax Law

As further described under "TAX MATTERS," tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2018 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest.

Failure to Maintain Credit Ratings

Certain rating agencies have assigned ratings to TriMet's Series 2018 Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. TriMet undertakes no responsibility to maintain its current credit ratings on the Series 2018 Bonds or to oppose any downward revision, suspension or withdrawal. See "RATINGS" herein. There is no assurance current TriMet ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price of the Series 2018 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2018 Bonds or, if a secondary market exists, that the Series 2018 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse developments or economic prospects connected with a particular issue, secondary trading practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Initiative and Referendum

The State Constitution reserves to the (1) 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 and the referendum power to approve or reject at an election certain acts passed by the Legislative Assembly, and (2) voters in the TriMet District the initiative and referendum power as to legislation of TriMet. From time to time, initiatives and referenda affecting the operations of TriMet could be adopted. See APPENDIX A—"INFORMATION REGARDING TRIMET, INCLUDING AUDITED BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016—Tri-County Metropolitan Transportation District of Oregon—Initiative and Referendum Process."

LITIGATION

To the knowledge of TriMet, there is no litigation pending or threatened that would in any way (i) restrain or enjoin the issuance, sale or delivery of the Series 2018 Bonds or (ii) question the validity of the Series 2018 Bonds or the authority of TriMet to make principal and interest payments or to collect Grant Receipts to pay the Series 2018 Bonds.

TriMet is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of management and legal counsel that settlement of these matters will not have a material adverse effect on TriMet's financial position, results of operations or cash flows.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to TriMet, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2018 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet in connection with the Series 2018 Bonds, and Bond Counsel has assumed compliance by TriMet with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to TriMet, under existing statutes, interest on the Series 2018 Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2018 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2018 Bonds in order that interest on the Series 2018 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2018 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2018 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. TriMet has covenanted to comply with certain applicable requirements of the

Code to assure the exclusion of interest on the Series 2018 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2018 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2018 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2018 Bonds.

Prospective owners of the Series 2018 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2018 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2018 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2018 Bonds. In general, the issue price for each maturity of Series 2018 Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2018 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2018 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2018 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2018 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2018 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2018 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2018 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2018 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2018 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2018 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2018 Bonds.

Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Series 2018 Bonds are being purchased for reoffering by J.P. Morgan Securities LLC and Citigroup Global Markets Inc. (collectively, the "Underwriters"). The Contract of Purchase provides that the Underwriters will purchase all of the Series 2018 Bonds, if any are purchased. The purchase price of the Series 2018 Bonds is $127,490,471.75, which is equal to the principal amount of the Series 2018 Bonds ($113,900,000.00), plus net premium of $13,916,281.50 and less an Underwriters' discount of $325,809.75. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase, the approval of certain legal matters by counsel and certain other conditions. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2018 Bonds to the public. The Underwriters may offer and sell the Series 2018 Bonds to certain dealers (including dealers depositing the Series 2018 Bonds to investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The Underwriters may change the public offering prices from time to time.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2018 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2018 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018 Bonds that such firm sells.

RATINGS

The Series 2018 Bonds have received ratings of "A3" and "A", by Moody's Investors Service and S&P Global Ratings, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007; and S&P Global Ratings, 55 Water Street, New York, New York, 10004. 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 ratings will continue for any given period of time or that such ratings 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 ratings may have an adverse effect on the market price of the Series 2018 Bonds.

THE TRUSTEE, PAYING AGENT AND REGISTRAR

Wells Fargo Bank, National Association has been appointed as Trustee pursuant to the Master Trust Agreement. The obligations of the Trustee are described in the Master Trust Agreement. The Trustee is obligated to undertake only those duties and obligations that are expressly set forth in the Master Trust Agreement. The Trustee has not independently passed upon the validity of the Series 2018 Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Series 2018 Bonds, or the investment quality of the Series 2018 Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

MUNICIPAL ADVISOR

TriMet has retained Ross Financial, San Francisco, California as Municipal Advisor in connection with the authorization and issuance of the Series 2018 Bonds. The Municipal Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series 2018 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings. The Municipal Advisor's fee is contingent on closing of the Series 2018 Bonds.

LEGALITY

Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to TriMet, will render an opinion with respect to the validity and enforceability of the Series 2018 Bonds and the Master Trust Agreement. Hawkins Delafield & Wood LLP from time to time represents the Underwriters on unrelated transactions. The form of the opinion of Bond Counsel appears as Appendix B to this Official Statement. Certain legal matters will be passed upon for TriMet by Shelley Devine, General Counsel to TriMet, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, LLP, Portland, Oregon. Orrick, Herrington & Sutcliffe LLP from time to time represents TriMet in certain other bond matters.

CONTINUING DISCLOSURE

TriMet has covenanted for the benefit of the holders and beneficial owners of the Series 2018 Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than nine months following the end of TriMet's FY and to provide notices of the occurrence of certain listed events. The Annual Disclosure Report and the notices of certain listed events are to be filed by TriMet with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Disclosure Report and in notices of events is to be listed in an agreement (the "Continuing Disclosure Certificate") to be executed and delivered by TriMet as a condition to the issuance of the Series 2018 Bonds. The form of the Continuing Disclosure Certificate is included in this Official Statement as Appendix C. These covenants are being made by TriMet to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule").

TriMet believes that in the previous five years it has not failed to comply, in all material respects, with any previous continuing disclosure undertakings under the Rule.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between TriMet and the purchasers or holders of any of the Series 2018 Bonds. Any statements made in this Official Statement involving matters 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 TriMet, since the date hereof.

OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Series 2018 Bonds, TriMet will deliver a certificate of its Authorized Representative addressed to the Underwriters to the effect that Authorized Representative has examined this Official Statement and the financial and other data concerning TriMet contained herein and that, to the best of the Authorized Representative's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Series 2018 Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, provided however, TriMet makes no representation regarding information in this Official Statement related to the Underwriters or the book entry system; and (ii) between the date of this Official Statement and the date of the delivery of the Series 2018 Bonds there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of TriMet except as set forth in this Official Statement or an amendment thereto.

CONCLUDING STATEMENT

The execution and delivery of this Official Statement has been duly authorized by TriMet.

TRI-COUNTY METROPOLITAN TRANSPORTATION
DISTRICT OF OREGON

By: /s/ Dee Brookshire
Executive Director of Finance and Administration

APPENDIX A

INFORMATION REGARDING TRIMET, INCLUDING
BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON

All capitalized terms used and not defined in this Appendix A shall have the meanings assigned to such terms in the forepart of this Official Statement to which this Appendix A is attached. Unless otherwise specifically noted herein, source data for tables is provided by TriMet.

General

TriMet is a municipal corporation established in 1969 under Oregon law, particularly ORS Chapter 267, to provide public transportation in the Portland, Oregon metropolitan area. TriMet's service area covers approximately 533 square miles within Multnomah, Washington and Clackamas counties. See "Service Area" below.

Board of Directors

TriMet policy is set by a seven member Board of Directors. Board members are unpaid citizen volunteers appointed to four-year terms by the governor of the State and confirmed by the Oregon Senate. Each Board member represents a geographical district. Board members with expired terms serve until another member is appointed and confirmed.

TABLE A-1
TRIMET BOARD OF DIRECTORS

District No.	Director	Date of Original Appointment	Current Term Expiration
1	Bruce Warner, President	February 20, 2012	February 19, 2020
2	Joe Esmonde	June 5, 2013	March 31, 2018
3	Dr. Linda Simmons	December 14, 2016	May 31, 2019
4	Lori Irish Bauman	May 14, 2015	May 31, 2019
5	Dr. T. Allen Bethel, Vice President	March 1, 2010	February 28, 2018
6	Travis Stovall	February 20, 2012	February 19, 2020
7	Craig Prosser	December 1, 2011	February 28, 2018

Source: TriMet.

Key Administrative Staff

Neil McFarlane, General Manager, has served as Chief Executive Officer of TriMet since July 1, 2010. Before becoming General Manager, Mr. McFarlane served as TriMet's executive director for capital projects since 1998. In this role, he led the development, design and construction of TriMet's capital facilities, including the Airport, Interstate, I-205 and Portland Mall MAX extensions, and Westside Express Service Commuter Rail. From 1991 to 1998, he was TriMet's project control director for the Westside light rail project. Prior to joining TriMet, he worked for Metro and helped manage construction for the Oregon Convention Center. Mr. McFarlane received a Bachelor's degree from California State Polytechnic University at Pomona, and a master's degree in Urban Planning from the University of California at Los Angeles. Mr. McFarlane is expected to retire in February, 2018. TriMet is actively searching for his replacement and anticipates that a finalist for the position will appear before the TriMet Board of Directors at the Board's January 24, 2018 meeting. TriMet will select a replacement shortly after the January 24 Board meeting.

Shelley Devine, General Counsel, oversees the Legal Department and advises the General Manager and the TriMet Board. Ms. Devine joined TriMet in 2008 as Senior Deputy General Counsel focusing on labor, employment and operations. Ms. Devine became General Counsel in March, 2014. Prior to joining TriMet, Ms. Devine served as legal counsel for two national companies headquartered in Portland. Ms. Devine received a Bachelor's Degree in Journalism from the University of Oregon and a JD from the University of California, Berkeley.

Dee Brookshire, MBA, CGFM, Executive Director, Finance and Administration, oversees TriMet's financial services, budgets and grants administration, procurement, contracts administration, revenue operations, and risk management. Ms. Brookshire has more than 30 years' experience in public agency and private sector finance, including seven years as Chief Financial Officer for Sacramento Regional Transit District. Ms. Brookshire received a Bachelor's Degree from California State University, Sacramento, and a Masters of Business Administration from the University of Nevada, Reno. She joined TriMet in 2014.

Nancy Young-Oliver, CPA, CISA, CFE, MBA, Director, Budget and Grants, is responsible for grants administration and budgeting. Ms. Young-Oliver is a Certified Public Accountant and received a Masters of Business Administration degree from Portland State University. She has 19 years' experience in auditing and public accounting. She joined TriMet in 2015.

Cara Fitzpatrick, CPA, CFE, Director, Financial Services, oversees TriMet's Financial Services including accounting, cash management, investments, financial reporting, payroll services, and pension administration. Ms. Fitzpatrick received a Bachelor's Degree in Accounting from the University of Wisconsin, Madison. She joined TriMet in 2017 with more than 15 years' experience in auditing and accounting for and with public agencies, including Multnomah County and the City of Tigard.

Staff and Bargaining Units

As of December 1, 2017, TriMet has approximately 2,504 union and 467 non-union full time and part time employees. Of these 1,303 are bus drivers and 203 are rail operators. Also employed are 691 maintenance personnel, of which 284 are for bus maintenance, 330 are for light rail facilities, trains and equipment and 77 are for other transit facilities. The Amalgamated Transit Union (the "ATU") represents TriMet's union employees.

In FY 2015, the ATU and TriMet negotiated a labor agreement that was retroactively effective from December 1, 2012 and ran through November 30, 2016 (the "2015 Agreement"). Under Oregon statutes, mass transit districts are subject to a no-strike provision and, while negotiating the current contract, TriMet operated under work rules existing in the contract which expired November 30, 2012. TriMet works under a statute that requires that an arbitrator determine the provisions of a disputed labor contract in the event that the parties are unable to agree. TriMet and the ATU reached a binding agreement which was ratified by the ATU and adopted by the TriMet Board on December 13, 2017.

Service Area

TriMet provides a mass transit system to the more populous parts of Multnomah, Washington and Clackamas counties in Oregon (the "Tri-County Area"), which include the greater Portland metropolitan area. The portion of the Tri-County Area served by TriMet covers an area of approximately 533 square miles. The Tri-County Area contains a total population of approximately 1.8 million, approximately 40 percent of the population of the State of Oregon. The major cities in the TriMet service area are Portland, Oregon, with a 2017 population of 639,100; Gresham, Oregon, with a 2017 population of 109,820; and Beaverton, Oregon with a 2017 population of 95,685. See the TriMet service area map in the forepart of this Official Statement.

Operations

Scope of Operations. As of June 2017, TriMet's services included 79 bus lines, a 59-mile light rail system (known as the Metropolitan Area Express or "MAX") and a 14.7-mile, heavy rail commuter line (known as the Westside Express Service or "WES"). TriMet's 79 bus lines serve 17 major transit centers where buses and trains meet, and include 73 routes that connect with MAX light rail, the Portland Streetcar (which is owned by the City of Portland and described below), or TriMet's WES commuter rail line. TriMet's bus and MAX services are concentrated in downtown Portland along the Portland Transit Mall.

TriMet's passenger facilities include 1,084 bus shelters; 682 buses; 6,640 bus stops; 35 park-and-ride lots, with approximately 12,189 parking spaces; and 253 paratransit buses and 15 vans that provide door-to-door service as part of TriMet's current paratransit service ("LIFT") for passengers with disabilities unable to ride TriMet buses or MAX. TriMet's facilities also include approximately 1,800 bike parking spaces, including six bike-and-ride facilities with secure parking for 380 bicycles, 500 bike lockers and 900 bike rack spaces.

TriMet's MAX light rail system, a 59-mile system with five lines, includes 142 vehicles and 97 stations. The City of Portland owns and operates the Portland Streetcar system, which provides service in downtown Portland and inner Northwest and inner southwest Portland neighborhoods. The infrastructure of the Portland Streetcar is owned and financed by the City of Portland. TriMet does not pay for costs of capital construction related to the Portland Streetcar, however, through separate Master and Operating Agreements with the City of Portland, TriMet personnel provide assistance with the operation and maintenance of the Portland Streetcar. TriMet contributes approximately 60 percent of the operating costs, net of revenue, for the Portland Streetcar.

TriMet's Accessible Transportation Program or LIFT service is a shared-ride door-to-door public transportation service for people who are unable to use buses or MAX due to a disability. The LIFT service boundary is three-fourths of a mile beyond TriMet's bus and MAX lines. LIFT service operates during the same hours as bus and MAX services, generally 4:30 a.m. to 2:30 a.m., seven days a week.

The WES commuter rail line uses existing freight rail tracks to serve the cities of Beaverton, Tigard, Tualatin and Wilsonville along the I-5/Highway 217 corridor in the western part of TriMet's service area. WES trains are operated for TriMet by Portland & Western Railroad, Inc., (the "Railroad") a regional freight railroad company owned by Genesee & Wyoming Inc., on tracks owned by the Railroad. WES trains run approximately every 30 minutes, Monday through Friday, during the morning and afternoon rush hours.

The weighted average age of the fixed-route bus fleet is 8 years and the weighted average age of TriMet's light rail vehicles is 16 years. In FY 2017, TriMet operated 24.3 million fixed-route bus miles, 9.0 million light rail car miles, 0.1 million commuter rail miles and 8.9 million paratransit vehicle miles. TriMet's entire system is wheelchair accessible.

Ridership. Table A-2, below, shows ridership information during the period FY 2006 through FY 2017. Ridership declined from FY 2010 to FY 2014 as a result of service cuts implemented in response to the economic downturn during FY 2009 and FY 2010. Ridership began to increase in the final quarter of FY 2014 as restoration of service began to be implemented. The last segments of frequent service that were cut during the financial recession were fully restored in FY 2016. Based on TriMet surveys, 78 percent of its riders choose TriMet over driving.

TABLE A-2
TRIMET RIDERSHIP: FISCAL YEARS ENDED 2007-2017
(000s)

	Fixed Route Bus and Rail		Paratransit		System	
FY	Annual	Average Weekday	Annual	Average Weekday	Annual	Average Weekday
2007	96,918	310	1,084	3.7	98,002	314
2008	99,230	315	1,122	3.8	100,352	319
2009(1)	101,467	323	1,088	3.7	102,555	327
2010(2)	99,337	315	1,073	3.6	100,410	319
2011	100,003	318	1,064	3.6	101,067	322
2012	102,238	325	1,063	3.6	103,301	329
2013(3)	99,247	316	1,038	3.6	100,285	320
2014(3)	98,775	315	1,037	3.6	99,812	319
2015	100,711	321	1,042	3.6	101,753	325
2016	100,479	319	1,065	3.7	101,544	323
2017	97,969	312	1,018	3.5	98,986	315

(1) Includes WES commuter rail beginning February 2009.
(2) Ridership in FY 2010 decreased due to bus service reductions and regional employment, which was down 4.3 percent in FY 2010 compared to FY 2009.
(3) Ridership decreases in FY 2013 and FY 2014 were a result of the continued impact of service cuts and the elimination of the free rail zone. Ridership showed increases in the final quarter of FY 2014, as restoration of frequent service routes began to be implemented.
Source: TriMet.

Revenue Sources

In FY 2017, total operating and non-operating revenue were derived from the following sources: approximately 60 percent from payroll taxes and self-employment taxes assessed by TriMet and payments received from the State of Oregon in-lieu of taxes on State payrolls, 21 percent from passenger fares, 16 percent from state and federal operating grants and 3 percent from other sources such as advertising, payments for contracted operations, and interest earnings. See "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016" contained in this APPENDIX A.

TriMet has the authority to raise certain kinds of additional revenues without State legislation, but TriMet's actions may be referable. See "Initiative and Referendum Process—Local Measures" below.

In July 2017 the Oregon legislature adopted a new statewide wage withholding tax to fund public transit, including TriMet. Beginning July 1, 2018 nearly every employer in Oregon will be required to withhold and remit 0.1% (one-tenth of one percent) of an employee's wages. It is estimated that this new payroll tax would approximately provide an additional $40 million annually to TriMet.

Capital Improvements

Capital Program Committee. TriMet's capital planning process was redesigned in FY 2015 with the establishment of the Capital Program Committee (the "CPC") whose primary function is to assist the General Manager in the development and management of the Capital Improvement Program (the "CIP").

The CPC is comprised of TriMet's ten executive team members plus the Chief Information Officer and, under the General Manager's authority, is responsible for managing and administering TriMet's CIP. The CPC meets monthly and is chaired by the Chief Operating Officer with the Director of Capital Projects serving as vice-chair.

The CPC reviews, evaluates and recommends projects and upon approval and addition to the CIP, monitors the progress of the overall program of projects both within their respective divisions and as a group, the progress of the TriMet-wide CIP. If projects are stalled or delayed, funding may be shifted to other projects to keep as many going forward to completion as possible throughout the year.

Capital Improvement Program. The current five-year CIP contains approximately 147 projects with an estimated total cost of $1.36 billion. Key near term projects over $25 million include the Division Bus Rapid Transit (in August 2015 the FTA approved commencement of project development), Southwest Corridor High Capacity Transit, replacement of an additional 77 buses in early 2016 and 40 plus bus replacements or additions (for new service) scheduled for every year thereafter for the next four years, planning for the expansion of the MAX Red Line to Fairplex, completion of the electronic fare system to allow for a phase out of paper tickets and implementation of a new way to pay fares, renovation of the Powell Garage and LIFT relocation, improvements to the fiber optic network, and CCTV camera installations. Several of the projects listed assume additional external funding from local and federal sources that are not yet approved.

The CIP classifies projects within nine categories including system expansion programs; transit security and safety programs; infrastructure programs; facilities programs; fleet programs; equipment programs; information technology programs; planning/studies programs; or other programs.

Cost estimates are provided over a five-year time horizon within which the first year of the five-year plan is the adopted capital budget for the current FY. The CPC is in the process of expanding the time horizon of the CIP to provide thirty-five year projections on known replacement programs such as vehicle replacements and infrastructure rehabilitation.

Table A-3, below, provides a summary of TriMet's five-year CIP.

TABLE A-3
TRIMET CAPITAL IMPROVEMENT PLAN (CIP SUMMARY)

PROJECTS	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5 Year Total
System Expansion	$51,385,946	$73,833,307	$95,212,799	$58,851,306	$461,890,796(1)	$741,174,154
Fleet	46,740,265	53,849,654	48,767,582	39,161,561	48,130,668	236,649,730
Infrastructure	29,844,960	29,581,784	38,980,991	34,011,718	20,197,467	152,616,920
Facility	23,500,993	20,237,136	35,442,563	30,548,972	17,829,006	127,558,670
Transit Security & Safety	25,509,689	14,139,492	7,658,603	1,900,572	1,250,000	50,458,356
Information Technology	27,761,092	6,671,892	3,888,301	2,373,991	2,309,098	43,004,374
Equipment	4,208,620	1,569,377	1,933,314	1,588,604	1,100,187	10,400,102
Other	1,509,785	250,000	250,000	250,000	250,000	2,509,785
Total	$210,461,350	$200,132,642	$232,134,153	$168,686,724	$552,957,222	$1,364,372,091

(1) Dependent upon external funding for Southwest Corridor Project.
Source: TriMet.

TriMet's capital budget for the FY 2018 includes but is not limited to the following major expenditures:

Bus Replacements	$29.3 million
Portland-Milwaukie Light Rail Transit	23.8
Southwest Corridor Project	16.5
EFare System	14.5
Division Transit Expansion	10.3
Relocated TriMet Transit Police	9.9
Powell LIFT Relocation	9.2
Powell Master Plan	6.7
CCTV Cameras	6.0
Rail Reliability: LRT System Improvements	5.2
Bus Dispatch System	3.9
Blue Line Station Rehab	3.8
ATP – LIFT Vehicle Replacements & Expansion	3.7
Rail Pedestrian Safety Enhancements	3.3
Elevator End of Life Replacement / Refurbishment	3.0
Total:	$149.1 million

Debt Management

It is the policy of TriMet to adhere to sound debt issuance practices, including a commitment to long-term capital and financial planning, full and timely repayment of all borrowings; to achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and to maintain access to capital markets through preserving and enhancing the quality of TriMet's borrowings.

TriMet has not defaulted on any debt obligation and has not used bond proceeds to pay operating costs. TriMet's Board is expected to adopt the most recent version of the Debt Management Policy in January 2018. The policy includes the following guidelines:

- TriMet may issue long-term or short-term debt. When debt is issued to finance capital acquisitions, the term of debt should not exceed the estimated useful life of the asset being financed up to a maximum term of 35 years.

- Senior Lien Payroll Tax and Full Faith and Credit Bonds are limited via a comparison of debt service payments as a percentage of projected continuing revenues. Projected debt service on TriMet's Senior Lien Payroll Tax Bond, Lease payments and Full Faith and Credit Bonds shall remain below 6.0 percent of TriMet's projected continuing revenues.

- The method of sale will be determined in consultation with TriMet's independent financial advisor, with the objective of providing TriMet with the lowest overall cost of financing and most efficient market access.

TriMet's Debt Management Policy is subject to change at any time by Board action.

Long-Term Debt

TriMet has a number of long-term debt issues outstanding.

Capital Grant Receipt Revenue Bonds. Before issuance of the 2018 Bonds, TriMet has two series of Bonds outstanding. Table 4 below shows the Series 2011A Bonds and 2017A Bonds that were outstanding as of December 31, 2017 in the aggregate principal amount of $118,535,000.

Borrowings with a Senior Lien on Payroll Taxes. TriMet has six series of bonds Outstanding that are payable from and secured by a senior lien pledge of payroll taxes and self-employment taxes assessed by TriMet and payments received from the State of Oregon in-lieu of taxes on State payrolls. As presented in Table 4 below, those borrowings were outstanding as of December 31, 2017 in the aggregate principal amount of $323,140,000.

Full Funding Grant Agreement Bonds with a Subordinate Lien on Payroll Taxes. TriMet has issued one series of Full Funding Grant Agreement ("FFGA") Bonds: $125,000,000 were outstanding as of December 31, 2017. The outstanding FFGA Bonds are payable from all legally available funds of TriMet, and are secured by: (i) a first lien on amounts received by TriMet under a FFGA between TriMet and the FTA for the PMLR; and (ii) a second lien on the payroll taxes and self-employment taxes assessed by TriMet and payments received from the State of Oregon in-lieu of taxes on State payrolls.

TRIMET'S OUTSTANDING LONG-TERM DEBT – AS OF DECEMBER 31, 2017

	Dated Date	Final Maturity Date	Original Principal Amount	Amount Outstanding
Capital Grant Receipt Revenue Bonds				
Series 2011A	06/30/11	10/01/27	$142,380,000	$42,520,000
Series 2017A	08/30/17	10/01/27	76,015,000	76,015,000
Total Capital Grant Receipt Revenue Bonds			**$218,395,000**	**$118,535,000**
Bonds Secured by Payroll Taxes				
Senior Lien Bonds				
Series 2009A and 2009B	10/27/09	09/01/33	$ 49,550,000	$ 15,910,000
Series 2012A	08/30/12	09/01/37	93,290,000	13,670,000
Series 2015A and 2015B	09/09/15	09/01/40	134,590,000	121,685,000
Series 2016A	05/11/16	09/01/37	74,800,000	74,445,000
Series 2017A	02/22/17	09/01/41	97,430,000	97,430,000
Subordinate Lien Bonds				
2013 FFGA Bonds	03/07/13	11/01/19	325,000,000	125,000,000
Total Bonds Secured by Payroll Taxes			**$774,660,000**	**$448,140,000**
Total Long Term Debt			**$993,055,000**	**$566,675,000**

Source: TriMet.

Future Debt Plans

TriMet anticipates issuing up to $468 million of borrowings secured by the payroll tax revenues between FYs 2018 and 2026, depending upon the level of external funding from federal, state, and local sources available to fund the CIP.

TriMet expects to issue additional bonds, which may include Capital Grant Receipt Revenue Bonds, to finance its regional projects that are under development.

TriMet may also may issue refunding bonds to achieve debt service savings.

Audits

The Oregon Municipal Audit Law (ORS 297.405 to 297.555, as amended) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least annually. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit must be performed by accountants whose names are included on the roster prepared by the State Board of Accountancy.

TriMet's audits for the FYs ended June 30, 2017 and 2016 were performed by Moss Adams LLP, Portland, Oregon (the "Auditor"). A copy of the financial statements and supplementary information for June 30, 2017 and 2016, with the Auditor's report therein, is included in this Appendix A. The Auditor was not engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor has not performed any procedures relating to this Official Statement. TriMet did not request the Auditor to consent to inclusion of its reports for FYs ended June 30, 2017 and 2016 in this Official Statement.

Budgeting Process

TriMet prepares an annual budget in accordance with provisions of the Oregon Local Budget Law (ORS Chapter 294, as amended) ("Oregon Budget Law"), which provides procedures for the preparation, presentation, administration and appraisal of budgets. During the months from November through April of each year, TriMet staff develops a proposed budget under the supervision of the Executive Director of Finance and Administration. Oregon Budget Law requires a balanced budget.

The budget process begins with TriMet's forecast of revenues and expenditures. The forecast is for a period of at least ten years. The Executive Director of Finance and Administration presents the forecast results, assumptions and major financial issues to the General Manager. The General Manager decides which revenue and expenditure measures TriMet will pursue, and the level of capital and operating funding in the upcoming budget year. Approval of the budget requires a majority vote of the Board.

The approved budget must be submitted to the Multnomah County Tax Supervising and Conservation Commission (the "TSCC") by May 15 of each year. The TSCC reviews the budget and holds a public hearing. Prior to the public hearing, a notice of hearing is published. Publication is governed by strict time and mode requirements. At the hearing, members of TriMet's Board and senior management answer TSCC questions on the budget and other major issues affecting TriMet. TriMet's budget must be certified and approved by the TSCC prior to adoption by the Board. Final adoption of the annual budget and appropriation of funds by the Board must occur no later than June 30 each year. Supplemental budgets, if required, are considered and adopted by the same process as the regular budget, including public hearing and notice requirements and certification by the TSCC. During the course of the FY, interfund transfers and changes and reductions in spending may be made with approval of the Board and do not require formal budget amendments or supplements.

Fiscal Year 2017 and 2018 Budgets

The budget for TriMet's FY 2017 (the "FY 2017 Budget") adopted by the Board May 25, 2016, focuses on changes in service, operating and maintaining the existing transit system and continued commitment to strengthen pension reserves. The FY 2017 Budget includes increased payroll tax rates that support service expansion.

The budget for TriMet's FY 2018 (the "FY 2018 Budget") adopted by the Board May 24, 2017, continues to focus on safety, improving service, operating and maintaining the existing transit system and continued commitment to strengthen pension reserves.

TriMet's adopted budgets for FY 2017 and FY 2018 are summarized in Table A-4. The beginning fund balance shown in the FY 2018 Budget is based on a projection of revenues and expenditures for FY 2017. Estimated FY 2017 year-end unrestricted fund balance is $172,051,393.

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TABLE A-4
TRIMET ADOPTED BUDGETS

	FY 2017 General Fund Operating Account Budget	FY 2018 General Fund Operating Account Budget[1]
Resources		
Beginning fund balance[2]	$ 336,780,565	$ 435,376,715
Operating revenues		
Passenger	120,700,000	120,150,000
Other	18,144,614	19,672,313
Total operating revenue	**138,844,614**	**139,822,313**
Tax revenue		
Employer payroll	318,701,301	345,813,668
Self-employed	16,249,828	18,770,870
State “in-lieu”	1,795,408	1,507,006
Total tax revenue	**336,746,537**	**366,091,544**
Other revenue		
Federal operating grants	81,992,558	87,442,283
State operating grants	1,354,292	1,249,657
Local operating grants	1,174,814	1,197,737
Interest	575,000	577,875
Miscellaneous	4,454,391	4,125,114
Total other revenue	**89,551,055**	**94,592,666**
Total operating resources (excluding beginning Fund balance)	**565,142,206**	**600,506,523**
Capital Program Resources	14,980,042	56,918,657
Light Rail Program Resources	125,000,000	100,000,000
Other Non-Operating Resources	6,465,101	6,595,892
Bond Proceeds	0	0
Total resources	**1,048,367,914**	**1,199,397,787**
Expenditures		
Office of the General Manager	1,894,317	1,834,723
Public Affairs	15,050,888	15,932,905
Safety & Security	21,952,582	25,314,520
Information Technology	11,057,539	12,275,646
Finance & Administration	18,039,461	20,253,953
Labor Relations & Human Resources	3,773,785	4,521,453
Legal Services	2,098,171	2,236,196
Operations	336,842,276	354,473,652
Capital Projects	3,537,082	4,349,593
Debt Service	265,482,503	139,587,854
Regional Fund Exchanges	3,063,139	5,500,000
OPEB & Pension UAAL	49,637,303	48,385,376
Total	**732,429,046**	**634,665,870**
Contingency	21,972,871	23,880,963
Pass Through Requirements	6,465,101	6,595,892
Capital Programs	157,072,316	203,085,564
Light Rail Programs	0	0
Project Interim Financing	0	0
Ending Fund Balance	130,428,580	331,169,498
Total Requirements	**$ 1,048,367,914**	**$ 1,199,397,787**

(1) Budget, authorized by the Board on May 24, 2017.

(2) Budgeted beginning fund balance is updated annually in the budget process to reflect the most recent projections, thus budgeted beginning fund balance for FY 2018 is not equal to budgeted ending fund balance for FY 2017.

Source: TriMet.

Financial Tables

TriMet's historical financial data including combining balance sheets and statements of revenues, expenses and changes in net assets are shown in Tables A-5 and A-6. The historical financial data shown in Tables A-5 and A-6 were derived from TriMet's audited financial statements for FYs 2013 through 2017.

TABLE A-5
SUMMARY OF TRIMET STATEMENTS OF NET POSITION
FOR FISCAL YEARS ENDED JUNE 30
($000s)

	2013	2014	2015	2016	2017
Assets					
Current Assets (unrestricted)					
Cash & cash equivalents	$ 69,841	$ 111,620	$ 56,522	$ 58,590	$ 77,321
Investments	19,729	0	11,359	4,323	28,845
Taxes & other receivables	86,725	92,552	88,342	98,560	103,510
Grants receivable	9,924	1,647	24,843	40,125	16,636
Prepaid expenses	4,821	7,676	12,483	10,205	7,668
Current Assets (restricted) (1)					
Cash & cash equivalents	75,345	93,456	32,796	57,740	90,580
Investments	387,962	222,857	151,283	102,463	120,220
Taxes & other receivables	377	75	656	204	160
Grants receivable	101,166	2,308	3,508	100,658	101,136
Prepaid expenses	1,252	1,203	1,033	724	638
Prepaid lease	4,352	674	10,956	5,051	-
Total Current Assets	761,494	534,068	393,781	478,643	546,714
Capital Assets					
Land and other	223,287	229,964	232,347	231,713	232,785
Construction in progress	657,651	944,701	1,126,782	99,121	125,422
Property & equipment	2,842,742	2,909,073	2,950,866	4,121,284	4,157,256
Less accumulated depreciation	(1,171,026)	(1,229,213)	(1,298,485)	(1,407,732)	(1,518,062)
Net Capital Assets	2,552,654	2,854,525	3,011,510	3,044,386	2,997,401
Prepaid lease expenses	102,659	85,836	80,141	67,840	71,424
Long-term restricted lease deposit	40,788	43,156	35,376	0	-
Materials, supplies & other	21,557	23,159	26,572	32,765	39,059
Other assets	5,455	5,386	1,836	1,792	1,659
Total Assets	3,484,607	3,546,130	3,549,216	3,625,426	3,656,257
Deferred outflows of resources					
Unamortized loss on pension assets	35,310	49,590	55,545	80,070	55,574
Unamortized loss on refunded debt	883	670	419	6,740	5,928
Total deferred outflows of resources	36,193	50,260	55,964	86,810	61,502
Total assets and deferred outflows of resources	$3,520,800	$3,596,390	$3,605,180	$3,712,236	$3,717,759

[Table continued on next page]

TABLE A-5
SUMMARY OF TRIMET STATEMENTS OF NET POSITION
FOR FISCAL YEARS ENDED JUNE 30
($000s)

[Table continued from prior page]

	2013	2014	2015	2016	2017
Liabilities					
Current liabilities (unrestricted)					
Accounts payable	$ 15,028	$ 22,510	$ 16,481	$ 24,300	$ 27,835
Accrued payroll	25,811	26,664	24,917	19,322	20,579
Current portion of non-current liabilities	12,890	7,957	8,195	6,881	6,021
Unearned revenue	12,457	17,056	18,794	12,921	12,468
Current liabilities (restricted)					
Accounts payable	41,988	57,799	10,262	10,463	4,075
Current portion of long-term debt	17,792	18,539	19,349	111,533	101,040
Unearned revenue	1,000	1,000	1,000	1,000	1,000
Unearned capital project revenue	152,676	152,836	35,839	12,398	12,474
Other accrued liabilities	9,266	6,988	6,732	6,725	8,065
Unearned lease revenue, current portion	4,352	674	10,956	5,051	-
Total current liabilities	293,260	312,023	152,525	210,594	193,557
Noncurrent liabilities					
Long-term debt	751,883	713,746	685,783	651,628	639,675
Unearned lease revenue	16,681	16,007	5,051	-	-
Long-term lease liability	81,390	66,967	65,727	55,914	59,321
Net pension liability	239,210	186,470	177,449	201,973	151,504
Other postemployment benefits liability	355,793	430,867	475,009	520,615	563,846
Other long-term liabilities	9,749	12,472	12,101	13,681	14,399
Total noncurrent liabilities	1,454,706	1,426,529	1,421,120	1,443,811	1,428,745
Total liabilities	1,747,966	1,738,552	1,573,645	1,654,405	1,622,302
Deferred inflows of resources					
Unamortized gain on pension investments	29,341	67,914	62,186	49,295	54,583
Unamortized gain on leases	20,517	19,444	18,370	17,312	16,370
Total deferred inflows of resources	49,858	87,358	80,556	66,607	70,953
Net Position					
Net investment in capital assets	1,867,361	2,214,210	2,416,392	2,502,486	2,509,481
Restricted	306,174	40,171	52,216	11,296	35,892
Unrestricted	(450,559)	(483,901)	(517,629)	(522,558)	(520,869)
Total net position	1,722,976	1,770,480	1,950,979	1,991,224	2,024,504
Total liabilities, deferred inflows of resources & net position	$3,520,800	$3,596,390	$3,605,180	$3,712,236	$3,717,759

(1) Certain proceeds of TriMet's bonds as well as resources for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond covenants.

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2013 through 2017. This summary is not audited.

TABLE A-6
SUMMARY OF TRIMET STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR FISCAL YEARS ENDED JUNE 30
($000s)

	2013	2014	2015	2016	2017
Revenues					
Operating revenues					
Passenger revenue	$ 112,500	$ 114,618	$ 116,734	$ 118,069	$ 116,895
Auxiliary transportation & other revenue	40,198	42,376	36,701	25,704	26,000
Total operating revenues	152,698	156,994	153,435	143,773	142,895
Operating expenses					
Labor	129,385	132,531	139,920	155,069	166,117
Fringe benefits	204,019	197,793	166,847	190,385	181,795
Materials and services	91,893	99,139	82,913	89,581	98,160
Utilities	7,671	8,097	8,573	9,488	10,647
Purchased transportation	40,845	43,071	36,396	27,979	30,301
Depreciation expense	78,955	88,567	91,555	132,999	129,750
Other operating expense	14,938	9,167	10,340	10,181	10,597
Total operating expenses	567,706	578,365	536,544	615,682	627,367
Operating loss	(415,008)	(421,371)	(383,109)	(471,909)	(484,472)
Nonoperating revenues and (expenses)					
Payroll tax and other tax revenue	259,233	275,357	292,077	325,074	337,206
Grant revenue	96,629	89,472	47,596	72,550	92,708
Interest income	411	332	464	803	1,388
Net leveraged lease expense	(240)	(317)	(206)	278	1,119
Interest and other expense	(9,914)	(7,608)	(2,703)	(16,227)	(18,830)
Total nonoperating revenues, net	346,119	357,236	337,228	382,478	413,591
Loss before contributions	(68,889)	(64,135)	(45,881)	(89,431)	(70,881)
Capital contributions	206,775	111,639	226,380	129,676	104,161
Changes in net position	137,886	47,504	180,499	40,245	33,280
Cumulative effect of restatement[(1)]	(235,431)				
Total net position-beginning	1,820,521	1,722,976	1,770,480	1,950,979	1,991,224
Total net position-ending	$ 1,722,976	$ 1,770,480	$ 1,950,979	$ 1,991,224	$ 2,024,504

(1) TriMet adopted GASB Statement 68 in FY 2014. The statement established accounting standards for employers and public pension plans including reporting of the Net Pension Liability on the Statement of Net Position. This implementation resulted in a restatement of Beginning net position for FY 2013.

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2013 through 2017. This summary is not audited.

Management's Discussion of Financial Results

To address the impact of the financial recession, TriMet beginning in FY 2010 underwent a series of cost reductions through service cuts, non-union wage and hiring freezes, administrative layoffs, and deferral of capital purchases to balance its budgets. The TriMet Board also recognized the importance of developing a financial strategy to minimize the impact of future downturns. In July 2014, TriMet adopted a Strategic Financial Plan (the "SFP") that re-affirmed its commitment to maintain and grow service and ensure long-term financial health. The SFP is a set of financial guidelines that focus on dedicating a revenue stream to grow service, keeping costs in check, maintaining appropriate financial reserves, protecting TriMet assets and creating a plan to fully fund pension trusts and reduce post-employment benefits liabilities.

As the economy has strengthened, TriMet implemented service restoration in FY 2014, and has begun improvements in maintenance and capital replacement. The efforts made during the financial recession combined with an improved economy, have improved the financial condition of TriMet. For additional information concerning FYs ended June 30, 2017 and 2016, see AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016—Management's Discussion and Analysis" contained in this APPENDIX A.

All amounts set forth below have been rounded.

In FY 2017, total payroll taxes and other tax revenues were $337.2 million, an increase of $12.1 million, or 3.7 percent, compared to FY 2016. Employer payroll tax revenue increased $12.2 million or 4.0 percent which indicates a leveling off of economic factors.

At June 30, 2017, total assets were $3,656.3 million, an increase of $30.8 million, or 0.9 percent, compared to June 30, 2016. At June 30, 2016, total assets were $3,625.4 million, an increase of $76.2 million, or 2.1 percent, compared to June 30, 2015. The increases for FY 2016 were mainly due to increases in fixed assets related to the completion on construction of the PMLR project.

For FY 2017, passenger revenues were $116.9 million, a decrease of $1.2 million or 1.0 percent compared to FY 2016. There were no fare increases during FY 2017. Passenger revenues were $118.1 million for FY 2016, an increase of $1.3 million over FY 2015.

In FY 2017, total operating expenses were $627.4 million, an increase of $11.7 million, or 2.0 percent compared to FY 2016. Labor and fringe benefit costs make up 55.5 percent of total expenses, and totaled $347.9 million for FY 2017, an increase of $2.5 million, or 0.7 percent. In FY 2016, total operating expenses were $615.7 million, an increase of $79.1 million, or 14.7 percent compared to FY 2015.

At June 30, 2017, total net position was $2,024.5 million, an increase of $33.3 million, or 1.7 percent compared to June 30, 2016. At June 30, 2016, total net position was $1,991.2 million, an increase of $40.2 million, or 2.1 percent from June 30, 2015. This increase primarily resulted from construction on the PMLR project during the year.

Capital contributions include federal grants and other local government contributions restricted for the purchase or construction of capital assets. TriMet received capital contributions of $104.1 million, during FY 2017. In FY 2016, TriMet recorded $129.7 million in capital contributions, primarily supporting the construction of the PMLR project.

At June 30, 2017, TriMet had invested $2,997.4 million in capital assets, net of accumulated depreciation. Total capital assets, net of depreciation decreased $46.9 million, or 1.5 percent compared to June 30, 2016. Total net capital assets were $3,044.4 million at June 30, 2016, an increase of $32.9 million or 1.0 percent compared to June 30, 2015. For additional information concerning TriMet's capital assets, see Note 4 to the audited financial statements attached in this Appendix A.

Cash, Cash Equivalents and Investments

ORS Chapter 294 authorizes TriMet to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers' acceptances and corporate indebtedness, repurchase agreements, the State of Oregon Local Government Investment Pool (the "LGIP"), time certificates of deposits and various interest-bearing bonds of State municipalities. As of June 30, 2017, TriMet had the following investments:

TABLE A-7
CASH AND INVESTMENTS AS OF JUNE 30, 2017
($000s)

	Fair Value	% of Portfolio	Weighted Average Maturity (years)
Cash on hand	$ 393	0.1%	-
Demand deposits with financial institutions	69,177	21.8	-
State of Oregon local government investment pool	46,182	14.6	-
Commercial paper	-	-	-
Federal National Mortgage Association	-	-	-
Federal Home Loan Bank	50,123	15.8	0.27
U.S. Treasuries	151,091	47.7	0.37
Total Cash and Investments	$ 316,966(1)		

(1) Includes $210,800 million of restricted cash and investments.
Source: TriMet.

TriMet's investment policy, interest rate risk, credit risk and concentration of credit risk are described in Note 2 of TriMet's audited financial statements in this Appendix A.

Lease Transactions

TriMet currently is a party to one leveraged lease (the "Lease"), which is scheduled to remain in effect until 2038. The Lease is all that remains outstanding of eleven leveraged lease transactions that TriMet entered into between 1997 and 2005, each with approval from the U.S. Department of Transportation. The Lease is not secured by a pledge of or lien on the Grant Receipts and is described in greater detail in the "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016—Notes to Financial Statements, 8. Lease Transactions at pp 40-43" in this Appendix A.

During 2005, TriMet entered into the outstanding Lease, consisting of a sale-leaseback transactions for 28 light rail vehicles. The Lease does not terminate until 2038 and will require periodic payments totaling $156.9 million. All these payments were originally expected to be made by third parties. Currently about $77.5 million of these payments are expected to be paid by Assured Guaranty ("AG") as successor to Financial Security Assurance, an additional $68.8 million of US Treasuries have been set aside in trust to make these payments, and TriMet is expected to pay a total of $10.6 million, with the next scheduled payment of $0.2 million from TriMet due in January 2020. However, under certain circumstances TriMet could be required to post security and make any payments that are not made by AG or from the collateral. See "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016—Notes to Financial Statements, 8. Lease Transactions at pp 40-43" in this Appendix A.

In February 2017, TriMet obtained a lien release and terminated a trust related to another lease-leaseback transaction. TriMet's final obligation on this lease-leaseback transaction of $5.1 million was paid in December 2016 by American International Group, Inc., the LOC Provider, to First Hawaiian Bank, the Beneficiary.

Pension Responsibilities

TriMet contributes to two single-employer defined contribution plans — the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the "Management DC Plan") and the TriMet Defined Contribution Plan for Union-Represented Employees (the "Union DC Plan"); TriMet also contributes to two single-employer defined benefit public employee retirement plans — the TriMet Defined Benefit Retirement Plan for Management and Staff Employees (the "Management DB Plan") and the Pension Plan for Bargaining Unit Employees of TriMet (the "Bargaining Unit DB Plan"). In a defined benefit plan, the investment risk for the plan assets is borne by the employer, and in a defined contribution plan, the investment risk for the plan assets is borne by the employee. TriMet contributions plus investment earnings fund TriMet's defined benefit plans, and a combination of employee and TriMet contributions plus investment earnings fund the defined contribution plans.

The Management DC Plan covers all TriMet non-union employees hired on or after April 27, 2003 and also non-union employees hired earlier who elected to be covered by the Management DC Plan. The Management DB Plan covers all TriMet non-union employees hired before April 27, 2003 (other than those who elected to be covered under the Management DC Plan for service after April 27, 2003). The Bargaining Unit DB Plan covers all full-time and part-time employees hired prior to August 1, 2012. The Union DC Plan covers all full time and part time employees represented by the ATU who are hired on or after August 1, 2012. The Management DC Plan and the Union DC Plan are administered by a third-party administrator, ICMA-RC, and are overseen by an administrative committee appointed by the TriMet Board.

Each DB Plan is overseen by a separate board of trustees (the "plan trustees"). The TriMet Board appoints four plan trustees in the case of the Management DB Plan. The Bargaining Unit DB Plan has six trustees: three are appointed by the TriMet Board and three are appointed by the ATU.

The actuarial value of assets and liabilities and annual required contributions of each of the Management DB Plan and the Bargaining Unit DB Plan are determined by independent actuaries appointed by the DB Plan trustees and are based upon assumptions approved by the respective plan trustees. Milliman, Inc. ("Milliman") prepared the actuarial valuation reports for the Management DB Plan as of June 30, 2016 (the "2016 Management DB Plan Valuation Report"), and the Bargaining Unit DB Plan as of July 1, 2016 (the "2016 Bargaining Unit DB Plan Valuation Report"). The July 1, 2017 actuarial valuation reports for both the Management DB Plan and the Bargaining Unit DB Plan were finalized in August 2017.

As noted below and in the Audited Financial Statements attached hereto, the funded status of the defined benefit plans will change over time depending upon, among other things, the market performance of the investments of each plan, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of the plans. No assurance can be given that unfunded accrued actuarial liabilities of the plans will not materially increase.

In FY 2014, TriMet adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions.* This statement established standards for the measurement and recognition and presentation of Net Pension Liability in TriMet's financial statements. Net Pension Liabilities recorded at June 30, 2014, 2015, and 2016 for the Management DB Plan and the Bargaining Unit DB Plan totaled $186.5 million, $177.4 million and $202.0 million, respectively.

Management DC Plan. Under the Management DC Plan, TriMet contributes to the Management DC Plan 8.0 percent of considered compensation each pay period for eligible employees. Employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Voluntary, after-tax employee contributions, up to 15 percent of compensation, are allowed and may be adjusted by the employee at any time. Plan participants fully vest in TriMet's contributions after three years of service with TriMet. Upon severance from employment, TriMet is required to contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the Management DC Plan.

As of June 30, 2017 there were 350 active employees were covered by the Management DC Plan, and TriMet contributions and employee contributions in FY 2017 were $2.3 million and $0.9 million, respectively.

Union DC Plan. Union employees hired on or after August 1, 2012 are eligible for the Union DC Plan, which has similar features of the Management DC Plan. TriMet is obligated to make a contribution to the Union DC Plan 8.0 percent of considered compensation to the Union DC Plan. Employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Union DC Plan on a pretax basis. Additionally, voluntary, after-tax employee contributions, up to 15 percent of compensation, are allowed and may be adjusted by the employee at any time. Plan participants fully vest in TriMet's contributions after three years of service with TriMet. Upon severance from employment, TriMet is required to contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the Union DC Plan.

As of June 30, 2017, 1,073 active employees were covered by the Union DC Plan and TriMet contributions and employee contributions in FY 2017 were $3.5 million and $2.3 million, respectively.

Management DB Plan. The Management DB Plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. Participation began at the date of hire with benefits being 100 percent-vested after five years of service. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit payable monthly for life. Covered employees also have the option to receive their benefits as a lump sum upon retirement. Those receiving benefits monthly receive an annual cost of living increase equal to 90 percent of the annual change in the U.S. Consumer Price Index up to a maximum of 7 percent.

Benefits vary based upon final average salary, job classification, date of hire and converted, unused sick leave computations. TriMet is required to maintain funds under the Management DB Plan sufficient to pay benefits when due. No employee contributions are required or permitted under the Management DB Plan.

The funding policy of the Management DB Plan provides for an actuarially determined contribution (the "ADC"). The ADC is comparable to the Annual Required contribution (the "ARC"), and the change in terminology is due to the implementation of GASB 68. The ADC consists of two components: the normal cost for the year (generally, the actuarial present value of benefits attributed to employee service performed during the current year) and an amount required to amortize the past service liabilities of the plan. The normal cost is determined as the level percentage of pay over the length of service of each active employee between entry age and assumed exit age. Historically, TriMet has paid at least the ARC for the plan on an annual basis. In FY 2014, TriMet began funding the ADC on a monthly basis.

For purposes of the actuarial valuation for FY 2017, TriMet and the plan actuary used an assumed long-term expected return on plan assets of 6.3 percent and a discount rate of 6.3 percent. Other assumptions used in the 2016 Management DB Plan Valuation Report include an annual cost of living increase of 2.25 percent, inflation of 2.5 percent, and annual salary increases of 2.75 percent.

TABLE A-8
MANAGEMENT DB PLAN
NET PENSION LIABILITY ($000s)

	Actuarial Valuation Date				
	June 30, 2013	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**	**June 30, 2017**
Total pension liability	$ 121,918	$ 123,740	$ 129,132	$ 133,362	$ 138,988
Plan fiduciary net position (Market value of plan assets)	91,335	107,119	111,100	114,997	123,956
Plan fiduciary net position as a percent of total pension liability	74.9%	86.6%	86.0%	86.2%	89.2%
Annual covered payroll	$ 14,200	$ 13,142	$ 12,751	$ 12,722	$ 10,591
Net pension liability	30,583	16,621	18,032	18,365	15,032
Net pension liability as a percentage of payroll	215.4%	126.5%	141.4%	144.4%	141.9%
Actuarially Determined Contribution (the "ADC")	$ 6,491	$ 4,957	$ 4,219	$ 4,242	$ 3,735
Contributions	9,776	5,602	6,559	7,036	6,330
Contributions excess (deficiency)	3,285	645	2,340	2,794	2,595
Contributions as a percent of covered payroll	68.8%	42.6%	51.4%	55.3%	59.8%

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2013 through 2017. This summary is not audited. See Note 12 in "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016" in this Appendix A, for data.

Bargaining Unit DB Plan. The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the ATU who were hired before August 1, 2012. Union employees in the Bargaining Unit DB Plan begin to participate on their date of hire with benefits being 100 percent vested after 10 years of service. Covered members retiring at or after age 58 with 10 or more years of service receive a monthly benefit for life that is the product of a benefit multiplier and years of service, with annual cost of living adjustments each May 1 based upon the US Urban Wage Earners and Clerical Workers Consumer Price Index. Each February 1, the retirement benefit multiplier is also adjusted based upon the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months.

The benefit multiplier (monthly amount per year of service) for covered members retiring on or after February 1, 2016, is $83.78 per month. No employee contributions are required or permitted under the Bargaining Unit DB Plan.

Pursuant to the terms of the 2015 Agreement, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. The funding policy of the Bargaining Unit DB Plan provides for an ADC. Historically, TriMet has paid at least the ARC for the plan on an annual basis. In FY 2014, TriMet began funding the ADC on a monthly basis.

For purposes of the actuarial valuation for FY 2017, TriMet and the Plan actuary used an assumed long-term expected return on plan assets of 6.75 percent and a discount rate of 6.75 percent.

Other assumptions used in the valuation include an annual cost of living increase of 2.75 percent, inflation of 2.5 percent and annual salary increases of 2.75 percent.

TABLE A-9
BARGAINING UNIT DB PLAN
NET PENSION LIABILITY ($000s)

	Actuarial Valuation Date				
	June 30, 2013	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**	**June 30, 2017**
Total pension liability	$ 574,616	$ 618,228	$ 625,233	$ 656,437	$ 657,399
Plan fiduciary net position (Market value of plan assets)	365,989	448,379	465,815	472,829	520,927
Plan fiduciary net position as a percent of Total pension liability	63.7%	72.5%	74.5%	72.0%	79.2%
Annual covered payroll	$ 125,143	$ 124,696	$ 116,556	$ 117,666	$ 106,596
Net pension liability	208,627	169,849	159,418	183,608	136,472
Net pension liability as a percentage of payroll	166.7%	136.2%	136.8%	156.1%	128.1%
Actuarially determined contribution (the "ADC")	$ 34,638	$ 35,553	$ 31,926	$ 28,030	$ 28,497
Contributions	36,766	48,689	37,793	38,027	35,862
Contributions excess (deficiency)	2,128	13,136	5,867	9,997	7,365
Contributions as a percentage of covered payroll	29.4%	39.0%	32.4%	32.3%	33.6%

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2013 through 2017. This summary is not audited. See Note 13 in "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2017 AND 2016," in this Appendix A, for data.

Other Post-Employment Benefit Responsibilities

TriMet provides post-employment health care and life insurance benefits ("OPEB"), in accordance with the Working and Wage Agreement for union employees and TriMet's personnel policies to all eligible employees and their qualified dependents, who retire from TriMet on or after attaining age 55 with service of at least 10 years for union employees hired before October 24, 2014 and five years for non-union employees hired before April 27, 2003 and 10 years for non-union employees hired between April 27, 2003 and April 30, 2009. Union employees hired after October 24, 2014 with service of at least 10 years and after attainting age 55 receive a stipend from TriMet to purchase medical benefits. TriMet-provided benefits are secondary to Medicare benefits, where applicable, and pays the Medicare part B premium for eligible union retirees. TriMet provides a $10,000 life insurance benefit to union retirees and to eligible non-union retirees hired before May 1, 2009. There were 2,542 and 2,453 union and non-union retirees, dependents, and surviving spouses receiving the post-employment health care and life insurance benefits at January 1, 2017 and 2016, respectively.

TriMet no longer pays retiree medical premiums for non-union employees hired after April 2009. TriMet pays a monthly stipend for retired union employees under the age of 65 who were hired on or after October 24, 2014. Oregon law requires that TriMet permit such retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until the retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18.

TriMet paid the costs of postemployment healthcare and life insurance benefits totaling $16.6 million and $17.1 million in FYs 2017 and 2016, respectively. TriMet has also created a trust fund for future net OPEB obligations. An initial deposit was made to the fund in June 2012 of $400,000.

TriMet retained an independent actuary, Milliman, Inc. ("Milliman"), to determine for accounting purposes the actuarial present value of the projected cost of TriMet's OPEB responsibilities, as well as the annual required contribution (ARC). The OPEB ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a closed period of 30 years for the valuation report as of January 1, 2017, using the following assumptions: a discount rate of 3.5 percent and health care cost increases between 4.25 percent annually and 8.5 percent annually for the major medical component; a funding method of entry age normal, with normal cost developed as a level percentage of payroll, and amortization of the UAL using the level-dollar method with a closed-group 30-year amortization methodology. Table A-10 below presents components of TriMet's annual OPEB cost for the calendar years beginning January 1, 2017, 2016, 2015, 2014 and 2013 and a schedule of funding progress.

TABLE A-10
TRIMET OPEB COSTS ($000s)

	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015	Jan. 1, 2016	Jan. 1, 2017
Actuarial Accrued Liability (AAL)	$ 852,756	$ 949,993	$ 711,180	$ 760,727	$ 769,305
Actuarial Value (Market Value of Assets)	401	401	401	401	401
Funded Ratio	0.0%	0.0%	0.0%	0.0%	0.0%

ANNUAL REQUIRED CONTRIBUTION (ARC)
($000s)

	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015	Jan. 1, 2016	Jan. 1, 2017
Total Annual Required Contribution (ARC)	$ 81,869	$ 94,145	$ 73,999	$ 76,628	$ 76,658
Covered payroll	151,180	145,469	154,966	167,369	173,892
ARC as a percentage of payroll	54.2%	64.7%	47.8%	45.7%	44.1%
Contributions made	$ 15,649	$ 16,020	$ 17,617	$ 17,107	$ 16,554

Source: TriMet; based on actuarial valuations and other post-employment benefits (OPEB) as of January 1, 2017 in accordance with GASB Statement No. 45.

Initiative and Referendum Process

The State Constitution, Article IV, Section 1, reserves (1) 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 and the referendum power to approve or reject at an election certain acts passed by the Legislative Assembly, and (2) to voters in TriMet the initiative and referendum power as to legislation of TriMet.

State Initiative Measures

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the 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. The next election at which initiative petitions may appear on the ballot will be held in November of 2018.

State Referendum Petitions

Within 90 days after the end of a legislative session, any person may file a petition seeking to have any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session referred to the voters for their approval or rejection at the next general election, or at a special election provided for by the Legislative Assembly. To place a proposed referendum on the ballot, the proponents must submit to the Secretary of State within 90 days after the end of the legislative session referendum petitions signed by the number of qualified voters equal to four percent 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. Any elector may sign a referendum petition for any measure on which the elector is entitled to vote. An act approved by the voters through the referendum process becomes effective 30 days after the date of the election at which it was approved. A referendum on part of an act does not prevent the remainder of the act from becoming effective as provided in the act.

Local Measures

The TriMet Board has the power to create local legislation by enacting ordinances. Regular ordinances can be referred to a vote if a petition is signed by a number of TriMet voters that is at least equal to four percent of the number of TriMet voters who voted in the last election for Governor of the State of Oregon (approximately, 32,300 signatures), and filed no later than ninety days after the TriMet Board enacts the regular legislation. Emergency legislation is not subject to referral, and tax legislation cannot be enacted by emergency ordinance. The voters of TriMet also may initiate legislation by filing petitions signed by a number of TriMet voters that is at least equal to six percent of the number of TriMet voters who voted in the last election for Governor of the State of Oregon (approximately, 48,400 signatures). Initiative petitions are placed on the ballot on the next available election date. Oregon law currently authorizes elections four times each year, in March, May, September and November. A larger number of signatures is required to refer or initiate legislation affecting TriMet routes, schedules or fare changes. No initiative or referendum petitions are currently being circulated to initiate or refer TriMet legislation.

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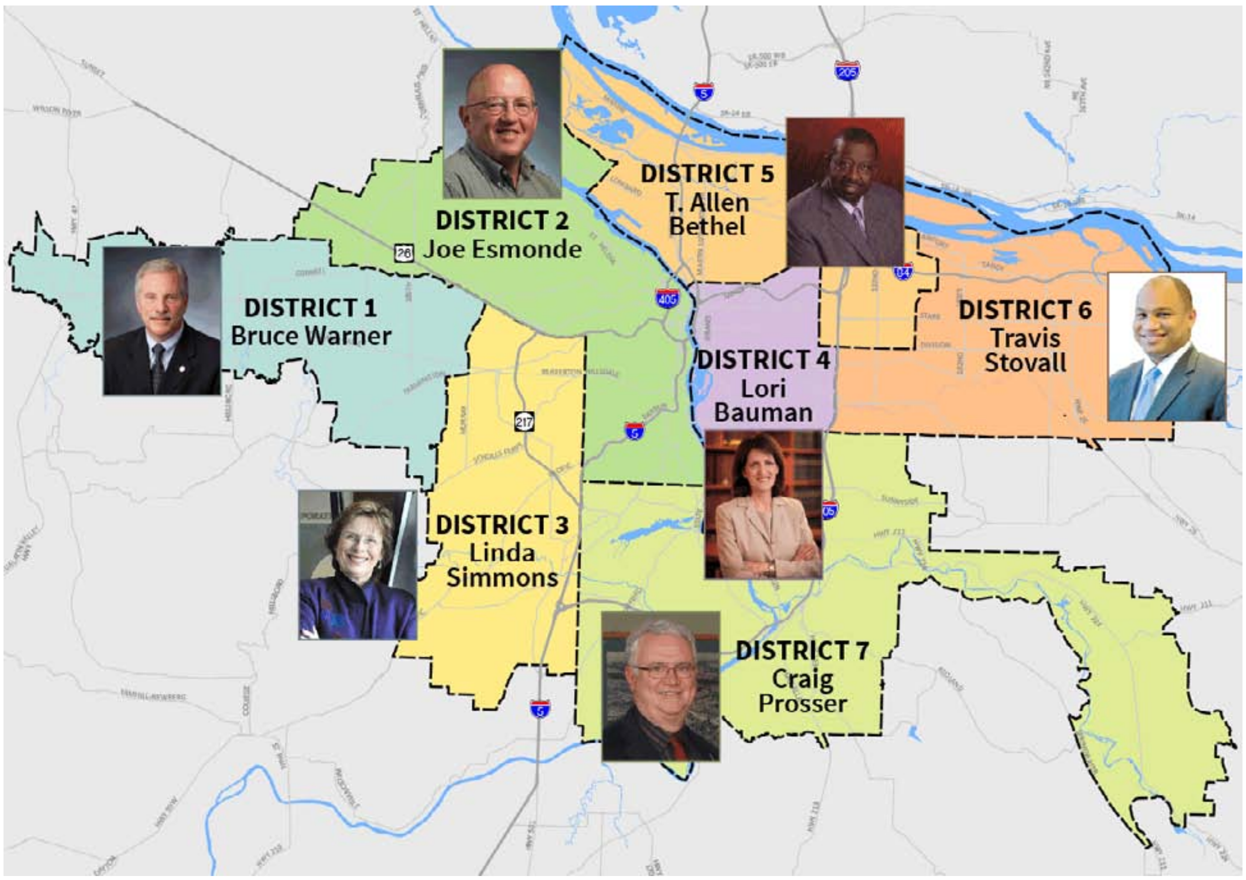
Report of Independent Auditors and
Financial Statements with Supplementary Information
June 30, 2017 and 2016

(including Audit Comments and Disclosures Required by State Regulations)

Board of Directors

Name	District	Term Expires
Bruce Warner, President	#1	February 19, 2020
Joe Esmonde	#2	March 31, 2018
Linda Simmons	#3	May 31, 2019
Lori Irish Bauman	#4	May 31, 2019
Dr. T. Allen Bethel	#5	February 28, 2018
Travis Stovall	#6	February 19, 2020
Craig Prosser	#7	February 28, 2018



Board of Directors	1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Manager	Neil McFarlane 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201
General Counsel and Registered Agent	Shelley Devine 1800 S.W. 1st Avenue, Suite 300 Portland, Oregon 97201

Table of Contents

Financial Section

Report of Independent Auditors

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

Report on the Financial Statements

We have audited the accompanying statements of net position of the Enterprise Fund and statements of fiduciary net position of the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and total trust fund (pension plan trust funds) of Tri-County Metropolitan Transportation District of Oregon (the District), as of June 30, 2017 and 2016, and the statements of revenues, expenses, and changes in net position and cash flows of the Enterprise Fund for the years ended June 30, 2017 and 2016, and the statements of changes in fiduciary net position of the Pension Plan Trust Funds for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and total trust fund of the District as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the Enterprise Fund, and changes in financial position for the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees, and total trust fund of the District for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules of funding progress, changes in net pension liability and related ratios, pension contributions, and investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, the schedule of property tax levies and collections last five fiscal years, and schedule of property tax transactions and outstanding balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, the schedule of property tax levies and collections last five fiscal years, and schedule of property tax transactions and outstanding balances were fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 26, 2017, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Julie Desimone

Julie Desimone, Partner for
Moss Adams LLP
Portland, Oregon
September 26, 2017

Management's Discussion and Analysis
(dollars in thousands)

This section provides an overview and analysis of key data presented in the basic financial statements of Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") for the fiscal years ended June 30, 2017 and 2016, including the District operations within the Enterprise Fund, the TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund ("the Trust funds"). The Enterprise Fund accounts for all activities and operations of the District except for the activities included within the Trust funds. The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the non-union employee benefit plan held by the District in a trustee capacity. The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the union employee benefit plan held by the District in a trustee capacity. Information within this section should be used in conjunction with the basic financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

OVERVIEW OF THE FINANCIAL STATEMENTS

TriMet, a public corporation in the State of Oregon, is a regional transit authority providing a high-capacity transportation system throughout parts of Multnomah, Washington and Clackamas Counties through light rail ("MAX"), commuter rail ("WES"), Streetcar, and bus transportation systems.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses incurred during the year, regardless of when cash is received or paid.

The basic financial statements, presented on a comparative format for the years ended June 30, 2017 and 2016, are comprised of:

Statements of Net Position – The District presents its statement of net position using the balance sheet format. The statement reflects assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District. Net position is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.

Statements of Revenues, Expenses and Changes in Net Position – This statement reflects the transactions that have increased or decreased the District's total economic resources during the fiscal year. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

Statements of Cash Flows – This statement presents the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing.

Statements of Pension Plan Fiduciary Net Position – This statement presents the Plan's assets and liabilities and the resulting net position restricted for pensions. The statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

Statements of Changes in Pension Plan Fiduciary Net Position – This statement reflects the transactions that have increased or decreased the Plan's net position for the fiscal year. This statement reflects District contributions and investment earnings along with deductions for retirement benefits and administrative expenses.

The Notes to the Financial Statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows.

ENTERPRISE FUND FINANCIAL HIGHLIGHTS

- Total operating and non-operating revenues were $575,316 for fiscal year 2017, an increase of 6.1 percent. The increase was the result of timing of receipts of prior year grant revenue authorization that occurred during fiscal year 2017, and increases in Payroll Tax revenues due to a rate increase in January 2017. Grant revenue increased 27.8 percent, totaling $92,708 for the fiscal year. Payroll Tax Revenue increased 3.7 percent, totaling $337,206 for the fiscal year.

Management's Discussion and Analysis
continued

(dollars in thousands)

- Total payroll and other tax revenues increased $12,132, or 3.7 percent, compared to fiscal year 2016. Employer payroll tax revenue increased $12,208, or 4.0 percent which indicates a leveling off of economic factors. Self employment and other tax revenues decreased slightly by $76, over fiscal year 2016.

  In 2004, the TriMet Board of Directors (Board) adopted Ordinance No. 279 increasing TriMet's employer payroll and self employment tax rate. The increase went into effect January 1, 2005 and was phased in over a 10 year period. The rate has increased by .0001 each January 1 since 2005 and the final increase occurred January 1, 2014, when it reached 0.007237.

  In 2009, the Legislative Assembly gave the TriMet Board the authority to increase the rate for payroll and self-employment taxes by an additional .001, in addition to any increases resulting from service area withdrawals. That legislation requires that the additional increases be phased in over ten years, prohibits any annual increase from exceeding .0002, and requires the TriMet Board to find, before implementing any additional increase, that the economy in the District has recovered to an extent sufficient to warrant the increase in tax. Effective January 1, 2016, the TriMet Board approved a 0.0001 increase as authorized by the 2009 legislation. The January 1, 2016 effective rate was 0.007337 and on January 1, 2017, the effective rate increased to 0.007437 as a result of the 2009 legislation.

- Grant revenue increased $20,158, or 27.8 percent, compared to fiscal year 2016. Revenues in this category include Federal Preventive Maintenance Funds and other operating support. Revenues under these programs are recognized when the grants are approved/authorized by the granting agency, funds are appropriated, and eligible expenses have been incurred. As such, the increase in revenues in the current year resulted from timing differences in grant approval during the year, as compared to the prior year. The increase was noted in receipts of the Urbanized Area Formula Funds grant.

- Passenger revenue was $116,895 for the fiscal year, a decrease of 1.0 percent. Pass revenue accounted for the majority of this decrease.

- Total operating and non-operating expenses increased 2.3 percent to $646,197, during fiscal year 2017. Labor expense increased 7.1 percent. The change is a combination of a decrease in labor reimbursements on capital grant projects and an increase in union salaries and wages in transportation operations and regular pay increases for employees. Fringe benefits expense decreased by $8,590, or 4.5 percent, as a result of a reduction in capital grant reimbursements for Capital Project activity charged to projects. Materials and services expenses increased 9.6 percent, or $8,579, primarily due to contract costs for the draft environmental impact statements for the Southwest Corridor project to connect SW Portland communities through high capacity transit. In addition, rail equipment maintenance expense increased over the prior year due to increased consumption in high valued material for the District's light rail fleet. Purchased transportation increased 8.3 percent to $30,301. The increase was noted in contracted services for paratransit services.

- Total net position at June 30, 2017, was $2,024,504, an increase of 1.7 percent from 2016. The increase in net position attributable to the following factors:

  - Reduction in long-term debt as the 2007 Series Payroll Tax revenue bonds and the 2005 Series Capital Grant Receipt bonds were paid off during the fiscal year.

  - Decrease in the net pension liability as the defined benefit pension plans are closed to new participants and the District has committed to bring both the union and non-union pension plans to a fully funded status.

- Total capital assets, net of accumulated depreciation, were $2,997,401 at June 30, 2017, a decrease of $46,985 or 1.5% from 2016. The decrease is noted in rail, right of way and stations in service and the related depreciation expense.

Management's Discussion and Analysis
continued
(dollars in thousands)

ENTERPRISE FUND FINANCIAL SUMMARY

Net Position

As previously noted, the District's total net position at June 30, 2017, was $2,024,504, an increase of $33,280 or 1.7 percent from June 30, 2016 (see Table 1). Total assets and deferred outflows of resources increased $5,523, or 0.1 percent, and total liabilities and deferred inflows of resources decreased $27,757 or 1.6 percent. The slight increase in total assets and deferred outflows is due an increase in investments related to debt issued in fiscal year 2017 and the overall decrease on the unamortized loss on pension assets related to the net pension liability. The decrease in total liabilities and deferred outflows is due to a decrease in the net pension liability and the final payment on one of the lease-leaseback transactions during fiscal year 2017.

Total net position at June 30, 2016, was $1,991,224, an increase of $40,245 or 2.1 percent from June 30, 2015 (see Table 1). Total assets and deferred outflows of resources increased $107,056, or 3.0 percent, and total liabilities and deferred inflows of resources increased $66,811 or 4.0 percent. The increase in total assets is due primarily to increases in capital assets associated with the construction of the Portland to Milwaukie light rail project ("PMLR"), increases in Payroll tax receivable as a result of increases in rate and improved economic conditions, and increase in Grants receivable due to timing of receipt of grants in the current year. The increase in total liabilities and deferred inflows is due primarily to issuance of debt to fund capital acquisitions in future months, and increases in the Net Pension liability.

Table 1

Net Position
As of June 30
(dollars in thousands)

				Increase (decrease)			
				2017 - 2016		2016 - 2015	
	2017	2016	2015	$	%	$	%
Assets							
Current and other assets	$ 658,856	$ 581,040	$ 537,706	$ 77,816	13.4 %	$ 43,334	8.1 %
Capital assets, net of depreciation	2,997,401	3,044,386	3,011,510	(46,985)	(1.5)%	32,876	1.1 %
Total assets	3,656,257	3,625,426	3,549,216	30,831	0.9 %	76,210	2.1 %
Deferred outflows of resources	61,502	86,810	55,964	(25,308)	(29.2)%	30,846	55.1 %
Total assets and deferred outflows of resources	$ 3,717,759	$ 3,712,236	$ 3,605,180	$ 5,523	0.1 %	$ 107,056	3.0 %
Liabilities							
Current liabilities	$ 193,557	$ 210,594	$ 152,525	$ (17,037)	(8.1)%	$ 58,069	38.1 %
Noncurrent liabilities	1,428,745	1,443,811	1,421,120	(15,066)	(1.0)%	22,691	1.6 %
Total liabilities	1,622,302	1,654,405	1,573,645	(32,103)	(1.9)%	80,760	5.1 %
Deferred inflows of resources	70,953	66,607	80,556	4,346	6.5 %	(13,949)	(17.3)%
Net position							
Net investment in capital assets	2,509,481	2,502,486	2,416,392	6,995	0.3 %	86,094	3.6 %
Restricted	35,892	11,296	52,216	24,596	217.7 %	(40,920)	(78.4)%
Unrestricted	(520,869)	(522,558)	(517,629)	1,689	(0.3)%	(4,929)	1.0 %
Total net position	2,024,504	1,991,224	1,950,979	33,280	1.7 %	40,245	2.1 %
Total liabilities, deferred inflows of resources, and net position	$ 3,717,759	$ 3,712,236	$ 3,605,180	$ 5,523	0.1 %	$ 107,056	3.0 %

Management's Discussion and Analysis

continued

(dollars in thousands)

Current and other assets increased $77,816, or 13.4 percent, in 2017, due primarily to increases in Investments related to debt issuance in fiscal year 2017 and an increase in Payroll Tax receivable as a result of increases in rate and improved economic conditions.

Current and other assets increase $43,334 or 8.1 percent, in 2016, due primarily to increases in Grants Receivable in the current year. The increase was due to timing of grant authorizations in the current year.

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. The decrease in Current liabilities of $17,037, or 8.1 percent in 2017 was due to decreases in long-term debt as maturities came due and the final payment on a lease-leaseback transaction in fiscal year 2017. The increase in Current liabilities of $58,069, or 38.1 percent, in 2016 was due to the increase in current portion of long-term debt, as principal payments on the interim financing for the Portland to Milwaukie Light Rail project begin to come due in the upcoming year. These payments are funded by the final grant draws for the project. This increase was offset by a decrease in unearned revenue associated with the Portland to Milwaukie project, as contributions were recognized in conjunction with related construction costs.

Noncurrent liabilities consist primarily of long-term debt, long-term lease liabilities, net pension liabilities and OPEB liabilities. Noncurrent liabilities decreased $15,066, or 1.0 percent, in 2017, primarily due to decreases in long-term debt of $11,953 as maturities came due, decreases in net pension liability of $50,469 partially offset by an increase in OPEB liability of $43,231. Noncurrent liabilities decreased $22,691, or 1.6 percent, in 2016, primarily due to issuance of debt, increases in OPEB liability of $45,606, increases in Net pension liability of $24,524, offset by decreases in Long term debt of $34,155 resulting from debt principal payments during the year, and the shift to current liabilities of the first principal payment on the interim financing noted above, and decreases in Unearned lease revenue of $5,051 as the amortization of the deferred balance transferred to a current liability.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent bond proceeds, the proceeds are an offset to the related indebtedness.

Net position restricted includes amounts restricted for principal and interest payments of amounts due related to outstanding revenue bonds (discussed in Note 5), as well as restricted deposits related to the lease transactions (discussed in Note 8), and other funds that are restricted in purpose.

Unrestricted net position has a negative balance for both fiscal years 2017 and 2016. This is primarily attributable to the net pension liability and other postemployment benefits (OPEB) obligation in the District's financial statements. Net pension liabilities recorded on the statement of net position totaled $151,504 and $201,973 for the years ended June 30, 2017 and 2016, respectively. The decrease from the prior year in the net pension liabilities is due to an increase in retirements and the District's defined benefits plans are closed plans. OPEB obligation recorded on the statement of net position totaled $563,846 and $520,615 for the years ended June 30, 2017 and 2016, respectively. This increase over the prior year is due to an increase in retirements coupled with rising healthcare costs. The OPEB plan remains open for union employees.

Changes in Net Position

The District's total revenues increased $31,997, or 5.9 percent, during fiscal year 2017 (see Table 2). Passenger revenue decreased $1,174, or 1.0 percent, Payroll and other tax revenue increased $12,132, or 3.7 percent, and Grant revenue increased $20,158, or 27.8 percent, due to timing of appropriations as discussed above.

The District's total revenues increased $48,628, or 9.9 percent, during fiscal year 2016 (see Table 2). Passenger revenue increased $1,335, or 1.1 percent, Payroll and other tax revenue increased $32,997, or 11.3 percent, and Grant revenue increased $24,954, or 52.4 percent, due to timing of appropriations as discussed above.

In fiscal year 2017, the Oregon economy continued to outperform the average state due to our industrial structure and ability to attract and retain working-age households. The state's labor market is still relatively tight. In recent months the transportation sector has surpassed its pre-recession levels. During the economic downturn, TriMet took steps to cut costs, including reduction of service. The efforts made during the financial recession combined with an improved economy, have improved the financial condition of TriMet, allowing for restoration and expansion of service levels and overall strengthening of the District's financial position.

Management's Discussion and Analysis

continued

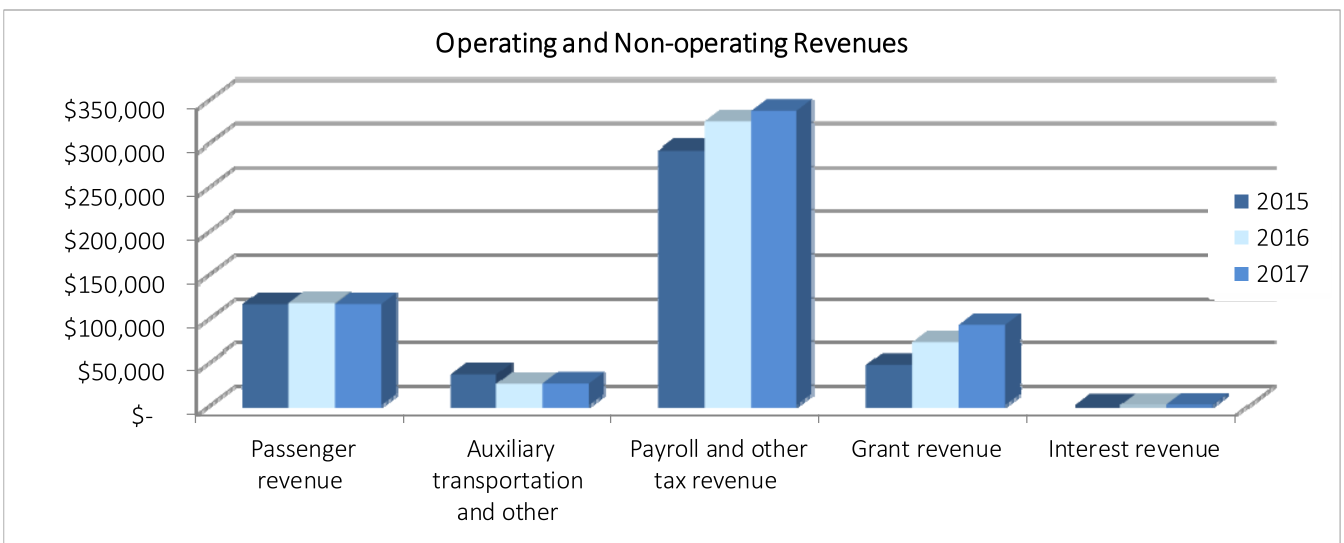
(dollars in thousands)

Table 2

Changes in Net Position
For the Years Ended June 30
(dollars in thousands)

				Increase (decrease)			
				2017 - 2016		2016 - 2015	
	2017	2016	2015	$	%	$	%
Revenues							
Operating revenues							
Passenger revenue	$ 116,895	$ 118,069	$ 116,734	$ (1,174)	(1.0)%	$ 1,335	1.1 %
Auxiliary transportation and other	26,000	25,704	36,701	296	1.2 %	(10,997)	(30.0)%
Non-operating revenues							
Payroll and other tax revenue	337,206	325,074	292,077	12,132	3.7 %	32,997	11.3 %
Grant revenue	92,708	72,550	47,596	20,158	27.8 %	24,954	52.4 %
Interest revenue	1,388	803	464	585	72.9 %	339	73.1 %
Total operating and non-operating revenues	574,197	542,200	493,572	31,997	5.9 %	48,628	9.9 %
Expenses							
Labor	166,117	155,069	139,920	11,048	7.1 %	15,149	10.8 %
Fringe benefits	181,795	190,385	166,847	(8,590)	(4.5)%	23,538	14.1 %
Materials and services	98,160	89,581	82,913	8,579	9.6 %	6,668	8.0 %
Utilities	10,647	9,488	8,573	1,159	12.2 %	915	10.7 %
Purchased transportation	30,301	27,979	36,396	2,322	8.3 %	(8,417)	(23.1)%
Depreciation expense	129,750	132,999	91,555	(3,249)	(2.4)%	41,444	45.3 %
Other operating expense	10,597	10,181	10,340	416	4.1 %	(159)	(1.5)%
Net leveraged lease (income) expense	(1,119)	(278)	206	(841)	302.5 %	(484)	(235.0)%
Interest and other expense	18,830	16,227	2,703	2,603	16.0 %	13,524	500.3 %
Total expenses	645,078	631,631	539,453	13,447	2.1 %	92,178	17.1 %
Loss before contributions	(70,881)	(89,431)	(45,881)	18,550	(20.7)%	(43,550)	94.9 %
Capital contributions	104,161	129,676	226,380	(25,515)	(19.7)%	(96,704)	(42.7)%
Increase in net position	33,280	40,245	180,499	(6,965)	(17.3)%	(140,254)	(77.7)%
Total net position - beginning	1,991,224	1,950,979	1,770,480	40,245	2.1 %	180,499	10.2 %
Total net position - ending	$ 2,024,504	$1,991,224	$ 1,950,979	$ 33,280	1.7 %	$ 40,245	2.1 %

The following chart displays trends in Operating and Non-operating Revenues for the last three fiscal years:

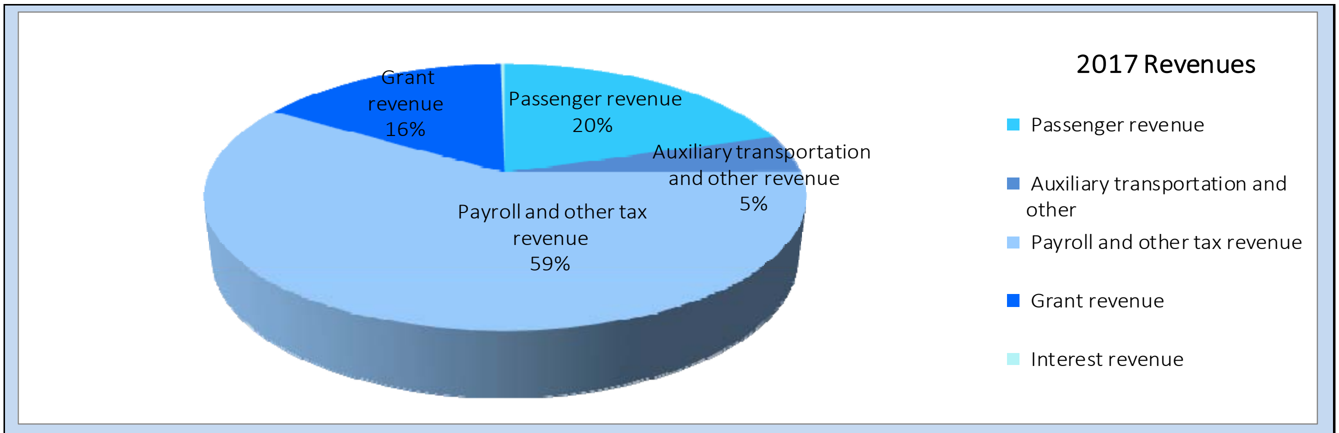


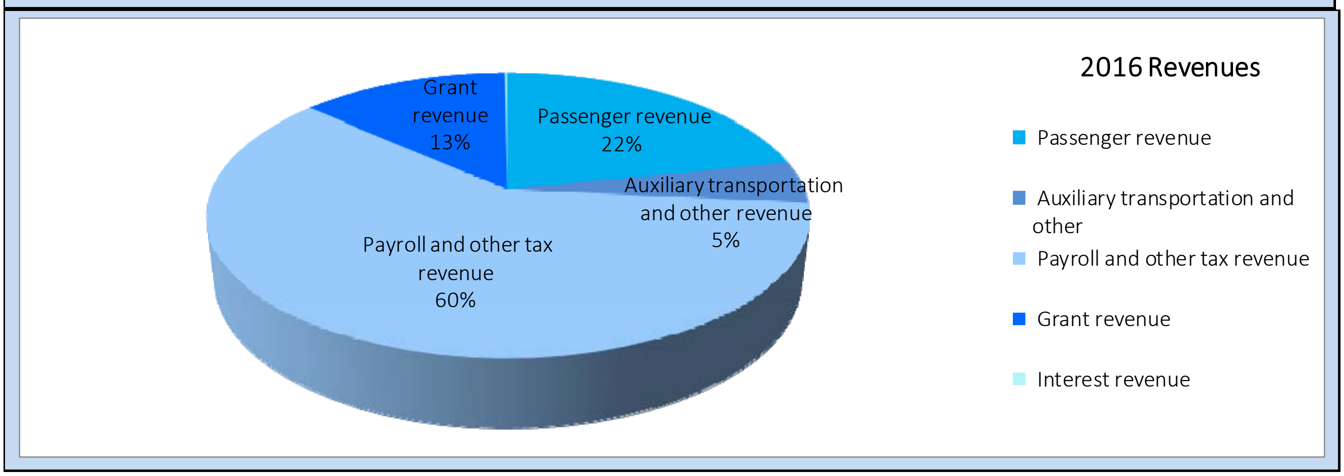
Management's Discussion and Analysis

continued

(dollars in thousands)

The following charts display the allocation of District revenues for fiscal years 2017 and 2016:





Operating Revenues

Operating revenues are composed of passenger fares and other revenue related to operations.

Passenger Revenue

Passenger revenue includes fares earned from cash receipts from riders for the sale of passes and tickets, and employer paid pass and other group fare revenue programs. In fiscal year 2017, the District experienced an overall decrease in passenger revenue of 2.0 percent.

Auxiliary Transportation and Other Revenue

Auxiliary Transportation and Other Revenue includes revenue from LIFT service, Streetcar operating revenues, Local grants and operating assistance from other local governments. In fiscal year 2017, auxiliary transportation and other revenues increased $296. In fiscal year 2016, auxiliary transportation and other revenues decreased $10,997, resulting from decreases in Medical Transportation revenues associated with the transition of this service to another contractor by the State of Oregon in December 2014.

Non-operating Revenues

Non-operating revenues include Payroll and other tax revenue, Grant revenue and Interest revenue.

Management's Discussion and Analysis

continued

(dollars in thousands)

Payroll and Other Tax Revenues

Payroll tax revenues are the District's main source of revenue. Payroll and other tax revenues increased $12,132, or 3.7 percent in fiscal year 2017. In fiscal year 2016, payroll and other tax revenues increased $32,997, or 11.3 percent, compared to fiscal year 2015.

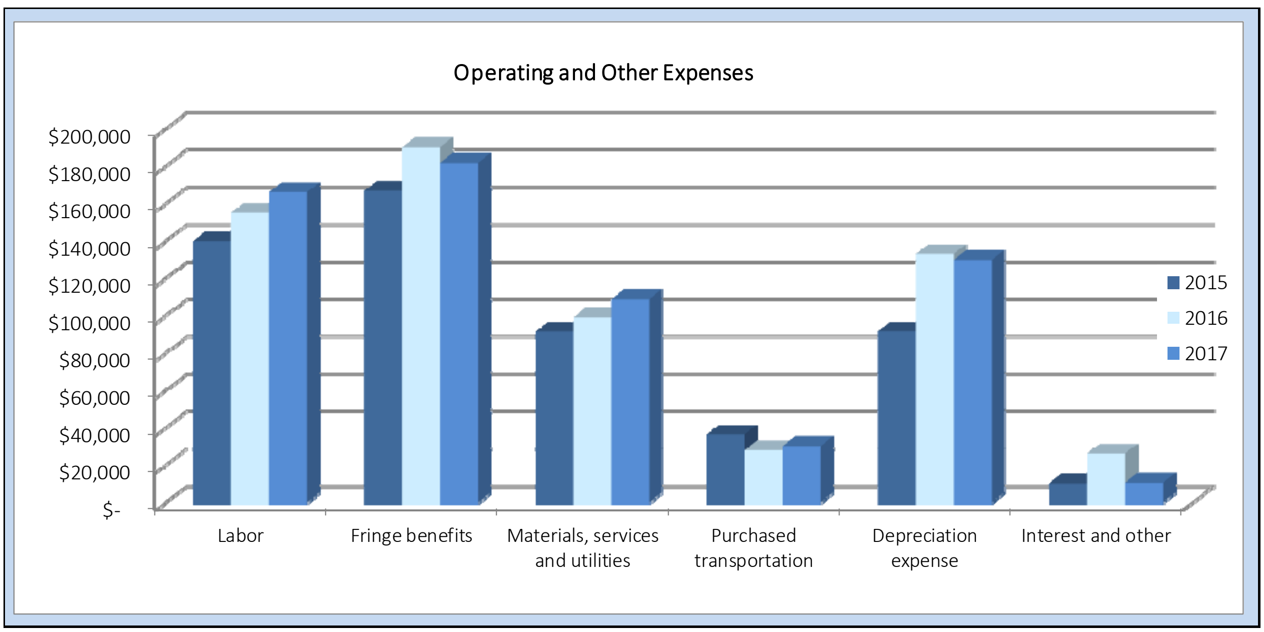
Operating and Other Expenses

Operating and Other Expenses include operations and maintenance costs, general and administrative expenses, purchased transportation costs associated with the LIFT program, depreciation of capital assets, interest on outstanding debt and other costs.

Total expenses increased $13,447, or 2.1 percent, during fiscal year 2017. Labor costs increased $11,048, or 7.1 percent, and Fringe benefits decreased $8,590, or 4.5 percent, resulting primarily from a decrease in capital project reimbursement costs due to a reduction in the overall capital program expense during fiscal year 2017. Materials and services increased $8,579, or 9.6 percent, due primarily to a new contract for draft environmental impact services related to the Southwest Corridor project.

Total expenses increased $92,178, or 17.1 percent, during fiscal year 2016. Labor costs increased $15,149, or 10.8 percent, and Fringe benefits increased $23,538, or 14.1 percent, resulting primarily from increased staffing levels in the current year. Materials and services increased $6,668, or 8.0 percent, due primarily to increases in costs related to Portland Streetcar and increases in property maintenance and security services as a result of the opening of the Portland to Milwaukie Light Rail (PMLR). Purchased transportation decreased $8,417, or 23.1 percent during fiscal year 2016 as the result of the transition of the Medical Transportation program to another service provider in January 2015.

The following chart displays trends in Operating and Other expenses during the last three fiscal years:



Capital Contributions

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased $25,515 during fiscal year 2017, as the PMLR project opened during fiscal year 2016. Capital contributions decreased $96,704, during fiscal year 2016, due to timing of contributions recognized in relation to PMLR.

Management's Discussion and Analysis

continued

(dollars in thousands)

Capital Assets

At June 30, 2017, the District had invested $2,997,401, in capital assets, net of accumulated depreciation (see Table 3 and Note 4).

Table 3 — **Capital Assets**
As of June 30
(net of depreciation, dollars in thousands)

				Increase (decrease)			
				2017 - 2016		2016 - 2015	
	2017	**2016**	**2015**	**$**	**%**	**$**	**%**
Land and other	$ 232,785	$ 231,713	$ 232,347	$ 1,072	0.5 %	$ (634)	(0.3)%
Rail right-of-way and stations	1,552,437	1,603,548	1,113,195	(51,111)	(3.2)%	490,353	44.0 %
Buildings	528,429	539,228	187,231	(10,799)	(2.0)%	351,997	188.0 %
Transportation equipment	414,518	413,514	291,464	1,004	0.2 %	122,050	41.9 %
Furniture and other equipment	143,810	157,262	60,491	(13,452)	(8.6)%	96,771	160.0 %
Construction in progress	125,422	99,121	1,126,782	26,301	26.5 %	(1,027,661)	(91.2)%
Total capital assets	$ 2,997,401	$ 3,044,386	$ 3,011,510	$ (46,985)	(1.5)%	$ 32,876	1.1 %

Total capital assets net of depreciation decreased $46,985, or 1.5 percent, during fiscal year 2017, primarily due to the impact of depreciation of assets in service. Total capital assets net of depreciation increased $32,876, or 1.1 percent, during fiscal year 2016, due to construction on PMLR, offset by the impact of depreciation of assets in service. PMLR extended TriMet's light rail system from Portland State University, to the South Waterfront, adding a new transit and pedestrian bridge across the Willamette River, and extending through Southeast Portland to the City of Milwaukie. The line opened in September 2015.

Long-Term Debt

Long-term debt includes revenue bonds guaranteed by payroll tax and grant receipt revenues. At June 30, 2017, the District had $692,940 in revenue bonds outstanding (see Note 5).

The table below represents the District's bond ratings on its long-term debt as rated by Moody's Investor Services, Inc. (Moody's) and Standard & Poor's credit rating agencies:

Table 4 — **Revenue Bond Ratings**
As of June 30
(dollars in thousands)

Revenue bonds	**Original issue amount**	**Balance at June 30, 2017**	**Moody's**	**Standard & Poor's**
Payroll Tax Revenue Bonds:				
2009 Series A and B Payroll Tax	$ 49,550	$ 17,510	Aaa	AAA
2012 Series A Payroll Tax	93,290	16,050	Aaa	AAA
2015 Series A and B Payroll Tax	134,590	128,940	Aaa	AAA
2016 Series A Payroll Tax	74,800	74,800	Aaa	AAA
2017 Series A Payroll Tax	97,430	97,430	Aaa	AAA
Payroll Tax and Grant Receipt Revenue Bonds:				
2013 Series Payroll Tax and Grant Receipt	325,000	225,000	Aa3	A+
Grant Receipt Revenue Bonds:				
2011 Series A and B Capital Grant Receipt	142,380	133,210	A3	A

Management's Discussion and Analysis

continued

(dollars in thousands)

Lease Transactions

In prior years, TriMet entered into several lease-leaseback and sale-leaseback transactions (1997/1998 lease transactions) with investors (see Note 8). During fiscal year 2015, the District received a put option related to one sale-leaseback. The transaction closed on December 15, 2015. During fiscal year 2016, the District received a put option related to the remaining sale-leaseback. The transaction closed on June 15, 2016. As of June 30, 2017, the final termination payment of $5,051 was paid and completed in December 2016. The District is not aware of any default, event of default or event of loss under any of the operative lease documents at June 30, 2017. The District has one remaining lease transaction (2005 lease transaction) outstanding at year-end.

TRIMET DEFINED BENEFIT RETIREMENT PLAN FOR MANAGEMENT AND STAFF EMPLOYEES TRUST FUND

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers most TriMet non-union employees hired before April 27, 2003. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life, with annual cost of living increases. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2017, 2016, and 2015:

Table 5

Trust Net Position
As of June 30
(dollars in thousands)

	2017	2016	2015
Trust assets	$ 123,982	$ 115,034	$ 111,141
Trust liabilities	26	37	41
Trust net position	$ 123,956	$ 114,997	$ 111,100
Total pension liability	$ 138,988	$ 133,362	$ 129,132
Funded percentage	89%	86%	86%

Total net position as of June 30, 2017 increased by $8,959 or 7.8 percent, due to employer contributions recorded in the plan of $6,330 in fiscal year 2017, the increase in fair market value of investments, and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 12). Total net position as of June 30, 2016 increased by $3,897 or 3.5 percent, due to employer contributions recorded in the plan of $7,036 in fiscal year 2016, the increase in fair market value of investments, and offset by reductions due to payment of retirement benefits under the terms of the plan. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis.

The following chart displays changes in net position for the years ended June 30, 2017, 2016, and 2015:

Table 6

Changes in Trust Net Position
For the years ended June 30
(dollars in thousands)

	2017	2016	2015
Employer contributions	$ 6,330	$ 7,036	$ 6,559
Investment earnings	7,991	1,460	2,019
Total additions	14,321	8,496	8,578
Benefit payments	5,286	4,502	4,458
Administrative expenses	76	97	112
Total deductions	5,362	4,599	4,570
Increase in net position	8,959	3,897	4,008
Trust net position, beginning	114,997	111,100	107,092
Trust net position, ending	$ 123,956	$ 114,997	$ 111,100

Management's Discussion and Analysis

continued

(dollars in thousands)

THE PENSION PLAN FOR BARGAINING UNIT EMPLOYEES OF TRIMET TRUST FUND

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired before August 1, 2012. Benefits under the plan are 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2017, 2016, and 2015:

Table 7

Trust Net Position
As of June 30
(dollars in thousands)

	2017	2016	2015
Trust assets	$ 521,059	$ 473,024	$ 466,012
Trust liabilities	132	195	197
Trust net position	$ 520,927	$ 472,829	$ 465,815
Total pension liability	$ 657,399	$ 656,437	$ 625,233
Funded percentage	79%	72%	75%

Total net position as of June 30, 2017 increased by $48,098, or 10.2 percent, due to employer contributions to the plan of $37,859 in fiscal year 2017, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 13). Total net position as of June 30, 2016 increased by $7,014, or 1.5 percent, due to employer contributions to the plan of $39,805 in fiscal year 2016, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis. The following chart displays changes in net position for the years ended June 30, 2017, 2016, and 2015:

Table 8

Changes in Trust Net Position
For the years ended June 30
(dollars in thousands)

	2017	2016	2015
Employer contributions	$ 37,859	$ 39,805	$ 37,793
Investment earnings	46,645	1,949	12,294
Total additions	84,504	41,754	50,087
Benefit payments	36,159	34,458	32,269
Administrative expenses	247	282	353
Total deductions	36,406	34,740	32,622
Increase in net position	48,098	7,014	17,465
Trust net position, beginning	472,829	465,815	448,350
Trust net position, ending	$ 520,927	$ 472,829	$ 465,815

Management's Discussion and Analysis

continued

(dollars in thousands)

ECONOMIC FACTORS AND FISCAL YEAR 2018 BUDGET

The District's Board of Directors adopted the fiscal year 2018 budget on May 24, 2017. The fiscal year 2018 budget includes $868,228 in total appropriations, a 2.4 percent decrease from fiscal year 2017. The budget focuses on payroll tax increases, changes in service, the cost of operating and maintaining the existing transit system, and continued commitment to strengthen pension reserves. The fiscal year 2018 adopted budget can be found on line under "Financial Information" and "Budgets" at: https://trimet.org/about/accountability.htm#policy

The fiscal year 2018 budget also includes the District's new electronic fare system, Hop Fastpass™, as well as light rail reliability improvements and system wide safety enhancements. For the fifth consecutive year, the budget does not include any increase in fares. Highlights from the $1.2 billion operating budget include:

- Bus service expansion – the District is the in the second year of a 10-year expansion of service funded in part from an increase in the employer payroll tax. In fiscal year 2018, bus service hours will increase 3.4 percent or 1,200 hours per week.
- New buses – purchase and deliver of new buses by the end of fiscal year 2018 to bring the total number of new-model buses to 433 and the average age of the fleet will be reduced to about eight years, which is the industry standard.
- Hop Fastpass – a new regional fare card launched in July 2017. More information about this program can be found at: myhopcard.com
- Safety enhancements – investments in safety and security includes a new transit police precinct, rail crossing improvements and enhanced training for rail operators.

Also significant in the 2018 budget and years ahead is the State of Oregon House Bill 2017 that passed in July 2017, a major transportation tax and spending bill that is estimated to raise approximately $3.8 billion in new tax and fee revenue over the next seven years to be spent on road and bridge maintenance, new highway construction and transit services around the state. The transportation bill includes a statewide payroll tax of .1 percent paid by employees to fund transit districts. The new payroll tax is estimated to raise $115 million a year and would be split among the state's transit districts, including Tri-County Metropolitan Transportation District of Oregon. The funds are to be used primarily to increase bus service.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

TriMet
Attn: Finance & Administration
1800 S.W. 1st Avenue, Suite 300
Portland, OR 97201
www.trimet.org

Enterprise Fund
Statements of Net Position

June 30, 2017 and 2016
(dollars in thousands)

Assets	2017	2016
Current assets (unrestricted):		
Cash and cash equivalents	$ 77,321	$ 58,590
Investments	28,845	4,323
Taxes and other receivables, net	103,510	98,560
Grants receivable	16,636	40,125
Prepaid expenses	7,668	10,205
Current assets (restricted):		
Cash and cash equivalents	90,580	57,740
Investments	120,220	102,463
Taxes and other receivables, net	160	204
Grants receivable	101,136	100,658
Prepaid expenses	638	724
Prepaid lease expenses and deposits	-	5,051
Total current assets	546,714	478,643
Capital assets		
Land and other	232,785	231,713
Construction in process	125,422	99,121
Property and equipment	4,157,256	4,121,284
Less accumulated depreciation	(1,518,062)	(1,407,732)
Net capital assets	2,997,401	3,044,386
Prepaid lease expenses	71,424	67,840
Materials, supplies and other	39,059	32,765
Other assets	1,659	1,792
Total assets	3,656,257	3,625,426
Deferred outflows of resources		
Unamortized loss on pension assets	55,574	80,070
Unamortized loss on refunded debt	5,928	6,740
Total deferred outflows of resources	61,502	86,810
Total assets and deferred outflows of resources	$ 3,717,759	$ 3,712,236

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Net Position

June 30, 2017 and 2016
(dollars in thousands)
continued

Liabilities	2017	2016
Current liabilities (unrestricted):		
Accounts payable	$ 27,835	$ 24,300
Accrued payroll	20,579	19,322
Current portion of noncurrent liabilities	6,021	6,881
Unearned revenue	12,468	12,921
Current liabilities (restricted):		
Accounts payable	4,075	10,463
Current portion of long-term debt	101,040	111,533
Unearned revenue	1,000	1,000
Unearned capital project revenue	12,474	12,398
Other accrued liabilities	8,065	6,725
Unearned lease revenue, current portion	-	5,051
Total current liabilities	193,557	210,594
Noncurrent liabilities:		
Long-term debt	639,675	651,628
Long-term lease liability	59,321	55,914
Net pension liability	151,504	201,973
Other postemployment benefits liability	563,846	520,615
Other long-term liabilities	14,399	13,681
Total noncurrent liabilities	1,428,745	1,443,811
Total liabilities	1,622,302	1,654,405
Deferred inflows of resources		
Unamortized gain on pension investments	54,583	49,295
Unamortized gain on leases	16,370	17,312
Total deferred inflows of resources	70,953	66,607
Net position		
Net investment in capital assets	2,509,481	2,502,486
Restricted	35,892	11,296
Unrestricted	(520,869)	(522,558)
Total net position	2,024,504	1,991,224
Total liabilities, deferred inflows of resources and net position	$ 3,717,759	$ 3,712,236

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2017 and 2016
(dollars in thousands)

	2017	2016
Operating revenues		
Passenger revenue	$ 116,895	$ 118,069
Auxiliary transportation and other revenue	26,000	25,704
Total operating revenues	142,895	143,773
Operating expenses		
Labor	166,117	155,069
Fringe benefits	181,795	190,385
Materials and services	98,160	89,581
Utilities	10,647	9,488
Purchased transportation	30,301	27,979
Depreciation expense	129,750	132,999
Other operating expense	10,597	10,181
Total operating expenses	627,367	615,682
Operating loss	(484,472)	(471,909)
Non-operating revenues (expenses)		
Payroll and other tax revenue	337,206	325,074
Grant revenue	92,708	72,550
Interest income	1,388	803
Net leveraged lease income (expense)	1,119	278
Interest and other expense	(18,830)	(16,227)
Total non-operating revenues, net	413,591	382,478
Loss before contributions	(70,881)	(89,431)
Capital contributions	104,161	129,676
Changes in net position	33,280	40,245
Total net position - beginning	1,991,224	1,950,979
Total net position - ending	$ 2,024,504	$ 1,991,224

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016
(dollars in thousands)

	2017	2106
Cash flows from operating activities		
Receipts from passengers	$ 116,193	$ 117,136
Receipts from other sources	26,153	18,916
Payments to employees	(319,654)	(315,271)
Payments to suppliers	(160,642)	(135,133)
Net cash used in operating activities	(337,950)	(314,352)
Cash flows from noncapital financing activities		
Receipts from payroll taxes	332,231	316,054
Receipts from operating grants	116,230	57,900
Net cash provided by noncapital financing activities	448,461	373,954
Cash flows from capital and related financing activities		
Receipts from capital grants	103,726	8,453
Receipts from (Increase in) property taxes	(2)	22
Payments on leases	-	(207)
Receipts from sales or lease of capital assets	503	235
Acquisition and construction of capital assets	(83,197)	(129,349)
Issuance of long-term debt	110,351	209,390
Principal payments on long-term debt	(122,928)	(155,840)
Interest payments on long-term debt	(26,547)	(22,406)
Net cash used by capital and related financing activities	(18,094)	(89,702)
Cash flows from investing activities		
Purchases of investment securities	(634,564)	(462,664)
Proceeds from sales and maturities of investment securities	592,285	518,520
Interest received	1,433	1,256
Net cash provided by investing activities	(40,846)	57,112
Net (decrease) increase in cash and cash equivalents	51,571	27,012
Cash and cash equivalents, beginning of year	116,330	89,318
Cash and cash equivalents, end of year	$ 167,901	$ 116,330
Reconciliation of cash and cash equivalents		
Unrestricted cash and cash equivalents	$ 77,321	$ 58,590
Restricted cash and cash equivalents	90,580	57,740
Total cash and cash equivalents	$ 167,901	$ 116,330

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016
(dollars in thousands)
continued

Reconciliation of operating loss to net cash used in operating activities

	2017	2016
Operating loss	$ (484,472)	$ (471,909)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	129,750	132,999
(Gain) loss on disposal of capital assets	(71)	(191)
(Increase) decrease in taxes and other receivables	26	(1,221)
(Increase) decrease in prepaid and other assets	2,756	2,631
Increase (decrease) in materials, supplies and other	(6,294)	(6,193)
Increase (decrease) in operating accounts payable	(2,853)	8,020
Increase (decrease) in accrued payroll	1,257	(5,595)
Increase (decrease) in unearned revenue	(453)	(5,873)
Increase (decrease) in net pension liability	(20,685)	(12,892)
Increase (decrease) in other postemployment benefit liability	43,231	45,606
Increase (decrease) in other liabilities	(142)	266
Total adjustments	146,522	157,557
Net cash used in operating activities	$ (337,950)	$ (314,352)

Supplemental Disclosures of Non-Cash Operating, Investing and Financing Activities

(dollars in thousands)

	2017	2016
Net leveraged lease expense	$ 1,119	$ 278
Accretion/amortization of investments	(19,398)	(3,245)
Fiber optic lease	365	329

See accompanying notes to basic financial statements

Trust Fund
Statements of Pension Plan Fiduciary Net Position

June 30, 2017
(dollars in thousands)

	2017		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Assets			
Cash and cash equivalents	$ 927	$ 2,331	$ 3,258
Investments:			
Domestic Large/Mid Cap Equity	26,666	144,203	170,869
Domestic Small Cap Equity	3,534	17,666	21,200
International Equity	23,219	121,388	144,607
Domestic Fixed Income	17,412	51,919	69,331
Tactical Asset Allocation	17,405	37,013	54,418
Real Estate	10,863	52,363	63,226
Absolute Return	16,541	74,974	91,515
Private Credit	613	10,206	10,819
Private Equity	6,801	8,994	15,795
Total investments	123,054	518,726	641,780
Receivables:			
Investment earnings receivable	1	2	3
Total receivables	1	2	3
Total assets	123,982	521,059	645,041
Liabilities			
Accounts payable	26	132	158
Total liabilities	26	132	158
Net position			
Held in trust for pension benefits	$ 123,956	$ 520,927	$ 644,883

See accompanying notes to basic financial statements

Trust Fund
Statements of Pension Plan Fiduciary Net Position
June 30, 2016
(dollars in thousands)
continued

	2016		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Assets			
Cash and cash equivalents	$ 631	$ 1,624	$ 2,255
Investments:			
Domestic Large/Mid Cap Equity	25,329	129,046	154,375
Domestic Small Cap Equity	2,747	14,280	17,027
International Equity	18,315	100,006	118,321
Domestic Fixed Income	17,333	48,474	65,807
Tactical Asset Allocation	16,766	40,499	57,265
Real Estate	10,289	43,870	54,159
Absolute Return	16,304	60,833	77,137
Private Credit	683	11,059	11,742
Private Equity	6,561	8,964	15,525
Total investments	114,327	457,031	571,358
Receivables:			
Investment redemption receivable	-	13,946	13,946
Investment earnings receivable	76	423	499
Total receivables	76	14,369	14,445
Total assets	115,034	473,024	588,058
Liabilities			
Accounts payable	37	195	232
Total liabilities	37	195	232
Net position			
Held in trust for pension benefits	$ 114,997	$ 472,829	$ 587,826

See accompanying notes to basic financial statements

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Year Ended June 30, 2017
(dollars in thousands)

	2017 Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Additions			
Employer contributions	$ 6,330	$ 37,859	$ 44,189
Investment income (loss):			
Interest	(71)	(407)	(478)
Dividends	1,020	3,251	4,271
Other income	307	2,456	2,763
Net increase (decrease) in fair value of investments	6,868	42,065	48,933
Less investment expense	(133)	(720)	(853)
Net investment income	7,991	46,645	54,636
Total additions	14,321	84,504	98,825
Deductions			
Benefits	5,286	36,159	41,445
Administrative expenses	76	247	323
Total deductions	5,362	36,406	41,768
Change in net position	8,959	48,098	57,057
Net position held in trust for pension benefits:			
Beginning of year	114,997	472,829	587,826
End of year	$ 123,956	$ 520,927	$ 644,883

See accompanying notes to basic financial statements

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Years Ended June 30, 2016
(dollars in thousands)
continued

	2016		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
Additions			
Employer contributions	$ 7,036	$ 39,805	$ 46,841
Investment income (loss):			
Interest	-	1	1
Dividends	1,385	5,614	6,999
Net increase (decrease) in fair value of investments	193	(2,996)	(2,803)
Less investment expense	(118)	(670)	(788)
Net investment income	1,460	1,949	3,409
Total additions	8,496	41,754	50,250
Deductions			
Benefits	4,502	34,458	38,960
Administrative expenses	97	282	379
Total deductions	4,599	34,740	39,339
Change in net position	3,897	7,014	10,911
Net position held in trust for			
Beginning of year	111,100	465,815	576,915
End of year	$ 114,997	$ 472,829	$ 587,826

See accompanying notes to basic financial statements

Notes to Financial Statements

June 30, 2017
(dollars in thousands)

1. Organization and Summary of Significant Accounting Policies

The Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 267 to provide mass transit services to the Portland metropolitan area. Formation of the District, which includes parts of Multnomah, Clackamas, and Washington counties, was effective October 14, 1969 with the assumption of the operations of a privately owned bus system. Under ORS 267, the District is authorized to levy taxes and charge fares to pay for the operations of the District. TriMet is also authorized to issue general obligation bonds and revenue bonds.

The District is governed by a seven-member Board of Directors appointed by the Governor of the State of Oregon. Board members represent and must live in certain geographical sub-districts. The Board of Directors set District policy, levy taxes, appropriate funds, adopt budgets, serve as contract board, and perform other duties required by state and federal law.

The District uses one budgetary fund to account for its operating activities: General. The General Fund accounts for the financial resources associated with operating the District. Principle sources of revenue in the General Fund are passenger fares, employer payroll and self employment taxes, State of Oregon payroll assessments ("in lieu"), federal grants, and interest. Primary expenditures in the General Fund are personal services, materials and services, and principal and interest on debt secured by General Fund revenues. The District also has fiduciary responsibility for two pension plans: The TriMet Defined Benefit Plan for Management and Staff Employees Trust Fund, and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund. The investment, pension funding and benefit payment activity in these funds and pension plan net position are reported in the Trust Fund.

(a) Financial reporting entity

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, TriMet is considered a primary government and does not have any component unit relationships. Conversely, TriMet is not considered a component unit of any primary government.

(b) Basis of accounting and presentation

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. Under GAAP, the District accounts for activity under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District has a fiduciary responsibility for the two defined benefit pension plans. The financial activities of the pension plans are included in the trust fund statements in the financial section of this report. In addition, the District has a fiduciary responsibility for the other postemployment benefit plan (OPEB). As of June 30, 2017, the OPEB plan had $401 in net position and no activity other than interest earnings. Therefore, the trust fund statements for the OPEB plan are not included as part of the basic financial statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements in the financial statements. GASB Statement No. 84, *Fiduciary Activities,* is effective for the District in fiscal year 2020. The District is in the process of evaluating the impact of this standard on the financial statements.

(c) Revenue recognition

Operating revenues consist primarily of passenger fares. The District also recognizes operating revenue for contracted service revenue and transit advertising revenue. Operating expenses include the costs of operating the District, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital asset acquisitions or construction. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

(d) Restricted Assets

Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources as they are needed. Restricted assets include certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, and capital contributions restricted for costs of certain capital projects.

(e) Tax revenues

Funding of day-to-day operations is primarily provided by the payroll tax imposed by TriMet pursuant to ORS 267.380 and the self employment tax imposed by TriMet pursuant to ORS 267.385. The payroll tax is imposed on employers with respect to wages earned within the TriMet service district. An employer is not permitted to deduct any portion of the tax from the wages of an employee. The self employment tax is imposed on self-employed individuals with respect to their net earnings generated within the TriMet service district. TriMet currently imposes these taxes at a rate of 0.7437 percent of the wages paid to individuals (for the payroll tax) and the net earnings from self-employed individuals (for the self employment tax). The taxes are collected on TriMet's behalf by the Department of Revenue of the State of Oregon under an agreement entered into pursuant to ORS 305.620. Imposed tax revenues are recorded as assets and revenues in the period that the obligation is incurred by the employers and the self-employed individuals. Amounts accrued are estimated based upon historical trends in payroll tax cash receipts. TriMet records an allowance for past due amounts that have not been collected by the state as of year-end.

(f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and shares of the State of Oregon Local Government Investment Pool and financial institutions, and marketable securities with original maturities of three months or less.

(h) Investments

ORS Chapter 294 authorizes the District to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers' acceptances and corporate indebtedness, and repurchase agreements. The District records all investments at fair value based upon quoted market rates, with changes in unrealized gains and losses reported as investment income.

(i) Materials and supplies

Materials and supplies inventories are stated at cost determined on a moving average basis.

(j) Prepaid expenses

Prepaid expenses include amounts paid to vendors for services to be received in the future.

(k) Receivables

Taxes and other receivables. Taxes and other receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts for payroll taxes, self employment taxes and property taxes are based on the District's experience and management's judgment over recent years. The allowance for returns for trade accounts are based upon the District's experience of returns in the most recent year.

Grants receivable. Grants receivable are recorded in accordance with the non-exchange guidance. Accordingly, receivables are recorded when all eligibility criteria have been met.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

(l) Capital assets and depreciation

Capital assets are stated at cost, except for donated capital assets, which are stated at the fair (acquisition) value on the date of donation. Expenditures for additions and improvements, with a value in excess of $5 and a useful life of more than one year, are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operating expense as incurred. Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation and the resulting gains or losses are reflected in the statement of revenues, expenses and changes in net position as other revenue.

Interest costs are capitalized to the extent that interest costs exceed interest earned on related temporary investments, from the date of borrowing until assets are ready for their intended use. Depreciation of capital assets is recorded using the straight-line method over the estimated useful lives of the assets.

Capital assets are assigned the following estimated useful lives:

Rail right-of-way, bridges and stations	5-70 years
Buildings	40 years
Transportation equipment	5-30 years
Furniture and other equipment	3-20 years

(m) Self insurance liabilities

Liabilities for workers' compensation, employee dental insurance, and public liability and property damage claims are recognized as incurred on the basis of the estimated cost to the District upon resolution. Estimated liabilities for injury and damage claims are charged to operations in the year the claim event occurs.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Since self insured claims depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of recently settled claims, the frequency of claims, and other economic and social factors.

(n) Compensated absences

Vacation leave that has been earned but not paid has been accrued. Vacation pay and floating holidays are payable upon termination, retirement or death for both union and non-union employees. Sick leave is accrued as benefits are earned, but only to the extent the District will compensate the employee through a cash payment conditional on the employee's termination or death. Pursuant to the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the Management DC Plan) and the TriMet Defined Contribution Retirement Plan for Union Employees (The Union DC Plan), the District contributes 60 percent of unused sick leave when the employee leaves TriMet. The District records a liability in the accompanying financial statements related to the unused sick leave for employees covered by the Management DC Plan and the Union DC Plan. Unused sick leave benefits that enhance either defined benefit pension plan are included in the actuarial accrued liability.

(o) Bond discounts, premiums and refundings

Unamortized bond discounts and premiums are amortized to interest expense, using the effective interest method, over the term of the bonds. The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized, using the effective interest method, over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as a deferred outflow of resources.

(p) Contributed capital

Contributions received for the construction of capital assets are initially recorded as liabilities, then reclassified to revenue (contributed capital) when the associated capital projects are constructed or acquired.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

(q) Net position

Restricted net position represents funds with a specified restricted purpose such as capital construction or acquisition, or debt service payments; and net investment in capital assets. Unrestricted net position includes all other balances not included in Restricted net position.

(r) Stewardship, compliance and accountability

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Differences from the budgetary basis to the GAAP basis are noted on the Reconciliation of Revenues and Expenses (Budget Basis) to Schedule of Revenues and Expenses (GAAP Basis). The District's legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund and divisional level and include expenses for operating, operating projects and capital projects. All annual appropriations lapse at fiscal year-end. The Board of Directors approved any budgetary modifications to the adopted fiscal year 2017 budget throughout the year. For fiscal year-end June 30, 2017, the District was in budget compliance at all division levels.

2. Cash and Investments

Cash and Investments at June 30, 2017 and 2016, consisted of the following:

	2017			2016		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
Cash and investments:						
Cash on hand	$ 393	0.1 %	-	$ 416	0.2 %	-
Demand deposits with financial institutions	69,177	21.8 %	-	36,547	16.4 %	-
Oregon local government investment pool	46,182	14.6 %	-	46,628	20.9 %	-
Commercial paper	-		-	2,000	0.9 %	-
Federal National Mortgage Association	-		-	20,637	9.2 %	0.16
Federal Home Loan Bank	50,123	15.8 %	0.27	20,008	9.0 %	0.04
U.S. Treasuries	151,091	47.7 %	0.37	96,880	43.4 %	0.29
Total cash and investments	$ 316,966			$ 223,116		

Cash and investments are reflected in the Statements of net position as follows:

	2017	2016
Cash and cash equivalents		
Unrestricted	$ 77,321	$ 58,590
Restricted	90,580	57,740
Investments		
Unrestricted	28,845	4,323
Restricted	120,220	102,463
Total cash and investments	$ 316,966	$ 223,116

Notes to Financial Statements
June 30, 2017
(dollars in thousands)
continued

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments in Federal Home Loan Bank and U.S. Treasuries are valued using quoted market prices (Level 1 inputs).

TriMet's demand deposits are covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held by the State of Oregon. Cash held in the State of Oregon local government investment pool is managed by the State of Oregon Treasurer's office.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually. The Division's most recent audit report on the LGIP was unqualified. The fair value of pool shares is equal to TriMet's proportionate position in the pool.

The LGIP includes investments in external investment pools and does not meet the requirements for "leveling" discosures as established in GASB Statement No. 72. Therefore, fair value of the LGIP is determined by the pool's underlying portfolio.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, TriMet manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to 5 years, with a weighted average maturity of less than 2.0 years. At June 30, 2017, the weighted average maturity of the investment portfolio was 0.32 years.

Credit risk. Credit risk is the risk that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the fair value of the investment to decline. TriMet's investment policy, which is in compliance with Oregon State law (ORS 294 and 295), limits investment in corporate indebtedness on the settlement date to a rating of P-1 or Aa3 or better by Moody's Investors Service or A-1 or AA- or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. All investments identified in the ORS are included as permitted investments in the District's investment policy.

Concentration of credit risk. Concentration of credit risk is the risk associated with the lack of diversification or having too much invested in a few individual issues. TriMet's investment policy sets forth the procedures, guidelines, and criteria for the operation of TriMet's investment program. This policy governs the investment of all TriMet funds, except funds held in trust for pensions and deferred compensation. The investment policy establishes maximum amounts, either as a percentage of total portfolio or fixed dollar amount, that may be invested in investment types and any single issuer including U.S. government securities (no limit), agency securities (33 percent maximum with any one agency, 90 percent maximum of the total portfolio), commercial paper (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio), local government investment pool (limited to maximum per ORS 294.810), time deposits, certificates of deposit and savings accounts (25 percent maximum with any issuer, 50 percent maximum of the total portfolio), corporate indebtedness (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio) and municipal debt obligations (5 percent maximum with any issuer, 10 percent maximum of the total portfolio). At June 30, 2017, the District had 47.7 percent invested in U.S. government securities, 15.8 percent in agency securities, 21.8 percent in demand deposits, 14.6 percent in local government investment pool, and 0.1 percent in cash.

Custodial credit risk - deposits and investments. For deposits, this is the risk that in the event of a bank failure, TriMet's deposits may not be returned. ORS Chapter 295 governs the collateralization of certain Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. All banks holding funds in TriMet's name, that are not held in trust for debt service, are included on the list of qualified depositories maintained by the Oregon State Treasurer. At June 30, 2017, the carrying amount of the District's deposits (excluding amounts held in trust for debt service) was $37,361 and the bank balance was $41,685. Of this bank balance, $750 was covered by the federal depository insurance's general deposit rules and $40,935 was collateralized by the PFCP.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

All investments purchased by the District are held and registered in TriMet's name by a safekeeping bank acting as safekeeping agent. A portion of TriMet's funds are invested in an external investment pool, held by the State of Oregon in the Local Government Investment Pool (LGIP), as described above. TriMet also deposits funds in three bank savings accounts. Balances in these accounts are in compliance with TriMet investment policy limits and are collateralized in accordance with ORS Chapter 295.

3. Receivables

At June 30, 2017 and 2016, the District had the following receivables under various federal and state grant agreements:

2017	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 39	$ 39
Other federal	16,308	100,144	116,452
State grants	328	212	540
Local governments	-	741	741
	$ 16,636	$ 101,136	$ 117,772

2016	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 72	$ 72
Other federal	40,067	100,034	140,101
State grants	53	69	122
Local governments	5	483	488
	$ 40,125	$ 100,658	$ 140,783

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Taxes and other receivables at June 30, 2017 and 2016, including the applicable allowances for uncollectible accounts, are as follows:

2017	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 83,127	$ 2,070	$ 81,057
Self-employment tax	9,817	510	9,307
Trade accounts	6,302	400	5,902
Property Tax	105	65	40
Other	7,204	-	7,204
Total unrestricted	106,555	3,045	103,510
Restricted:			
Other	160	-	160
Total restricted	160	-	160
Total taxes and other receivables	$ 106,715	$ 3,045	$ 103,670

2016	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 80,179	$ 3,534	$ 76,645
Self-employment tax	12,223	3,584	8,639
Trade accounts	6,391	400	5,991
Property Tax	103	65	38
Other	7,247	-	7,247
Total unrestricted	106,143	7,583	98,560
Restricted:			
Other	204	-	204
Total restricted	204	-	204
Total taxes and other receivables	$ 106,347	$ 7,583	$ 98,764

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

4. Capital Assets

Capital assets at June 30, 2017 and 2016 consisted of the following:

2017	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 231,713	$ 86	$ (380)	$ 1,366	$ 232,785
Construction in process		99,121	83,035	-	(56,734)	125,422
Total capital assets, not being depreciated		330,834	83,121	(380)	(55,368)	358,207
Capital assets, being depreciated						
Rail right-of-way and stations	5-70	2,398,177	-	(43)	10,936	2,409,070
Buildings	40	735,245	14	(10)	5,643	740,892
Transportation equipment	5-30	712,598	-	(18,005)	33,315	727,908
Furniture and other equipment	3-20	275,264	61	(1,413)	5,474	279,386
Total capital assets, being depreciated		4,121,284	75	(19,471)	55,368	4,157,256
Less accumulated depreciation for						
Rail right-of-way and stations		(794,628)	(62,048)	43	-	(856,633)
Buildings		(196,016)	(16,457)	10	-	(212,463)
Transportation equipment		(299,084)	(32,273)	17,967	-	(313,390)
Furniture and other equipment		(118,004)	(18,972)	1,400	-	(135,576)
Total accumulated depreciation		(1,407,732)	(129,750)	19,420	-	(1,518,062)
Total capital assets, being depreciated, net		2,713,552	(129,675)	(51)	55,368	2,639,194
Total capital assets, net		$ 3,044,386	$ (46,554)	$ (431)	$ -	$ 2,997,401

2016	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 232,347	$ 160	$ -	$ (794)	$ 231,713
Construction in process		1,126,782	132,931	-	(1,160,592)	99,121
Total capital assets, not being depreciated		1,359,129	133,091	-	(1,161,386)	330,834
Capital assets, being depreciated						
Rail right-of-way and stations	5-70	1,834,610	12	(3)	563,558	2,398,177
Buildings	40	368,087		(6)	367,164	735,245
Transportation equipment	5-30	575,763	32,241	(13,033)	117,627	712,598
Furniture and other equipment	3-20	172,406	574	(10,753)	113,037	275,264
Total capital assets, being depreciated		2,950,866	32,827	(23,795)	1,161,386	4,121,284
Less accumulated depreciation for						
Rail right-of-way and stations		(721,415)	(73,216)	3	-	(794,628)
Buildings		(180,856)	(15,160)	-	-	(196,016)
Transportation equipment		(284,299)	(27,818)	13,033	-	(299,084)
Furniture and other equipment		(111,915)	(16,805)	10,716	-	(118,004)
Total accumulated depreciation		(1,298,485)	(132,999)	23,752	-	(1,407,732)
Total capital assets, being depreciated, net		1,652,381	(100,172)	(43)	1,161,386	2,713,552
Total capital assets, net		$ 3,011,510	$ 32,919	$ (43)	$ -	$ 3,044,386

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

5. Long-Term Debt

Long-Term Debt at June 30, 2017 and 2016 consists of the following:

2017	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2007 Revenue Bonds, Series A	$ 1,545	$ -	$ (1,545)	$ -	$ -
2009 Revenue Bonds, Series A and B	19,050	-	(1,540)	17,510	1,600
2012 Senior Lien Payroll Tax Bonds, Series A	18,315	-	(2,265)	16,050	2,380
2015 Senior Lien Payroll Tax Bonds, Series A and B	134,590	-	(5,650)	128,940	7,255
2016 Senior Lien Revenue Refunding Bonds, Series A	74,800	-	-	74,800	355
2017 Senior Lien Revenue Refunding Bonds, Series A	-	97,430	-	97,430	-
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	325,000	-	(100,000)	225,000	80,000
Capital Grant Receipt Revenue Bonds:	-				
Capital Grant Receipt Revenue Bonds, Series 2005	2,730	-	(2,730)	-	-
2011 Capital Grant Receipt Revenue Bonds	142,380	-	(9,170)	133,210	9,450
Capital Leases:					
Other	28	-	(28)	-	-
	718,438	97,430	(122,928)	692,940	101,040
Add (deduct):					
Unamortized bond premium	44,723	12,921	(9,869)	47,775	
Current portion of long-term debt	(111,533)			(101,040)	
Long-term debt, net	$ 651,628			$ 639,675	

2016	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2005 Revenue Refunding Bonds, Series A	$ 17,380	$ -	$ (17,380)	$ -	$ -
2007 Revenue Bonds, Series A	35,330	-	(33,785)	1,545	1,545
2009 Revenue Bonds, Series A and B	42,740	-	(23,690)	19,050	1,540
2012 Senior Lien Payroll Tax Bonds, Series A	89,150	-	(70,835)	18,315	2,265
2015 Senior Lien Payroll Tax Bonds, Series A and B	-	134,590	-	134,590	5,650
2016 Senior Lien Revenue Refunding Bonds, Series A	-	74,800	-	74,800	-
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	325,000	-	-	325,000	90,000
Capital Grant Receipt Revenue Bonds:					
Capital Grant Receipt Revenue Bonds, Series 2005	12,880	-	(10,150)	2,730	1,335
2011 Capital Grant Receipt Revenue Bonds	142,380	-	-	142,380	9,170
Capital Leases:					
Other	62	-	(34)	28	28
	664,922	209,390	(155,874)	718,438	111,533
Add (deduct):					
Unamortized bond premium	40,210	14,580	(10,067)	44,723	
Current portion of long-term debt	(19,349)			(111,533)	
Long-term debt, net	$ 685,783			$ 651,628	

Total interest cost on all outstanding debt was $18,830 and $20,557 in fiscal years 2017 and 2016, respectively. All interest costs were expensed in fiscal year 2017 while during fiscal year 2016, $4,330 of interest was capitalized and $16,227 was charged to expense.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

	June 30, 2017		
Description of Debt:	Principal and interest to maturity	Principal and interest paid in the year	Pledged revenue for the year
Payroll Tax Bonds - pledged: Employer payroll, self employment tax, and state in lieu revenue			
2007 Revenue Bonds, Series A	$ -	$ 1,584	
2009 Revenue Bonds, Series A and B	28,588	2,463	
2012 Senior Lien Payroll Tax Bonds, Series A	18,433	3,072	
2013 Payroll Tax and Grant Receipts Bonds- Interest	234,850	9,850	
2015 Revenue Bonds, Series A and B	194,752	11,676	
2016 Revenue Bonds, Series A	111,747	2,221	
2017 Revenue Bonds, Series A	166,069	-	
	$ 754,439	$ 30,866	$ 336,131
Capital Grant Receipt Revenue Bonds - pledged: Section 5307, STP, and CMAQ grant receipts			
Capital Grant Receipt Revenue Bonds, Series 2005	$ -	$ 2,730	
2011 Capital Grant Receipt Revenue Bonds	172,689	15,856	
	$ 172,689	$ 18,586	$ 31,887
Capital Grant Receipt Revenue Bonds - pledged: Section 5309 full funding grant agreement revenues			
2013 Payroll Tax and Grant Receipts Bonds - Principal	$ 234,850	$ 100,000	$ 100,000

The District is required to comply with certain bond covenants related to the operations of the District. Significant covenants include timely payment of principal and interest, and to budget appropriate funds needed to pay all debt service obligations.

Under U.S. Treasury Department regulations, all governmental tax exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the yield on earnings from the investment of tax exempt bond proceeds, which exceed yield on related bonds, must be remitted to the Federal Government on every fifth anniversary of each bond issue. The District has evaluated each bond issue and has recognized no arbitrage liabilities as of June 30, 2017 and 2016.

Payroll Tax Bonds

TriMet has the following Revenue Bonds outstanding which are backed by Payroll Tax Revenues: 2007 Revenue Bonds Series A, 2009 Revenue Bonds Series A and B, 2012 Senior Lien Payroll Tax Revenue Bonds Series A, 2015 Revenue Bonds Series A and B, 2016 Revenue Bonds Series A and a 2017 Revenue Bonds. The Revenue Bonds are payable from and secured by a pledge of the employer payroll and self employment taxes levied by the District. The Payroll Tax Revenue Bonds are not general obligations of the District.

2005 Revenue Refunding Bonds, Series A

On March 29, 2005, TriMet defeased in substance future principal and interest payments on its 1999 Revenue Bonds, Series A, of $30,345 and $12,724, and its 2000 Revenue Bonds, Series A, of $35,235 and $13,295, respectively, with the issuance of the 2005 Revenue Refunding Bonds, Series A (2005 Revenue Bonds). Final payment on the 1999 and 2000 bonds has been completed.

On June 17, 2014, TriMet defeased in substance future principal and interest payments on a portion of its 2005 Revenue Refunding Bonds, Series A. On September 9, 2015, TriMet defeased in substance future principal and interest payments on all remaining 2005 Revenue Bonds, Series A. As of June 30, 2017, there were $9,125, in defeased bonds with scheduled maturities on September 1, 2017 and 2018. The 2005 Revenue bonds are subject to redemption prior to maturity at the option of TriMet on any date on or after September 1, 2017, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

2007 Revenue Bonds, Series A

On January 23, 2007, TriMet issued $45,450 in limited tax pledge 2007 Revenue Bonds, Series A (2007 Revenue Bonds) to fund the District's share of the I-205/Portland Mall Light Rail Project and other capital projects.

The 2007 Revenue Bonds mature serially each September 1, beginning September 1, 2007 through 2026, with a $13,025 term bond due September 1, 2031. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2027 through 2031. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 4.0 percent to 5.0 percent on outstanding maturities. The 2007 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after March 1, 2017 at a price of par (100%) plus accrued interest thereon to the date of redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2007 Revenue Bonds, Series A. As of June 30, 2017, there were $32,300, in defeased bonds with scheduled maturities annually on September 1, 2017 through 2031.

In September 2016, the final principal payment of $1,545 on the 2007 Revenue Bonds, Series A was made by TriMet and there are no future debt service obligations for the District.

2009 Revenue Bonds, Series A and B

On October 27, 2009, TriMet issued $37,020 in limited tax pledge 2009 Revenue Bonds, Series A and $12,530 in 2009 Build America Bonds, Series B (2009 Revenue Bonds) to fund the District's repayment of funds drawn on interim financing and other capital projects.

The 2009 Series A Revenue Bonds mature serially each September 1, beginning September 1, 2010 through 2025, with a $16,405 term bond due September 1, 2029. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2025 through 2029. The 2009 Series B Revenue Bonds mature September 1, 2033, and are subject to mandatory sinking fund requirements annually on September 1, 2030 through 2033. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 3.0 percent to 5.73 percent on outstanding maturities. The 2009 Series A Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2019 at a price of par (100%) plus accrued interest thereon to the date of redemption. The 2009 Series B Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet at the higher of 100 percent of outstanding principal or the present value of the outstanding principal and interest payment remaining at redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2009 Revenue Bonds. As of June 30, 2017, there were $22,200, in defeased bonds with scheduled maturities annually on September 1, 2020 through 2029.

Future maturities of the 2009 Revenue Bonds, Series A and B, are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 1,600	$ 864
2019	1,660	803
2020	1,720	744
2021	-	718
2022	-	718
2023-2027	-	3,590
2028-2032	5,910	3,256
2033-2034	6,620	385
	$ 17,510	$ 11,078

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

2012 Senior Lien Payroll Tax Bonds, Series A

On August 30, 2012, TriMet issued $93,290 in Senior Lien Payroll Tax Revenue Bonds, Series 2012A to fund the District's share of Portland Milwaukie Light Rail (PMLR) and other capital projects.

The 2012 Revenue Bonds mature serially each September 1, beginning September 1, 2013 through 2032, with $28,705 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.0 percent to 5.0 percent on outstanding maturities. The 2012 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2022, at a price of par (100%) plus accrued interest thereon to the date of redemption.

On May 11, 2016, TriMet defeased in substance future principal and interest payments on a portion of its 2012 Senior Lien Payroll Tax Bonds, Series A. As of June 30, 2017, there were $68,670, in defeased bonds with scheduled maturities annually on September 1, 2023 through 2037.

Future maturities of the 2012 Revenue Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 2,380	$ 691
2019	2,490	582
2020	2,605	467
2021	2,725	347
2022	2,850	221
2023	3,000	75
	$ 16,050	$ 2,383

2015 Revenue Bonds, Series A and B

On September 9, 2015, TriMet issued $71,885 in Senior Lien Payroll Tax Revenue Bonds, Series A to fund capital projects. TriMet also issued $62,705 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series B to refinance certain series of revenue bonds currently outstanding.

The 2015 Revenue Bonds mature serially each September 1, beginning September 1, 2016 through 2040, with $25,430 in term bonds maturing on September 1, 2040. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2015 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2025, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Future maturities of the 2015 Revenue Bonds, Series A and B, are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 7,255	$ 5,805
2019	7,565	5,488
2020	3,345	5,246
2021	5,115	5,078
2022	5,355	4,846
2023-2027	30,815	20,141
2028-2032	33,690	11,824
2033-2037	18,135	5,854
2038-2041	17,665	1,530
	$ 128,940	$ 65,812

Notes to Financial Statements
June 30, 2017
(dollars in thousands)
continued

2016 Revenue Refunding Bonds, Series A

On May 11, 2016, TriMet issued $74,800 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series A to refinance certain series of revenue bonds currently outstanding.

The 2016 Revenue Bonds mature serially each September 1, beginning September 1, 2017 through 2034, with $17,915 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.5 percent to 5.0 percent on outstanding maturities. The 2016 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Future maturities of the 2016 Revenue Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 355	$ 2,753
2019	360	2,746
2020	365	2,735
2021	380	2,725
2022	390	2,719
2023-2027	15,620	12,261
2028-2032	23,060	7,861
2033-2037	28,115	3,055
2038	6,155	92
	$ 74,800	$ 36,947

2017 Revenue Bonds, Series A

On February 22, 2017, TriMet issued $97,430 in Senior Lien Payroll Tax Revenue Bonds to fund capital projects.

The 2017 Revenue Bonds mature serially each September 1, beginning September 1, 2018 through 2041, with $24,400 in term bonds maturing on September 1, 2041. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2017 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Future maturities of the 2017 Revenue Bonds, Series A are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ -	$ 4,559
2019	$ 2,305	$ 4,425
2020	$ 2,365	$ 4,366
2021	$ 2,450	$ 4,281
2022	$ 2,560	$ 4,169
2023-2027	$ 14,805	$ 18,841
2028-2032	$ 18,965	$ 14,686
2033-2037	$ 24,165	$ 9,481
2038-2042	$ 29,815	$ 3,831
	$ 97,430	$ 68,639

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Payroll Tax and Grant Receipt Revenue Bonds

Payroll Tax and Grant Receipt Revenue Bonds, Series 2013

On March 7, 2013, TriMet issued $325,000 in Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 to provide interim financing for PMLR. Bond proceeds are being used to provide project cash flow in advance of federal grants.

The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 bonds are payable from and secured by Section 5309 federal grant funds related to PMLR, with interest payable from a pledge of the employer and self employment taxes levied by the District, and debt service account. The Payroll Tax and Grant Receipt Revenue Bonds mature serially each November 1 through 2019. Interest is payable semiannually on May 1 and November 1, and fixed interest rates range from 3.0 percent to 5.0 percent on outstanding maturities. The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date 18 months before each serial maturity, prior to maturity at a price of par (100%) plus accrued interest thereon to the date of redemption.

Future maturities of the 2013 Payroll Tax and Grant Receipt Revenue Bonds, are as follows:

	Principal	Interest
Fiscal year ending June 30:		
2018	$ 80,000	$ 6,417
2019	90,000	2,883
2020	55,000	550
	$ 225,000	$ 9,850

Capital Grant Receipt Bonds

TriMet has issued two series of Capital Grant Receipt Revenue Bonds: Capital Grant Receipt Revenue Bonds Series 2005 and 2011 Capital Grant Receipt Revenue Bonds. The Grant Receipt Revenue Bonds are payable from and secured solely by a pledge of Section 5307, Surface Transportation Program (STP), and Congestion Mitigation and Air Quality (CMAQ) federal grants, or replacement grant programs and amounts credited to a debt service account.

Capital Grant Receipt Revenue Bonds, Series 2005

On June 23, 2005, TriMet issued $79,320 in Capital Grant Receipt Revenue Bonds, Series 2005 to finance a portion of capital cost and improvements of the transit system, including the Washington County Commuter Rail and I-205/Portland Mall Light Rail projects, Portland Streetcar extension, and to acquire transit buses. The Grant Receipt Revenue Bonds, Series 2005 are not general obligations of the District.

The Grant Receipt Revenue Bonds, Series 2005 mature serially each October 1, beginning October 1, 2006 through 2017. Interest is payable semiannually on April 1 and October 1, and fixed interest rates range from 3.50 percent to 5.0 percent on outstanding maturities. The 2005 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after October 1, 2015 at a price of par (100%) plus accrued interest thereon to the date of redemption.

TriMet called the bonds and the final principal and interest payment on the Series 2005 was on October 20, 2016.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

2011 Capital Grant Receipt Revenue Bonds

On June 20, 2011, TriMet issued $142,380 in 2011 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including new buses, construction on PMLR, and other regional projects. The 2011 Capital Grant Receipt Revenue Bonds are not general obligations of the District.

The 2011 Capital Grant Receipt Revenue Bonds mature serially each October 1, beginning October 1, 2016 through 2027. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 2.5 percent to 5.0 percent on outstanding maturities. The 2011 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after October 1, 2021 at a price of par (100%) plus accrued interest thereon to the date of redemption.

Future maturities of the 2011 Capital Grant Receipt Revenue Bonds, are as follows:

Fiscal year ending June 30:	Principal	Interest
2018	$ 9,450	$ 6,321
2019	9,900	5,857
2020	10,380	5,382
2021	10,850	4,878
2022	11,390	4,328
2023-2027	66,005	12,333
2028	15,235	380
	$ 133,210	$ 39,479

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

6. Risk Management

In conjunction with its normal operations, the District is exposed to various risks related to the damage or destruction of its assets, tort/liability claims, injuries to personnel, and errors and omissions. To this end, the District has developed a comprehensive risk management program, utilizing insurance and self insurance resources, to provide protection from these exposures.

The Oregon Tort Claims Act (the Act) is the common law sovereign immunity from suit for public bodies in Oregon, including TriMet. Prior to July 1, 2009, the Act capped the liability of public bodies, including TriMet, at $200 for individual claims. In addition, the public body may be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. Under the Act, TriMet currently indemnifies its employees for any liability that they incur within the scope of their work. Effective July 1, 2009, Oregon SB 311 increased the per claim damage limits under the Oregon Tort Claims Act to $500 and the per occurrence damage limit to $1,000, for events occurring after July 1, 2009. The limits are subject to per claims per occurrence changes based on changes to the consumer price index. At June 30, 2017, the per claims limit was $683 and the per occurrence limit was $1,366. Effective July 1, 2017, those limits raise to $706 per claim and $1,412 per occurrence.

The District is self-insured for all public liability claims, subject to the limits under Oregon SB 311. The District is self-insured to the extent of the first $2,000 per occurrence for industrial accident claims related to heavy rail or PMLR operations and $5,000 per occurrence for all other industrial accident claims. The District provides for the estimated losses to be incurred from the pending and potential claims that result from industrial and public liability accidents occurring prior to year-end. The District's policy is to record claims incurred but not reported at the estimated level of the undiscounted liability. The liabilities are based on the ultimate cost of settling the claims, including the effects of inflation and other legal and economic factors.

Changes in the District's public liability and industrial accident claims liabilities are as follows for the years ended June 30, 2017 and 2016:

	2017		2016	
	Industrial accident claims	Public liability	Industrial accident claims	Public liability
Liability at beginning of year	$ 6,573	$ 4,496	$ 5,646	$ 4,317
Current year claims	2,091	617	3,193	455
Changes in estimates for claims of prior periods	622	321	1,346	908
Payments of claims	(3,344)	(1,245)	(3,612)	(1,184)
Liability at end of year	$ 5,942	$ 4,189	$ 6,573	$ 4,496

Based on historical experience, the District has classified $3,669 and $4,502 of the industrial accident and public liability claims liabilities as current liabilities, at June 30, 2017 and 2016, respectively.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

7. Other Long-term Liabilities

Other long-term liabilities include public liability and industrial accident claims liabilities, unearned lease revenue, rent payable, and long-term employee sick leave as follows:

2017	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 6,573	$ 2,713	$ (3,344)	$ 5,942	$ 2,765
Employee dental insurance	379	23	-	402	402
Employee health insurance	-	1,737	-	1,737	1,737
Other claims	2,000	-	(1,788)	212	212
Public liability	4,496	938	(1,245)	4,189	905
Total claims liability	13,448	5,411	(6,377)	12,482	6,021
Long-term employee sick leave	3,444	1,034	-	4,478	-
Rent payable	1,446	-	(188)	1,258	-
Unearned lease revenue	2,224	-	(22)	2,202	-
Total other liabilities	20,562	6,445	(6,587)	20,420	6,021
Deduct current portion	(6,881)			(6,021)	
Other long-term liabilities	$ 13,681			$ 14,399	

2016	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 5,646	$ 4,539	$ (3,612)	$ 6,573	$ 3,290
Employee dental insurance	340	39	-	379	379
Other claims	3,393	-	(1,393)	2,000	2,000
Public liability	4,317	1,364	(1,185)	4,496	1,212
Total claims liability	13,696	5,942	(6,190)	13,448	6,881
Long-term employee sick leave	2,868	576	-	3,444	-
Rent payable	1,483	-	(37)	1,446	-
Unearned lease revenue	2,249	-	(25)	2,224	-
Total other liabilities	20,296	6,518	(6,252)	20,562	6,881
Deduct current portion	(8,195)			(6,881)	
Other long-term liabilities	$ 12,101			$ 13,681	

8. Lease Transactions

Office and equipment leases

The District leases office space under non-cancelable operating leases. Total costs for such leases were $1,555 and $1,208 in 2017 and 2016, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2018	1,327
2019	1,357
2020	1,327
2021	1,207
2022	1,232
Thereafter	1,821
	$ 8,271

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

1997 and 1998 Lease transactions

During fiscal years 1997 and 1998, the District entered into two sale-leaseback transactions for 31 light rail vehicles with a foreign investor. Equipment sales to the foreign investor resulted in original proceeds to the District of $80,600. The investor leased all assets back to the District for a period of 18 years. The leases qualify for accounting treatment as operating leases. Using the proceeds of the sales, the District fully funded payment agreements with American International Group, Inc. and its subsidiaries (AIG) totaling $65,849. Under the payment agreements, AIG is obligated to make all required lease payments. The prepayments by the District to AIG are recorded as prepaid lease expense in the accompanying statement of net position and are expensed over the term of the lease. The payment agreements do not constitute legal defeasance. Thus, if AIG fails to fulfill its contractual obligation to make future lease payments, the District may be required to meet all financial obligations required under the lease transaction.

Under the foreign sale-leaseback agreement, the foreign investor had a put option which required the District to buy back the leased equipment if exercised. The District deposited $11,995 with AIG, which represented the present value of the options at the buy back dates. These deposits earned interest at rates ranging from 5.3 percent to 5.9 percent and were recorded as long-term restricted lease deposits on the District's statement of net position. The interest earned on the restricted deposits is recorded as a component of net leveraged lease expense on the statements of revenues, expenses and changes in net position. The foreign investor has exercised the two put options related to these leases. Payment and transfer of asset ownership under this option was completed December 2015 and June 2016.

In simultaneous transactions, the District leased its leasehold interest (the Head Leases) in the equipment to domestic third party investors (the Leasehold Investors) under the 1998 and 1997 leasehold agreements. The Head Leases qualified for accounting treatment as operating leases. The Leasehold Investors prepaid all required lease payments totaling $175,849, which was recorded as unearned lease revenue on the accompanying statement of net position. The unearned revenue is recognized over the terms of the leases. As of June 30, 2017, the final termination payment of $5,051 was paid and completed in December 2016. The 1998 and 1997 Leasehold Investors sublet all assets back to the District for a period of 18 and 15 years, respectively. The subleases also qualify as operating leases. TriMet used the proceeds of the lease transactions to fully fund payment agreements with AIG totaling $130,562. Under the terms of the payment agreements, AIG is required to make all sublease payments. The prepayments are recorded as prepaid lease expenses in the accompanying statement of net position and are expensed over the terms of the leases.

The operative documents of the 1997 and 1998 transactions were reviewed and approved by the U.S. Department of Transportation acting through the Federal Transit Administration. In exchange for its participation in the transactions discussed above, the District received net cash proceeds of $15,953, which were recorded as deferred inflows of resources and amortized over the lease terms. As of June 30, 2017, TriMet is not aware of any default, event of default or event of loss under any of the operative documents.

2005 Lease transaction

In November 2005, the District entered into a series of agreements related to 28 light rail vehicles. In simultaneous transactions, the District leased the 28 light rail vehicles (the Head Lease) to a trust (TriMet 2005 Statutory Trust) for the benefit of a third party investor (2005 Equity Investor) for a basic term of 28 or 29 years, depending on the age of the vehicles. The Head Lease qualifies for accounting treatment as a capital lease. The trust subleased all 28 vehicles back to the District (the Lease Agreement) for a period of 28 or 29 years. The sublease also is recorded as a capital lease. The District received all required lease payments totaling $123,700, which have been recorded in the accompanying statement of net position as unamortized gain of $12,557 (before expenses of $911) and a long-term lease liability for lease payments of $111,143. The liability is reduced as lease payments are made over the term of the lease. The District's net benefit from the 2005 transactions was $11,646. The net benefit is recorded as deferred inflows of resources and is recognized over the basic term of the lease. Leased assets are included within Capital Assets and depreciation of the leased assets is recorded over the term of the lease. The Federal Transit Administration reviewed the operative documents and approved the transaction.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

TriMet used $111,143 of the proceeds from the Head Lease transaction to fully fund three payment agreements ($84,382 to Premier International Funding Co. for the Series A Payment Agreement and $26,761 to MBIA Inc. for the Equity Payment Undertaking Agreement and the Debt Payment Undertaking Agreement). The obligations of Premier International Funding Co. are unconditionally and irrevocably guaranteed by Financial Security Assurance Inc. (FSA), which has subsequently been acquired by Assured Guaranty Ltd. In February 2009, TriMet terminated the MBIA Equity Payment Undertaking agreement and received $28,033 and terminated the Debt Payment Undertaking Agreement and received $14,528. Simultaneously, TriMet purchased and placed in trust US Treasury securities for $28,399 to collateralize all future equity payment obligations. The debt payment obligations have not been collateralized and are general obligations of TriMet. Net of transaction expenses, the 2009 MBIA termination created $13,954 in net benefit. The net benefit is recorded as deferred inflow of resources and is recognized over the remaining term of the lease.

The District's prepayment of the payment agreements is recorded within prepaid lease expenses in the accompanying statement of net position and is reduced as payments are made over the term of the lease. The payment agreements do not constitute legal defeasance.

The 2005 leases include the following trigger events relating to TriMet: (1) outstanding General Obligation Bond ratings are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or if General Obligation Bonds are no longer rated, long-term senior payroll tax revenue bonds are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or (2) TriMet becomes eligible to be a debtor under Bankruptcy code, or (3) TriMet loses its taxing authority related to payroll and self-employment taxes. If a trigger event occurs, TriMet is required to provide equity strip collateral in amounts defined in the lease agreements. TriMet's long-term senior lien payroll tax revenue bonds are rated AAA by Standard & Poors and Aaa by Moody's at June 30, 2017. As of June 30, 2017, TriMet is not aware of any default, event of default or event of loss under any of the operative documents. The total outstanding lease obligations under the 2005 leases are as follows:

	FSA uncollateralized	US Treasuries in trust	TriMet obligation	Total payment obligations
Fiscal year ending June 30:				
2018	$ -	$ 28	$ -	$ 28
2019	780	-	-	780
2020	2,629	-	-	2,629
2021	2,534	-	-	2,534
2022	-	-	-	-
2023-2027	-	110	1,024	1,134
2028-2032	-	135	-	135
2033-2036	71,563	68,560	9,587	149,710
	$ 77,506	$ 68,833	$ 10,611	$ 156,950

Legislative and regulatory activities

Pursuant to the terms of the tax indemnity agreements of TriMet's 1997 and 1998 lease transactions, unless an indemnification event occurs, the District bears no liability for the related adverse U.S. federal income tax consequence to the domestic investors. As of June 30, 2017, no indemnity claims have been made against TriMet. With respect to TriMet's 1997 and 1998 lease transactions, the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), as codified in Section 4965 of the Internal Revenue Code of 1986 as amended (Code), the guidance provided by the Internal Revenue Service (IRS) in IRS Notice 2007-18 published on February 7, 2007 and the Proposed and Temporary Regulations released on July 6, 2007 subsequently thereto, TriMet does not have a TIPRA excise tax liability.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Financial Statement Summary

The following is a summary of amounts related to the lease transactions as of June 30:

	2017	2016
Assets:		
Prepaid lease expense - current	$ -	$ 5,051
Prepaid lease expense	71,424	67,840
Total assets	$ 71,424	$ 72,891
Liabilities:		
Unearned lease revenue - current	$ -	$ 5,051
Long-term lease liability	59,321	55,914
Total liabilities	59,321	60,965
Deferred Inflows of Resources:		
Unamortized gain on leases	16,370	17,312
Total liabilities and deferred inflows of resources	$ 75,691	$ 78,277
Net leveraged lease revenue (expense)	$ 1,119	$ 278

9. Commitments and Contingencies

TriMet has active light rail construction and other capital projects, as well as other funding commitments. Authorized commitments unexpended as of June 30, 2017 were $472,644.

The District is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of management and legal counsel that settlement of these matters will not have a material adverse affect on the District's financial position, results of operations or cash flows.

In September 2017, subsequent to year-end, the District paid $8,700 as a deposit to escrow in connection with a January 2017 intergovernmental agreement with Portland Development Commission (Prosper Portland) for the purchase and sale of property related to the development of a convention center hotel and garage including a facility for the District's Safety and Security Division. Under this agreement, the District will own a condominium share of the property and further develop and operate a new facility for transit safety and security at this location. The District's condominium property share of the overall purchase price of the property is $9,000. The budget for the Transit Police Center Project is $18,300 and is expected to be developed over three years.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

10. Enterprise Fund Pension Benefits

Union Defined Contribution Plan

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Union Employees (“the Union DC Plan”). A third party administrator, ICMA-RC, provides administration of the Union DC Plan trust. The TriMet Board of Directors (“Board”) has appointed a committee to oversee the Union DC Plan. Funding of the defined contribution plan is performed on a perpetual basis as part of the District’s normal payroll processes.

Plan description

Effective July 13, 2012, the District adopted the Union DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Union DC Plan is mandatory for all union employees hired on or after August 1, 2012. Under the Union DC Plan, the District will contribute 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Union DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District’s contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee’s unused sick leave (up to a maximum of 1,700 hours) to the employee’s account. The TriMet Board has authority over amendments to plan benefit and contribution provisions, in conjunction with the Working and Wage Agreement.

Method used to value investments

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

As of June 30, 2017 and 2016, there were 1,073 and 831 active employees, respectively, covered by the Union DC Plan. District contributions to the Union DC Plan were $3,481 and $2,484 for the years ending June 30, 2017 and 2016, respectively. Employee contributions to the Union DC Plan were $2,342 and $1,562 for the years ending June 30, 2017 and 2016, respectively.

Notes to Financial Statements

June 30, 2017
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continued

Management Defined Contribution Plan

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (“the Management DC Plan”). A third party administrator, ICMA-RC, provides administration of the Management DC Plan trust. The TriMet Board of Directors (“Board”) has appointed a committee to oversee the Management DC Plan. Funding of the defined contribution plan is done on a perpetual basis as part of the District’s normal payroll processes.

Plan description

Effective April 27, 2003, the District adopted the Management DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Management DC Plan is mandatory for all non-union employees hired after April 26, 2003. All non-union employees hired before April 27, 2003 were required to make an irrevocable election to (1) stay in TriMet Defined Benefit Retirement Plan for Management and Staff Employees (“the Management DB Plan”), (2) freeze their credited service as of April 27, 2003 in the Management DB Plan (but not their final average salary) and be covered by the Management DC Plan for all service after April 26, 2003, or (3) transfer the present value of their accrued benefit under the Management DB Plan as of April 27, 2003 to the Management DC Plan and be covered by the Management DC Plan for all service after April 26, 2003.

Under the Management DC Plan, the District contributes 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Management DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District’s contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee’s unused sick leave (up to a maximum of 1,700 hours) to the employee’s account. The TriMet Board has authority over amendments to plan benefit and contribution provisions.

Method used to value investments

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

As of June 30, 2017 and 2016 there were 350 and 285 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were $2,341 and $2,113 for the years ending June 30, 2017 and 2016, respectively. Employee contributions to the Management DC Plan were $900 and $818 for the years ending June 30, 2017 and 2016, respectively.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

11. Other Employee Benefits

Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). The plan permits employees to defer a portion of their current salary until termination, retirement, death or financial hardship. All assets and income of the plan are in a trust for the exclusive benefit of the participants and their beneficiaries. Plan participant investments are determined by the employee participants. The Board appoints a committee to perform the administrative and fiduciary responsibilities of the employer under the plan.

Compensated absences

Union employees receive paid vacation benefits in accordance with the Working and Wage Agreement. Employees are eligible for one to six weeks of vacation depending on their years of service with the District. Non-union employees receive similar vacation benefits as prescribed by TriMet's personnel policies. As of June 30, 2017 and 2016, the District's vacation pay liability was $11,680 and $11,306, respectively, all of which was classified as a current liability in accrued payroll.

Postemployment benefits other than pension

Plan description

TriMet provides postemployment health care and life insurance benefits (OPEB), in accordance with the Working and Wage Agreement for union employees and TriMet's personnel policies to all eligible employees and their qualified dependents, who retire from the District on or after attaining age 55 with service of at least 10 years for union employees and five years for non-union employees hired before April 27, 2003 and 10 years for non-union employees hired before May 1, 2009. The District pays a portion of the premiums for primary medical and hospitalization, dental and vision benefits for eligible retirees and spouses. Non-union employees hired after April 30, 2009 with service of at least 10 years and after attaining age 55 can elect to participate in the District's OPEB plan, but the retiree pays 100% of the premium costs. Union employees hired after October 24, 2014 with service of at least 10 years and after attaining age 55 receive a monthly stipend to purchase medical benefits. TriMet-provided benefits are secondary to Medicare benefits, where applicable. The District provides a $10 life insurance benefit to union retirees and non-union retirees. The District's postemployment insurance plan does not issue a financial report.

Annual OPEB cost and net OPEB obligation

The District's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize unfunded actuarial liabilities over a closed period of 30 years. A schedule of the components of the District's annual OPEB cost is presented below:
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	2017	2016	2015
Annual required contribution (ARC)	$ 76,658	$ 76,628	$ 73,999
Interest on net OPEB obligation	18,221	16,625	15,080
Adjustment to annual required contribution	(35,094)	(30,540)	(27,320)
Annual OPEB cost	59,785	62,713	61,759
Contributions made	(16,554)	(17,107)	(17,617)
Increase in net OPEB obligation	43,231	45,606	44,142
Net OPEB obligation - beginning of year	520,615	475,009	430,867
Net OPEB obligation - end of year	$ 563,846	$ 520,615	$ 475,009
Percentage of annual OPEB cost contributed	28%	27%	29%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Postemployment benefits other than pension, continued

Funding policy

The District has a trust fund for future net OPEB obligations. In fiscal year 2012, the District funded $400 into the trust fund. The District pays for the premiums for eligible retirees. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. There were 2,542 and 2,453 union and non-union retirees, dependents, and surviving spouses receiving the postemployment health care and life insurance benefits, at December 31, 2016 and 2015, respectively. The District's contribution covers actual pay-as-you-go funding requirements. The District contributed costs of postemployment health care and life insurance benefits totaling $16,554 and $17,107 in fiscal year 2017 and 2016, respectively.

Funded status and funding progress

The schedule of funding progress is presented below:

Schedule of funding progress
As of January 1
(dollars in thousands)

Actuarial valuation date	2017	2016	2015
Actuarial value of assets	$ 401	$ 401	$ 401
Actuarial accrued liability (AAL)	769,305	760,727	711,180
Unfunded AAL (UAAL)	$ 768,904	$ 760,326	$ 710,779
Funded ratio	0.05%	0.05%	0.06%
Covered payroll	$ 173,892	$ 167,369	$ 154,966
UAAL as a percentage of covered payroll	442%	454%	459%

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2017 actuarial valuation, the funding method used to develop the actuarial required contribution is entry age normal, with normal cost developed as a level percentage of payroll. Significant actuarial assumptions used in the valuation include a discount rate of 3.5 percent, and health care cost rates varying from 4.25 percent to 8.25 percent for the major medical component for participants. The District's UAAL is being amortized using the level-percent of pay method with a closed group 30 year amortization methodology. At June 30, 2017 there are 21 years of amortization remaining. Changes to the actuarial assumptions in the January 1, 2017 valuation were made to update health care claims costs and trend rates.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

12. TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the TriMet Defined Benefit Retirement Plan for Management and Staff Employees ("Management DB Plan"). The Management DB Plan is a governmental plan maintained and operated solely by TriMet. The TriMet Board has appointed four people to oversee the Management DB Plan.

TriMet recorded $2,437 and $2,977 in pension expense for the Management DB Plan in the years ended June 30, 2017 and 2016, respectively.

Plan description

The Management DB Plan is a single-employer defined benefit plan. The plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. The plan is closed to new enrollment. Participation began at the date of hire with benefits being 100 percent vested after five years of service. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life. Benefits vary based on final average salary, job classification and date of hire. Vested non-union employees convert unused sick leave to monthly pension benefits at a rate of final average salary (stated on an hourly basis) multiplied by one-half of unused sick leave (up to a maximum of 850 hours) divided by 101.9. Benefits in payout status are increased annually by 90 percent of the percentage increase in the U.S. Consumer Price Index. The Management DB Plan is a plan document originally adopted on December 7, 1970 and as amended restated as of July 1, 2013. Amendments to the plan are authorized by the TriMet Board of Directors. TriMet is required to maintain funds under the Management DB Plan sufficient to pay benefits when due. No employee contributions are required or permitted under the Management DB Plan.

The following is a summary of plan participants at June 30, 2017 and 2016:

	2017	2016
Active employees	108	129
Retirees and beneficiaries:		
Receiving benefits	277	250
Deferring benefits	-	-
Deferred Retirement benefits		
Terminated employees	85	91
Transfers to union plan	19	23
Disabled employees	4	3
Total Participants	493	496

Summary of accounting policies

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

Investment policy and method to value investments

The Management DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager. The Plan has the following fair value measurements by fair value level at June 30, 2017:

		Fair Value Measurement Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured at Fair Value Level				
Fixed income	$ 17,412	$ 17,412	$ -	$ -
U.S. large-mid cap equities	26,666	26,666	-	-
U.S. small cap equities	3,534	3,534	-	-
International equity	23,220	23,220	-	-
	$ 70,832	$ 70,832	-	-
Measured at Net Asset Value				
Tactical asset allocation	17,405			
Absolute return	16,541			
Private real estate	10,863			
Private equity	613			
Private credit	6,801			
Cash	927			
	53,150			
Total Fair Value of Investments	$ 123,982			

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

The Plan has the following fair value measurements by fair value level at June 30, 2016:

		Fair Value Measurement Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured at Fair Value Level				
Fixed income	$ 17,333	$ 17,333	$ -	$ -
U.S. large-mid cap equities	25,329	25,329	-	-
U.S. small cap equities	2,747	2,747	-	-
International equity	18,251	18,251	-	-
Foreign currency hedge fund	64	64	-	-
	$ 63,724	$ 63,724	-	-
Measured at Net Asset Value				
Tactical asset allocation	16,766			
Absolute return	16,304			
Private real estate	10,365			
Private equity	683			
Private credit	6,561			
Cash	631			
	51,310			
Total Fair Value of Investments	$ 115,034			

Investments measured at Net Asset Value ("NAV")

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Outstanding commitments and redemption limitations for each investment class as of June 30, 2017 and 2016 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2017:				
Private real estate	$ 10,863	$ -	Quarterly	90 days
Private equity	$ 613	$ 1,990	N/A	N/A
Private credit	$ 927	$ 3,538	N/A	N/A
As of June 30, 2016:				
Private real estate	$ 10,365	$ -	Quarterly	90 days
Private equity	$ 683	$ 78	N/A	N/A
Private credit	$ 6,561	$ 3,523	N/A	N/A

Rate of Return

For the years ended June 30, 2017 and 2016, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.9 percent and 1.3 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments – concentration of credit risk

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following are the trustee adopted asset allocation policies as of June 30, 2017 and 2016:

	2017	2016
Fixed income	14%	14%
U.S. equity	24%	24%
International equity	17%	17%
Tactical asset allocation	15%	15%
Absolute return	14%	14%
Private real estate	7%	7%
Private equity	2%	2%
Private credit	7%	7%
Total	100%	100%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

As of June 30, 2017 and 2016, the plan had investments of more than 5% of the total Plan fiduciary net position, as follows:

	2017	2016
Ryan Labs Core Bond Fund	13.9%	15.1%
Graham Tactical Trend	7.4%	14.6%
State Street RAFI US 1000 Fund	10.6%	11.1%
Vanguard Russell 1000 Index Fund	10.8%	11.0%
Vanguard Total International Stock Fund	9.3%	8.3%
RREEF America REIT II	7.5%	7.9%
Capital Guardian International Fund	9.3%	7.6%
AQR Enhanced Style Premia Fund, L.P.	6.3%	7.2%
Millennium	7.0%	7.0%
PIMCO All Asset Fund	2.0%	0.0%
Welton Paragon	7.2%	0.0%

Funding policy and net pension liability

The funding policy of the Management DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of the active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed ten year period. The components of the net pension liability of the Management DB Plan were as follows:

Net pension liability As of June 30	2017	2016
Total pension liability	$ 138,988	$ 133,362
Plan fiduciary net position	123,956	114,997
Net pension liability	$ 15,032	$ 18,365
Plan fiduciary net position as a percent of total pension liability	89.2%	86.2%
Annual covered payroll	$ 10,592	$ 12,722
Unfunded AAL as a percentage of covered payroll	141.9%	144.5%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Actuarial methods and assumptions

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 6.3 percent, discount rate on plan liabilities of 6.3 percent, an annual post-retirement benefit increase of 2.5 percent, and annual salary increases of 2.75 percent. Mortality rates were based on the RP 2014 Mortality Table for males and females, projected 10 years past the valuation date using Scale BB. All participants are assumed to retire by the age of 67, with a certain percentage of active participants assumed to elect retirement beginning at age 55. Net pension liability has been measured and reported as of June 30, 2017.

The long-term expected rate of return on pension plan investments of 6.3 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Estimated real rates of return by asset class were as follows at June 30, 2017:

Long-Term Expected Real Rate of Return	
Asset Class	
Fixed income	1.7%
U.S. large-mid cap equities	4.9%
U.S. small cap equities	5.9%
International equity	6.0%
Tactical asset allocation	3.7%
Absolute return	2.0%
Private real estate	3.9%
Private equity	8.9%
Private credit	5.0%

The discount rate used to measure the total pension liability was 6.3 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2017 and 2016:

Management DB Plan

	2017	2016
Total pension liability		
Service cost	$ 1,162	$ 1,224
Interest cost	8,309	8,327
Benefit payments	(5,286)	(4,502)
Change in assumptions	-	474
Experience (gain) loss	1,441	(1,293)
Net change in total pension liability	5,626	4,230
Total pension liability, beginning	133,362	129,132
Total pension liability, ending	138,988	133,362
Plan fiduciary net position		
Contributions	(6,330)	(7,036)
Expected investment income	7,267	(7,279)
Difference between actual and expected income	648	5,916
Benefit payments	5,286	4,502
Net change in plan fiduciary net position	6,871	(3,897)
Plan fiduciary net position, beginning	(114,997)	(111,100)
Plan fiduciary net position, ending	(108,126)	(114,997)
Net pension liability, ending	$ 30,862	$ 18,365
Plan fiduciary net position as a percent of total pension liability	78%	86%
Covered payroll	$ 10,593	$ 12,722
Net pension liability as a percent of covered payroll	291%	144%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

Discount rate	Net pension liability
1% decrease (5.3%)	$ 33,159
Current discount rate (6.3%)	$ 15,032
1% increase (7.3%)	$ (76)

Deferred Inflows and Outflows of Resources

The following table presents the components of Deferred inflows and outflows of resources for the Management DB Plan for the years ended June 30, 2017 and 2016:

Deferred outflows	2017	2016
Differences between projected and actual earnings on pension investments	$ 5,499	$ 7,667
Changes in assumptions	-	195
Differences between expected and actual experience in the measurement of total pension liability	480	-
Total deferred outflows	$ 5,979	$ 7,862
Deferred inflows		
Differences between projected and actual earnings on pension investments	$ (2,123)	$ (4,034)
Changes in assumptions	-	(532)
Total deferred inflows	$ (2,123)	$ (4,566)

The following table presents the future amortization of Deferred inflows and outflows of resources for the Management DB Plan:

	Deferred outflows	Deferred inflows
2018	$ 2,648	$ (1,688)
2019	2,168	(145)
2020	1,163	(145)
2021	-	(145)
2022	-	-
Thereafter	-	-
	$ 5,979	$ (2,123)

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

13. Pension Plan for Bargaining Unit Employees of TriMet Trust Fund

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the Pension Plan for Bargaining Unit Employees of TriMet ("Bargaining Unit DB Plan"). The Bargaining Unit DB Plan is a governmental plan maintained and operated solely by TriMet. Three trustees appointed by the TriMet Board and three union representatives appointed by the Amalgamated Transit Union ("Union") oversee the Bargaining Unit DB Plan.

TriMet recorded $19,072 and $29,193 in pension expense for the Bargaining Unit DB Plan in the years ending June 30, 2017 and 2016, respectively.

Plan description

The Bargaining Unit DB Plan is a single-employer defined benefit plan. The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired in a union position before August 1, 2012. Eligible union employees begin to participate on their date of hire, with benefits being 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. Pension benefits for covered members retiring after February 1, 2016 are $83.78 per month, per year of service. Effective with the current Working and Wage agreement, each February 1, the retirement benefit is adjusted based on the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months. Pension benefits for retirees in payout status are adjusted each February 1, also based on the general wage adjustments during the prior 12 months. Effective July 12, 2012, pension benefits for retirees in payout status will be adjusted each May 1, based upon the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI) (annual average). Provisions of the Working and Wage Agreement between TriMet and the Union effective December 1, 2009, requires vested union employees to convert any unused accumulated sick leave (up to a maximum of 1,700 hours) to monthly pension benefits at a rate of 25 cents per hour. Amendments to the plan are made under provision in the Working and Wage Agreement. No employee contributions are required or permitted under the Bargaining Unit DB Plan. Benefit provisions are established and amended through provisions of the Working and Wage Agreement between TriMet and the Union.

The following is a summary of plan participants at June 30, 2017 and 2016:

	2017	2016
Active employees	1,460	1,580
Retirees and beneficiaries:		
Receiving benefits	1,780	1,701
Deferred Retirement benefits:		
Terminated employees	124	122
Transfers to management plan	58	64
Total Participants	3,422	3,467

Summary of accounting policies

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Investment policy and method to value investments

The Bargaining Unit DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager. The Plan has the following fair value measurements by fair value level at June 30, 2017:

		Fair Value Measurement Using		
Measured at Fair Value Level	**Balance at June 30, 2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed income	$ 51,919	$ 51,919	$ -	$ -
U.S. large-mid cap equities	144,203	144,203	-	-
U.S. small cap equities	17,666	17,666	-	-
International equity	121,390	121,390	-	-
Foreign currency hedge fund	-	-	-	-
	335,178	335,178	-	-
Measured at Net Asset Value				
Tactical asset allocation	37,013			
Absolute return	74,974			
Private real estate	52,363			
Private equity	10,206			
Private credit	8,994			
Cash	2,331			
	185,881			
Total Fair Value of Investments	$ 521,059			

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

The Plan has the following fair value measurements by fair value level at June 30, 2016:

		Fair Value Measurement Using		
Measured at Fair Value Level	**Balance at June 30, 2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed income	$ 48,572	$ 48,572	$ -	$ -
U.S. large-mid cap equities	129,046	129,046	-	-
U.S. small cap equities	14,676	14,676	-	-
International equity	99,339	99,339	-	-
Foreign currency hedge fund	350	350	-	-
	291,983	291,983	-	-
Measured at Net Asset Value				
Tactical asset allocation	40,499			
Absolute return	74,779			
Private real estate	44,186			
Private equity	11,059			
Private credit	8,964			
Cash	1,554			
	181,041			
Total Fair Value of Investments	$ 473,024			

Investments measured at Net Asset Value ("NAV")

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

Outstanding commitments and redemption limitations for each investment class as of June 30, 2017 and 2016 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2017:				
Private real estate	$ 52,363	$ -	Quarterly	45 days
Private equity	$ 10,206	$ 8,559	N/A	N/A
Private credit	$ 2,331	$ 3,118	N/A	N/A
As of June 30, 2016:				
Private real estate	$ 44,186	$ -	Quarterly	45 days
Private equity	$ 11,059	$ 1,486	N/A	N/A
Private credit	$ 8,965	$ 3,541	N/A	N/A

Rate of Return

For the years ended June 30, 2017 and 2016, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.85 percent and .42 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments – concentration of credit risk

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following is the trustee adopted asset allocation policy as of June 30, 2017 and 2016:

	2017	2016
U.S. equity	30%	30%
Fixed Income	10%	10%
International equity	22%	22%
Tactical asset allocation	8%	8%
Absolute return	15%	15%
Private real estate	10%	10%
Private equity	3%	3%
Private credit	2%	2%
Total	100%	100%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
Continued

As of June 30, 2017 and 2016, the plan had the following investments of more than 5% of the total Plan fiduciary net position:

	2017	2016
State Street RAFI US 1000 Index Fund	14.5%	14.1%
Vanguard Russell 1000 Index Fund	13.1%	14.0%
Vanguard Total International Stock Index Fund	11.1%	11.0%
Capital Guardian International All Countries Equity Class Db	12.1%	10.6%
AFL/CIO Housing Trust	8.8%	10.1%
RREEF America REIT II	7.5%	8.2%
AQR Enhanced Style Premia Fund, L.P.	4.5%	6.0%
Millennium	5.6%	5.9%
Graham Tactical Trend	4.6%	5.3%
Aurora Offshore Class AA	0.1%	1.2%
I Shares Russell 1000 Index E T F	1.0%	0.4%
PIMCO All Asset Fund	0.0%	0.0%

Funding policy and annual pension cost

Pursuant to the terms of the Working and Wage Agreement, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. The funding policy of the Bargaining Unit DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed fifteen year period. The components of the net pension liability of the Bargaining Unit DB Plan were as follows:

Net pension liability As of June 30	2017	2016
Total pension liability	$ 657,399	$ 656,437
Plan fiduciary net position	520,927	472,829
Net pension liability	$ 136,472	$ 183,608
Plan fiduciary net position as a percent of total pension liability	79.2%	72.0%
Annual covered payroll	$ 106,596	$ 117,666
Unfunded AAL as a percentage of covered payroll	128.1%	156.1%

Actuarial methods and assumptions

Significant actuarial assumptions used in the valuation include a long term rate of return on the investment of present and future assets of 6.75 percent, RP-2014 mortality tables, inflation of 2.5 percent and annual salary increases of 2.75 percent and benefit multiplier increases of 2.5 percent annually for participants who retired prior to August 1, 2012 and 2.25 percent annually for participants who retire after August 1, 2012. Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment for males and females, set forward 1 year for males and 2 years for females. Net pension liability has been measured and reported as of June 30, 2017.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

The long-term expected rate of return on pension plan investments of 6.75 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimated real rates of return by asset class were as follows at June 30, 2017:

Long-Term Expected Real Rate of Return

Asset Class	
Fixed income	1.7%
U.S. large-mid cap equities	4.9%
U.S. small cap equities	5.9%
International equity	6.0%
Tactical asset allocation	3.7%
Absolute return	2.0%
Private real estate	3.9%
Private equity	8.9%
Private credit	5.0%

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2017 and 2016:

Bargaining Unit DB Plan

	2017	2016
Total pension liability		
Service cost	$ 10,851	$ 10,703
Interest cost	43,889	43,372
Changes of assumptions	-	18,776
Effect of economic/demographic gains	(19,615)	(8,967)
Benefit payments	(34,163)	(32,680)
Net change in total pension liability	962	31,204
Total pension liability, beginning	656,437	625,233
Total pension liability, ending	657,399	656,437
Plan fiduciary net position		
Contributions	(35,862)	(38,027)
Net investment income	(46,645)	(1,948)
Benefit payments	34,163	32,680
Administrative expense	246	281
Net change in plan fiduciary net position	(48,098)	(7,014)
Plan fiduciary net position, beginning	(472,829)	(465,815)
Plan fiduciary net position, ending	(520,927)	(472,829)
Net pension liability, ending	$ 136,472	$ 183,608
Plan fiduciary net position as a percent of total pension liability	79%	72%
Covered payroll	$ 106,596	$ 117,666
Net pension liability as a percent of covered payroll	128%	156%

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

Discount rate	Net pension liability	
1% decrease (5.75%)	$	211,991
Current discount rate (6.75%)	$	136,472
1% increase (7.75%)	$	72,492

Deferred Inflows and Outflows of Resources

The following table presents the components of Deferred inflows and outflows of resources for the Bargaining Unit DB Plan at June 30, 2017, 2016, and 2015:

Deferred outflows	2017		2016	
Differences between projected and actual earnings on pension investments	$	26,161	$	36,166
Changes in assumptions		23,182		34,537
Differences between expected and actual experience in the measurement of total pension liability		252		1,506
Total deferred outflows	$	49,595	$	72,209
Deferred inflows				
Differences between projected and actual earnings on pension investments	$	(19,077)	$	(18,383)
Changes in assumptions		(26,024)		(15,920)
Differences between expected and actual experience in the measurement of total pension liability		(7,359)		(10,426)
Total deferred inflows	$	(52,460)	$	(44,729)

The following table presents the future amortization of Deferred inflows and outflows of resources for the Bargaining Unit DB Plan:

	Deferred outflows		Deferred inflows	
2018	$	21,610	$	(22,822)
2019		18,078		(13,867)
2020		9,907		(10,269)
2021		-		(5,502)
2022		-		-
Thereafter		-		-
	$	49,595	$	(52,460)

Notes to Financial Statements

June 30, 2017
(dollars in thousands)
continued

14. Subsequent Events

Payroll Tax and Grant Receipt Revenue Bonds, Series 2013

Upon the receipt of the Full Funding Grant Agreement (FFGA) grant resources, the District will exercise an early redemption of $100,000 of principal on the outstanding on the Series 2013 Payroll Tax and Grant Receipt Revenue Bonds. The remaining balance of the bonds will be $125,000 after this redemption. The District expects to receive the FFGA resources by December 31, 2017.

Capital Grant Receipt Revenue Refunding Bonds, Series 2017A

On August 30 2017, the District issued $76,015 in Capital Grant Receipt Revenue Refunding Bonds, Series 2017A. The bonds are being issued to refund a portion of the Series 2011A Bonds and the pay the issuance costs of the Series 2017 bonds.

Required Supplementary Information

Schedule of Funding Progress

(dollars in thousands)

Other postemployment benefits

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
January 1, 2017	$ 401	$ 769,305	$ 768,904	$ 173,892	442%
January 1, 2016	401	760,727	760,326	167,369	454%
January 1, 2015	401	711,180	710,779	154,966	459%
January 1, 2014	401	949,993	949,592	145,469	653%
January 1, 2013	401	852,756	852,355	151,180	564%
January 1, 2012	-	900,541	900,541	151,448	595%
January 1, 2010	-	816,544	816,544	137,869	592%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Management DB Plan

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	$ 1,162	$ 1,224	$ 505	$ 793	$ 906
Interest cost	8,309	8,327	7,931	8,454	7,903
Benefit payments	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Changes of benefit terms	-	-	-	-	1,711
Change in assumptions	-	474	(2,178)	(531)	1,015
Experience (gain) loss	1,441	(1,293)	3,592	(3,002)	152
Net change in total pension liability	5,626	4,230	5,392	1,822	8,168
Total pension liability, beginning	133,362	129,132	123,740	121,918	113,750
Total pension liability, ending	138,988	133,362	129,132	123,740	121,918
Plan fiduciary net position					
Contributions	6,330	7,036	6,559	5,602	9,776
Expected investment income	7,267	7,279	7,022	6,354	5,372
Difference between actual and expected income	648	(5,916)	(5,142)	7,720	4,728
Benefit payments	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Net change in plan fiduciary net position	8,959	3,897	3,981	15,784	16,357
Plan fiduciary net position, beginning	114,997	111,100	107,119	91,335	74,978
Plan fiduciary net position, ending	123,956	114,997	111,100	107,119	91,335
Net pension liability, ending	$ 15,032	$ 18,365	$ 18,032	$ 16,621	$ 30,583
Plan fiduciary net position as a percent of total pension liability	89%	86%	86%	87%	75%
Covered payroll	$ 10,593	$ 12,722	$ 12,751	$ 13,142	$ 14,200
Net pension liability as a percent of covered payroll	142%	144%	141%	126%	215%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Bargaining Unit DB Plan

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	$ 10,851	$ 10,703	$ 11,756	$ 11,406	$ 11,122
Interest cost	43,889	43,372	43,025	42,870	41,827
Effect of plan changes	-	-	-	-	-
Changes of assumptions	-	18,776	(16,558)	29,476	15,354
Effect of economic/demographic (gains) losses	(19,615)	(8,967)	(541)	(11,294)	(8,583)
Benefit payments	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Net change in total pension liability	962	31,204	7,005	43,612	32,347
Total pension liability, beginning	656,437	625,233	618,228	574,616	542,269
Total pension liability, ending	657,399	656,437	625,233	618,228	574,616
Plan fiduciary net position					
Contributions	35,862	38,027	36,200	47,261	70,380
Net investment income	46,645	1,948	12,276	64,461	42,349
Benefit payments	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Administrative expense	(246)	(281)	(363)	(486)	(223)
Net change in plan fiduciary net position	48,098	7,014	17,436	82,390	85,133
Plan fiduciary net position, beginning	472,829	465,815	448,379	365,989	280,856
Plan fiduciary net position, ending	520,927	472,829	465,815	448,379	365,989
Net pension liability, ending	$ 136,472	$ 183,608	$ 159,418	$ 169,849	$ 208,627
Plan fiduciary net position as a percent of total pension liability	79%	72%	75%	73%	64%
Covered payroll	$ 106,596	$ 117,666	$ 116,556	$ 124,696	$ 125,143
Net pension liability as a percent of covered payroll	128%	156%	137%	136%	167%

Schedules of Pension Contributions

(dollars in thousands)

Management DB Plan

Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess (deficiency)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2017	$ 3,735	$ 6,330	$ 2,595	$ 10,593	60%
June 30, 2016	4,242	7,036	2,794	12,722	55%
June 30, 2015	4,219	6,559	2,340	12,751	51%
June 30, 2014	4,957	5,602	645	13,142	43%
June 30, 2013	6,491	9,776	3,285	14,200	69%

Bargaining Unit DB Plan

Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2017	$ 28,498	$ 35,862	$ 7,364	$ 106,596	34%
June 30, 2016	28,030	38,027	9,997	117,666	32%
June 30, 2015	31,926	37,793	5,867	116,556	32%
June 30, 2014	35,553	48,689	13,136	124,696	39%
June 30, 2013	34,638	36,766	2,128	125,143	29%

Schedules of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense

	2017	2016	2015	2014	2013
Management DB Plan	6.92%	1.30%	1.87%	15.62%	13.10%
Bargaining Unit DB Plan	9.85%	0.42%	2.73%	17.28%	14.06%

Supplementary Information

Reconciliation of Revenues and Expenses (Budget Basis) to Schedule of Revenues and Expenses (GAAP Basis)

For The Year Ended June 30, 2017

(dollars in thousands)

Budget basis	
Revenues	$ 780,912
Expenses	704,734
Revenues over expenses	76,178
Add budget activity not qualifying as revenues/ expenses under GAAP:	
Principal payments on long-term debt	122,928
Capital asset additions	83,197
Add (subtract) adjustments required by GAAP:	
Unfunded pension costs	20,140
Depreciation	(129,750)
Net leveraged lease revenue	1,119
Claims liability changes	448
Unfunded OPEB Costs	(43,231)
Subtract budget resources not qualifying as revenues under GAAP:	
Loss on asset deletion	(393)
Debt Issuance	(97,430)
Federal, state and local government contributions	(104,087)
GAAP basis loss before contributions presented in statement of revenues, expenses and changes in net position	$ (70,881)

Reconciliation of fund balance (Budget Basis) to Net position (GAAP Basis)

June 30, 2017
(dollars in thousands)

Budget basis ending fund balance	$ 441,464
Reconciliation to GAAP basis:	
Net capital assets	2,997,401
Capital related debt	(692,940)
Other postemployment benefits	(563,846)
Net pension liability	(151,504)
Unamortized gain on pension investments	(54,583)
Unamortized loss on pension investments	55,574
Claims liability	(2,795)
Prepaid lease expense	71,424
Unamortized gain on leases	(16,370)
Long term lease liability	(59,321)
GAAP basis net position	$ 2,024,504

Schedule of Revenues and Expenses
Budget (Budget Basis) and Actual

For The Year Ended June 30, 2017
(dollars in thousands)

GENERAL FUND

	Original budget	Final budget	Actual	Variance from final budget over (under)
Revenues				
Operating revenue	$ 138,845	$ 138,845	$ 136,061	$ (2,784)
Tax revenue	336,747	336,747	336,131	(616)
Operating grant and other revenue	89,551	89,551	103,124	13,573
Capital program resources	14,980	14,980	4,027	(10,953)
Bond proceeds	-	-	97,430	97,430
Light rail program resources	125,000	125,000	10,060	(114,940)
Federal funds restricted for debt service	-	-	90,000	90,000
Other non-operating resources	6,465	6,465	4,079	(2,386)
Total revenues	711,588	711,588	780,912	69,324
Expenses				
Operating program:				
Office of the general manager	1,894	1,894	1,663	(231)
Public affairs	15,156	15,156	13,660	(1,496)
Safety and security	22,694	22,694	21,905	(789)
Information technology	12,252	12,252	10,569	(1,683)
Finance and administration	19,155	19,155	16,715	(2,440)
Labor relations and human resources	3,774	4,093	4,006	(87)
Legal services	2,398	2,398	2,072	(326)
Operations	345,198	345,129	346,091	962
Capital projects	9,972	9,972	8,178	(1,794)
OPEB and UAAL pension	49,637	49,637	47,807	(1,830)
Regional Funding Exchanges	3,063	3,063	3,063	-
Debt service	265,483	265,483	141,730	(123,753)
Pass-through requirements	6,465	6,465	4,079	(2,386)
Contingency	21,973	21,723	-	(21,723)
Total operating program	779,114	779,114	621,538	(157,576)
Capital programs				
Public affairs	8,022	8,022	3,270	(4,752)
Safety and security	8,056	8,056	3,125	(4,931)
Information technology	12,784	12,784	4,356	(8,428)
Finance and administration	18,811	18,811	6,890	(11,921)
Operations	55,634	55,634	41,374	(14,260)
Capital projects and facilities	35,518	35,518	24,181	(11,337)
Total capital programs	138,825	138,825	83,196	(55,629)
Total expenses	917,939	917,939	704,734	(213,205)
Revenues under expenses	(206,351)	(206,351)	76,178	282,529
Beginning fund balance	336,780	336,780	365,286	28,506
Ending fund balance	$ 130,429	$ 130,429	$ 441,464	$ 311,035

Schedule of Property Tax Levies and Collections
Last Five Fiscal Years

For The Year Ended June 30, 2017
(dollars in thousands)

Fiscal year ended June 30	Tax levy for the fiscal year	Collected within the fiscal year of levy: Amount	Collected within the fiscal year of levy: Percentage of levy	Collections in subsequent years	Total collections to date: Amount	Total collections to date: Percentage of levy
2012	$ 7,494	$ 6,724	90%	$ 208	$ 6,932	93%
2011	10,908	10,259	94%	298	10,557	97%
2010	10,422	9,765	94%	354	10,119	97%
2009	9,344	8,722	93%	386	9,108	97%
2008	9,514	8,969	94%	309	9,278	98%

Schedule of Property Tax Transactions and Outstanding Balances

For The Year Ended June 30, 2017
(dollars in thousands)

Tax year	Beginning balance	Levy extended by assessor	Discounts	Interest	Adjustments	Collections	Ending balance
2011-12	$ 28	$ -	$ -	$ -	$ 9	$ (1)	$ 36
2010-11	35	-	-	1	1	(2)	35
2009-10	32	-	-	-	(3)	(1)	28
2008-09	2	-	-	-	2	(1)	3
2007-08	1	-	-	-	-	-	1
2006-07	1	-	-	-	-	-	1
2005-06	1	-	-	-	-	-	1
2004-05	1	-	-	-	(1)	-	-
2003-04	1	-	-	-	(1)	-	-
2002-03	1	-	-	-	(1)	-	-
2001-02	-	-	-	-	-	-	-
2000-01 & prior	-	-	-	-	-	-	-
	$ 103	$ -	$ -	$ 1	$ 6	$ (5)	$ 105

Audit Comments and Disclosures Required by State Regulations

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Municipal Auditing Standards*

Board of Directors
Tri-County Metropolitan Transportation District of Oregon

We have audited the basic financial statements of Tri-County Metropolitan Transportation District of Oregon (District), as of and for the year ended June 30, 2017, and have issued our report thereon dated September 26, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2018 and 2017.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

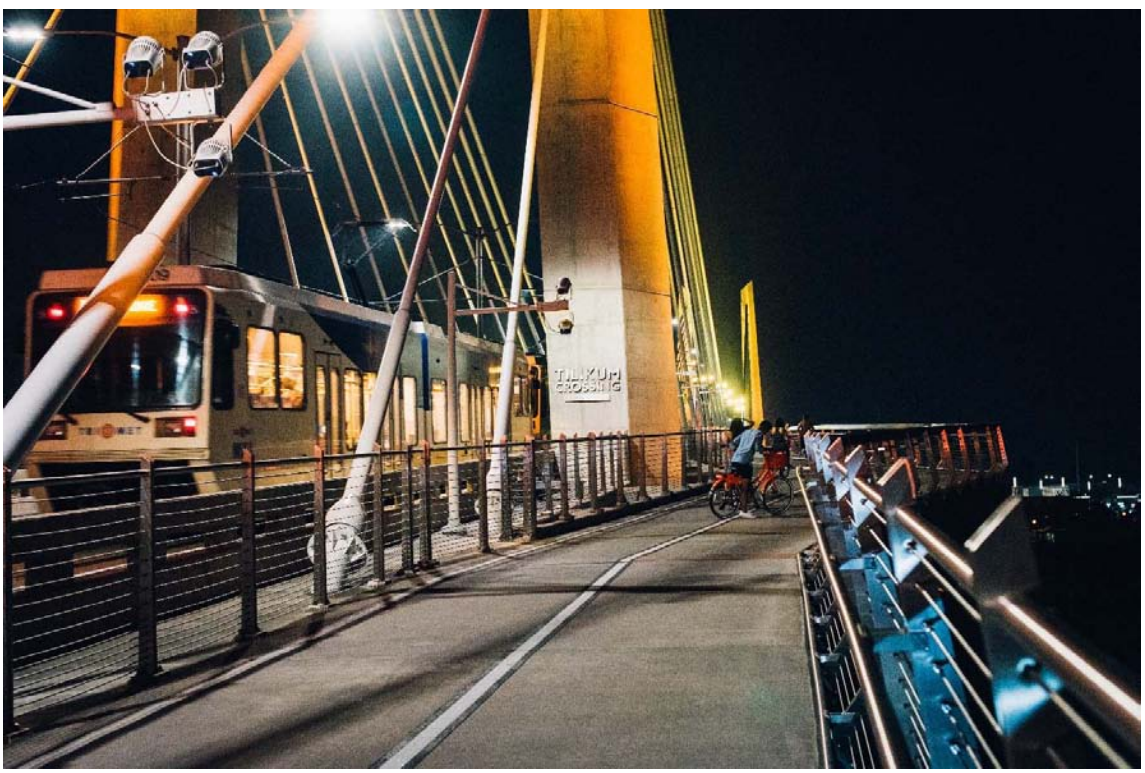
This report is intended solely for the information of the Board of Directors, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.

Julie Desimone

Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
September 26, 2017

TRIMET

Federal Grant Programs



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Enterprise Fund, Retirement Plan for Management Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of Tri-County Metropolitan Transportation District of Oregon (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
September 26, 2017

Report of Independent Auditors on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Tri-County Metropolitan Transportation District of Oregon

Report on Compliance for Major Federal Program

We have audited Tri-County Metropolitan Transportation District of Oregon's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2017, and have issued our report thereon dated September 26, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Portland, Oregon
September 26, 2017

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017
(dollars in thousands)

Federal grantor/program title	Federal CFDA number	Pass Through/ Grant number	Total expenditures	Passed through to subrecipients
U.S. Department of Transportation				
Federal Transit Cluster:				
U.S. Department of Transportation - Direct Programs				
Federal Transit - Capital Investment Grants	20.500**	OR-03-0126	$ 100,000	$ -
Federal Transit - Capital Investment Grants	20.500**	OR-03-0125	5	5
			100,005	5
Federal Transit - Formula Grants	20.507**	OR-95-X038	362	-
Federal Transit - Formula Grants	20.507**	OR-95-X054	38	-
Federal Transit - Formula Grants	20.507**	OR-2017-011	72	-
Federal Transit - Formula Grants	20.507**	OR-2016-011	56	-
Federal Transit - Formula Grants	20.507**	OR-2016-014	16,000	-
Federal Transit - Formula Grants	20.507**	OR-2016-013	3,101	-
Federal Transit - Formula Grants	20.507**	OR-2016-015	58,604	154
			78,233	154
State of Good Repair Grants Program	20.525**	OR-2016-006	13	-
State of Good Repair Grants Program	20.525**	OR-2017-010	13,091	-
			13,104	-
Passed through from METRO				
Federal Transit - Formula Grants	20.507**	METRO # 931908	18	-
Total Federal Transit Cluster			191,360	160
Transit Services Program Cluster:				
U.S. Department of Transportation - Direct Programs				
Job Access - Reverse Commute Program	20.516	OR-37-X009	412	369
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OR-16-X042	197	185
Passed through from Oregon Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ODOT 30734	1,994	299
Total Transit Services Program Cluster			2,603	853
Total Public Transportation Research Cluster:				
U.S. Department of Transportation - Direct Programs				
Capital Assistance Program for Reducing Energy Consumption/Greenhouse Gas Emission	20.523	OR-88-0001	85	-
Public Transportation Research, Technical Assistance, and Training	20.514	OR-2017-005	107	-
Passed through from Operation Lifesaver:				
Operation Lifesaver	20.301	FTA: VA-26-5020-01	5	-
Total Public Transportation Research Cluster			197	-
Passed through from Oregon Department of Transportation:				
Federal Transit - Formula Grants for Rural Areas	20.509	ODOT 31579	58	-
Total U.S. Department of Transportation Programs			**194,217**	**1,012**
U.S. Department of Homeland Security - Direct Programs				
Nat'l Explosives Det Canine Team Program	97.072	HSTS02-16-H-NCP489	132	-
Rail and Transit Security Grant Program	97.075	EMW-2016-RA-00012	367	-
Total U.S. Department of Homeland Security Programs			**499**	**-**
Total Expenditures of Federal Awards			**$ 194,716**	**$ 1,012**

** Identifies program audited as a major program

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017
(dollars in thousands)

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of Tri-County Metropolitan Transportation District of Oregon (the District), under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with the financial statements, as described in Note 1 to the District's June 30, 2017 financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District does not utilize the 10 percent deminimus rate for overhead allocation.

3. Relationship to the Basic Financial Statements

Federal awards are reported in the District's financial statements as operating grant revenue and capital contributions.

4. Subrecipients

Included within the federal expenditures presented in the Schedule of Federal Awards are federal awards to subrecipients as follows:

Subrecipient	Federal CFDA Number	Grant Number/TriMet Contract number	Total Expenditures
City of Portland	20.500	TriMet #10-0400	$ 5
Ride Connection	20.507	TriMet #16-0051	154
Ride Connection	20.513	TriMet #15-0186	185
Ride Connection	20.513	TriMet #16-0812	291
Ride Connection	20.513	TriMet #17-0009	8
Ecoshuttle	20.516	TriMet #17-0179	8
Portland Community College	20.516	TriMet #17-0817	47
Ride Connection	20.516	TriMet #15-0292	250
Swan Island Business Association	20.516	TriMet #15-0291	64

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of Major Federal Programs and type of auditor's report issued on compliance for major federal programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
20.500, 20.507, 20.525	Federal Transit Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Schedule of Prior Federal Findings
For the Year Ended June 30, 2017

Schedule of Prior Federal Award Findings

None reported

APPENDIX B

FORM OF BOND COUNSEL OPINION

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On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

February 6, 2018

Tri-County Metropolitan Transportation District of Oregon
1800 S.W. First Avenue, Suite 300
Portland, Oregon 97201

Subject: $113,900,000, 2018 Tri-County Metropolitan Transportation District of Oregon Capital Grant Receipt Revenue Bonds, Series 2018A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Tri-County Metropolitan Transportation District of Oregon ("TriMet") of its Capital Grant Receipt Revenue Bonds, Series 2018A in the aggregate principal amount of $113,900,000 (the "Series 2018A Bonds"). The Series 2018A Bonds are issued pursuant to Oregon Revised Statutes ("ORS") Section 287A.150 and related provisions of ORS Chapter 287A, ORS Chapter 267 and related provisions, TriMet Resolution No. 17-10-75 adopted October 25, 2017 (the "Resolution"), and pursuant to a Master Capital Grant Receipt Revenue Bond Trust Agreement, dated as of June 1, 2005 (the "2005 Master Trust Agreement"), between TriMet and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended by the First Supplemental Trust Agreement, dated as of June 1, 2011 (the "First Supplemental Trust Agreement"), the Second Supplemental Trust Agreement, dated as of August 1, 2017 (the "Second Supplemental Trust Agreement"), and the Third Supplemental Trust Agreement, dated as of February 1, 2018 (the "Third Supplemental Trust Agreement"), between TriMet and the Trustee. The 2005 Master Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, and the Third Supplemental Trust Agreement are referred to collectively herein as the "Master Trust Agreement." Capitalized terms used but not defined in this opinion have the respective meanings assigned to such terms in the Master Trust Agreement.

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

Regarding questions of fact material to our opinion, we have relied on representations of TriMet in the Master Trust Agreement and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2018A Bonds have been legally and validly authorized, sold, executed and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Resolution, and the Master Trust Agreement. The Series 2018A Bonds constitute valid and legally binding special obligations of TriMet that are enforceable in accordance with their terms.

2. The Series 2018A Bonds are payable solely from and are secured solely by a pledge of and a lien on the Pledged Property, which includes the Grant Receipts and all amounts credited to the Debt Service Account, as provided in the Master Trust Agreement.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2018A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. Bond counsel further is of the opinion that, for any Series 2018A Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is

properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2018A Bonds. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet and others in connection with the Series 2018A Bonds, and we have assumed compliance by TriMet with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018A Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2018A Bonds in order that, for federal income tax purposes, interest on the Series 2018A Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Series 2018A Bonds, restrictions on the investment of proceeds of the Series 2018A Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2018A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2018A Bonds, TriMet will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. By executing the Tax Certificate, TriMet covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Series 2018A Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Series 2018A Bonds, and (ii) compliance by TriMet with the procedures and covenants set forth in the Tax Certificate.

4. Interest on the Series 2018A Bonds is exempt from Oregon personal income tax.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2018A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Series 2018A Bonds, or under state and local tax laws.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Series 2018A 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; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as TriMet.

This 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.

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 this opinion.

We have served as bond counsel only to TriMet in connection with the Series 2018A Bonds and have not represented and are not representing any other party in connection with the Series 2018A Bonds. This opinion is given solely for the benefit of TriMet in connection with the Series 2018A Bonds and may not be relied on in any manner or for any purpose by any person or entity other than TriMet and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

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APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE CERTIFICATE

$113,900,000
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Bonds
Series 2018A

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") in connection with the issuance of its Capital Grant Receipt Revenue Bonds, Series 2018A (the "Series 2018A Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by TriMet for the benefit of the owners of the Series 2018A Bonds and to assist the underwriters of the Series 2018A Bonds in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule"). This Certificate constitutes TriMet's written undertaking for the benefit of the owners of the Series 2018A Bonds 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 Series 2018A Bonds, including persons holding Series 2018A Bonds through nominees or depositories.

"Commission" means the United States Securities and Exchange Commission.

"MSRB" means the United States Municipal Securities Rulemaking Board or any successor to its functions.

"Official Statement" means the final official statement for the Series 2018A Bonds dated January 30, 2018.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. TriMet agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. TriMet's latest publicly available audited financial statements, including the financial statements of TriMet for the most recently completed fiscal year prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement in "Appendix A: Information Regarding TriMet, Including Audited Basic Financial Statements for Fiscal Years Ended June 30, 2017 and 2016"; and

B. To the extent not provided in the audited financial statements, information of the type included in the table in the Official Statement entitled, "Historical Coverage."

Section 4. Timing. The information described in Section 3 above shall be provided on or before nine months after the end of TriMet's fiscal year. TriMet's current fiscal year ends June 30. TriMet may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, TriMet may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. TriMet agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2018A Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) Modifications to the rights of security holders, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

TriMet may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of TriMet, such other event is material with respect to the Series 2018A Bonds, but TriMet does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. TriMet agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by TriMet to provide the annual financial information described in Section 3 above on or prior to the time set forth in Section 4.

Section 7. Termination. TriMet's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018A Bonds. This Certificate, or any provision hereof, shall be null and void if TriMet (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 Series 2018A Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, TriMet may amend this Certificate provided that the following conditions are satisfied:

A. If the amendment 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 TriMet with respect to the Series 2018A Bonds, or the type of business conducted;

B. If this Certificate, as amended, 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 Series 2018A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the Series 2018A Bondowners pursuant to the governing instrument at the time of amendment or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Series 2018A Bondowners.

In the event of any amendment of a provision of this Certificate, TriMet shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment 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 TriMet. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 hereof for the first fiscal year that is affected by the change in accounting principles 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 9. Series 2018A Bondowner's Remedies Under This Certificate. The right of any Series 2018A Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of TriMet's obligations hereunder, and any failure by TriMet to comply with the provisions of this undertaking shall not be an event of default with respect to the Series 2018A Bonds. Series 2018A Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause TriMet 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 Series 2018A 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 TriMet to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB, and with the identifying information prescribed by the MSRB.

Section 11. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 12. Dissemination Agent. TriMet, from time to time, engage or appoint an agent to assist TriMet in disseminating information hereunder (the "Dissemination Agent"). TriMet may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 13. 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 6th day of February, 2018.

Tri-County Metropolitan Transportation District of Oregon

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General Manager

APPENDIX D

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the Series 2018 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Series 2018 Bonds. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds within a Series 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to TriMet as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from TriMet or the Fiscal 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, the Fiscal Agent, or TriMet, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of TriMet or the Fiscal 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.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to TriMet or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, TriMet may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that TriMet believes to be reliable, but TriMet takes no responsibility for the accuracy thereof. Neither TriMet nor the Fiscal Agent will have any responsibility or obligation to Participants or the persons for whom they act as nominees or Beneficial Owners with respect to DTC's record keeping, payments by DTC or Participants, notices to be delivered by DTC, or any other action taken by DTC as Registered Owner of the Series 2018 Bonds.

So long as Cede & Co. is the registered owner of the Series 2018 Bonds, as nominee for DTC, references herein to the holders or registered owners of the Series 2018 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2018 Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given TriMet or the Fiscal Agent shall send them to DTC only.

For every transfer and exchange of the Series 2018 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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APPENDIX E

2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT, SECOND SUPPLEMENTAL TRUST AGREEMENT, AND FORM OF THIRD SUPPLEMENTAL TRUST AGREEMENT

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Master Capital Grant Receipt Revenue Bond Trust Agreement

between the

Tri-County Metropolitan Transportation District of Oregon

as Issuer

and

Wells Fargo Bank, National Association

as Trustee

Relating to the Issuer's

CAPITAL GRANT RECEIPT REVENUE BONDS

DATED AS OF JUNE 1, 2005

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MASTER CAPITAL GRANT RECEIPT REVENUE BOND TRUST AGREEMENT

THIS MASTER CAPITAL GRANT RECEIPT REVENUE BOND TRUST AGREEMENT (the "Master Trust Agreement") is executed by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and Wells Fargo Bank, National Association, a national banking association having a corporate trust office in Portland, Oregon as Trustee, (the "Trustee") as of the first day of June, 2005.

Section 1. Recitals.

1.1. TriMet is authorized to issue revenue bonds and other obligations that are secured by a pledge of its capital grant receipts. TriMet executes this Master Trust Agreement to provide the terms that will govern revenue bonds and other obligations of TriMet that are secured by a pledge of the Pledged Property, as defined below.

1.2. The Trustee is willing to serve as trustee and paying agent under this Master Trust Agreement.

Section 2. Definitions.

Unless the context clearly requires otherwise, capitalized terms that are used in this Master Trust Agreement and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2.

"Annual Bond Debt Service" means the amount of principal and interest that is scheduled to be paid on Outstanding Bonds in any Bond Year, calculated as follows:

(a) Interest that is to be paid from Bond proceeds shall be subtracted;

(b) TriMet Payments to be made in the Bond Year under a Parity Exchange Agreement shall increase Annual Bond Debt Service, and Reciprocal Payments to be received in the Bond Year under a Parity Exchange Agreement shall reduce Annual Bond Debt Service;

(c) Bonds which are subject to scheduled, noncontingent redemption shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date;

(d) Bonds that are subject to tender or contingent redemption shall be treated as maturing on their stated maturity dates;

(e) Variable Rate Obligations bear interest from the date of computation until maturity at their Estimated Average Interest Rate; and,

(f) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement.

"Auditor" means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

"Average 5307 Receipts" has the meaning set forth in Section 6.1.C(ii)

"Balloon Debt Service Requirement" means the Committed Debt Service Requirement for a Balloon Payment or, if TriMet has not entered into a Firm Commitment to sell Bonds or other obligations to refund that Balloon Payment, the Estimated Debt Service Requirement for that Balloon Payment.

"Balloon Payment" means any principal payment for a Series of Bonds which comprises more than twenty-five percent of the original principal amount of that Series, but only if that principal payment is designated as a Balloon Payment in the closing documents for the Series.

"Base Period" means any twelve consecutive months selected by TriMet or a Qualified Consultant out of the most recent twenty-four months preceding the delivery of a Series of Parity Bonds.

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

"BMA Index" means the BMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor. However, if that index ceases to be available, "BMA Index" means an index reasonably selected by TriMet which is widely available to dealers in municipal securities, and which measures the variable interest rate paid on municipal securities with comparable ratings and terms.

"Bond Buyer Revenue Bond Index" means the index of securities for 25 municipal issuers published by The Bond Buyer. However, if that index ceases to be available, "Bond Buyer Revenue Bond Index" means an index reasonably selected by TriMet which is widely available to dealers in municipal securities, and which measures the fixed interest rate of municipal securities with comparable ratings and terms.

"Bond Counsel" means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

"Bond Reserve Account" means the Bond Reserve Account in the Debt Service Fund described in Section 5.3 of this Master Trust Agreement.

"Bond Year" means the one year period that begins the day after the beginning of the fiscal year of the United States government, and ends on the day after the end of the fiscal year of the United States government. On the date of this Master Trust Agreement the Bond Year is the period beginning on October second and ending on the next October first.

"Bond" or "Bonds" means the Series 2005 Bonds and any Parity Obligations.

"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.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated thereunder.

"Committed Debt Service Requirement" means the schedule of principal and interest payments for a Series of Bonds or other obligations which refund a Balloon Payment, as shown in the documents evidencing TriMet's Firm Commitment to sell that Series. The Firm Commitment may be in the form of a bond purchase agreement, remarketing agreement, broker dealer agreement or similar document which obligates TriMet to sell, and obligates a purchaser to purchase or remarket, the Series of refunding Bonds or other obligations.

"Credit Facility" means a letter of credit, a municipal bond insurance policy, or other credit enhancement device which is obtained by TriMet, which guarantees payment of principal and interest on Bonds, and which is issued or provided by a Credit Provider whose unsecured, long-term debt obligations or claims-paying ability (as appropriate) are rated one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility. However, "Credit Facilities" do not include sureties or other instruments that make funds available in lieu of amounts held in a Bond Reserve Account, and do not include liquidity facilities for variable rate obligations.

"Credit Provider" means a person or entity providing a Credit Facility.

"Debt Service Account" means the Debt Service Account described in Section 5.2 of this Master Trust Agreement.

"DTC" means The Depository Trust Company or any other qualified securities depository designated by TriMet as its successor.

"Estimated Average Interest Rate" is the interest rate that Variable Rate Obligations are assumed to bear, and shall be calculated as provided in Section 6.5.

"Estimated Debt Service Requirement" means the schedule of principal and interest payments for a hypothetical Series of Bonds that refunds a Balloon Payment that is prepared by the General Manager and that meets the requirements of Section 6.6.

"Event of Default" means any event specified in9.1 of this Master Trust Agreement.

"Exchange Agreement" means a swap, cap, floor, collar or similar transaction which includes a written contract between TriMet and a Reciprocal Payor under which TriMet is obligated to make one or more TriMet Payments in exchange for the Reciprocal Payor's obligation to pay one or more Reciprocal Payments.

"Firm Commitment" means an agreement that obligates aparty to take an action, subject only to the conditions which customarily are included in documents of that type.

"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 State law.

"Fitch" means Fitch Investors Service, Inc., its successors and assigns.

"Fund" means any fund, account or other accounting construct that allows TriMet to account accurately for deposits to, withdrawals from, and earnings on, amounts that are creditedto the Fund.

"General Manager" means the General Manager of TriMet or the person designated by the General Manager to act as General Manager under this Master Trust Agreement.

"Government Obligations" means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (iii) any noncallable debt securities listed in Exhibit B to this Master Trust Agreement.

"Grant Receipts Deposit Fund" means the Grant Receipts Deposit Fund described in Section 5.1 of this Master Trust Agreement.

"Grant Receipts" means the sum of IGA Receipts plus Section 5307 Receipts.

"IGA Receipts" means the amount of Federal grant funds that Transferors are required to transferto TriMet under all IGAs then in effect.

"IGA" means:

(i) the "Intergovernmental Agreement To Provide and Utilize MTIP Funds to Implement the Regional Funding Plan for the South Corridor, Commuter Rail, and North Macadam Projects" between Metro, Oregon, as Transferor, and TriMet that is dated as of April 4, 2005 and obligates Metro to transfer certain Metropolitan Transportation Improvement Program funds to TriMet, as that agreement may be amended from time to time in accordance with this Master Trust Agreement; and,

(ii) any other intergovernmental agreement between a Transferor and TriMet in which a Transferor agrees to transfer Federal grant funds to TriMet for transportation projects, but only if TriMet executes a Supplemental Trust Agreement formally pledging to pay Outstanding Bonds from the amounts due to TriMet under that other intergovernmental agreement.

"Insurance Policy" means a municipal bond insurance policy issued by a Credit Provider at the request of TriMet guaranteeing the scheduled payment of principal of and interest on a Series of Bonds when due.

"Interest Payment Date" means any date on which Bond interest is scheduled to be paid.

"Master Trust Agreement" means this Master Capital Grant Receipt Revenue Bond Trust Agreement, includingany amendments and supplements made pursuant to Section 10.

"Maximum Annual Bond Debt Service" means the greatest amount of Annual Bond Debt Service that is due in any Bond Year, beginning with the Bond Year for which the calculation is made, and ending with the last Bond Year in which Outstanding Bonds are scheduled to be paid.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

"ORS" means the Oregon Revised Statutes.

"Outstanding" refers to all Bonds except Bonds that have been defeased pursuant to Section 11 of this Master Trust Agreement, and Bonds that have matured and not been presented for payment (provided sufficient funds to pay those Bonds have been transferred to the Paying Agent).

"Owner" means a registered owner of a Bond.

"Parity Bond" means any bond issued in accordance with Section 6.

"Parity Exchange Agreement" means an Exchange Agreement under which the TriMet Payments qualify as Parity Obligations in accordance with Section 6.3.

"Parity Obligations" means Parity Bonds and Parity Exchange Agreements.

"Payment Date" means a Principal Payment Date or an Interest Payment Date.

"Permitted Investments" means any investments which TriMet is permitted to make under the laws of the State.

"Pledged Property" means the Grant Receipts and all amounts credited to the Debt Service Account.

"Principal Payment Date" means any date on which any Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption prior to maturity.

"Project" means any purpose for which Grant Receipts are permitted to be spent, including, without limitation, paying subordinate obligations and, if then permitted by federal law, making termination payments

"Projected Grant Receipts" has the meaning set forth in Section 6.1.C(i).

"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 TriMet for purposes of performing activities specified in this Master Trust Agreement or any Supplemental Trust Agreement.

"Rating Agency" means Fitch, Moody's, S&P, or any other nationally recognized financial rating Agency which has rated Outstanding Bonds or a Credit Facility at the request of TriMet.

"Reciprocal Payment" means any scheduled payment to be made to, or for the benefit of, TriMet under an Exchange Agreement by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula provided in the Exchange Agreement. "Reciprocal Payments" do not include payments that are due under an Exchange Agreement as a result of an early termination of the Exchange Agreement.

"Reciprocal Payor" means a party to an Exchange Agreement (other than TriMet) that is obligated to make one or more Reciprocal Payments thereunder, and which is rated in one of the top three rating categories by at least one Rating Agency for its obligations under the Exchange Agreement.

"Record Date" for the Bonds means the fifteenth day of the month preceding the month in which each Interest Payment Date occurs, whether or not a Business Day.

"S&P" means Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, its successors and their assigns.

"Section 5307 Receipts" means all amounts due to TriMet under Section 5307.

"Section 5307" means Section 5307 of Title 47, Subtitle III, Chapter 53 of the United States Code, as that section may be amended from time to time, and any replacement federal transportation funding program.

"Series 2005 Bonds" means TriMet's Capital Grant Receipt Revenue Bonds, Series 2005 issued pursuant to Section 16 of this Master Trust Agreement.

"Series 2005 Credit Provider" means Ambac Assurance Corporation, a Wisconsin Stock Insurance Corporation.

"Series 2005 Insurance Policy" means the financial guaranty insurance policy issued by Series 2005 Credit Provider insuring the payment when due of the principal of and interest on the Series 2005Bonds as provided therein.

"Series" refers to all Bonds authorized by a single resolution or Supplemental Trust Agreement and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions, unless the closing documents for the Series provide otherwise.

"State" means the State of Oregon.

"Subordinate Obligations Account" means the Subordinate Obligations Account of the Grant Receipts Deposit Fund which is described in Section 5.4.

"Subordinate Obligations" means obligations having a lien on the Grant Receipts which is subordinate to the lien of the Bonds. Restrictions on Subordinate Obligations are described in Section 7.

"Substituted Project" means any Project that was not identified at the time a Series of Bonds is sold, but which may be funded with Bond proceeds without reducing Grant Receipts.

"Supplemental Trust Agreement" means any declaration, resolution or other document which supplements or amends this Master Trust Agreement, entered into by TriMet in compliance with Section 10.

"Transferor" means a party to an IGA that is obligated to transfer Federal grant funds to TriMet for costs of Projects or debt service on Projects.

"TriMet Board" means the governing body of TriMet.

"TriMet Payment" means any scheduled payment required to be made by or on behalf of TriMet under an Exchange Agreement which is either fixed in amount or is determined according to a formula provided in the Exchange Agreement. TriMet Payments do not include payments that are due under an Exchange Agreement as a result of an early termination of the Exchange Agreement.

"TriMet" means the Tri-County Metropolitan Transportation District of Oregon, a political subdivision duly organized and operating under the laws of the State of Oregon, or its successors.

"Trustee" means Wells Fargo Bank, National Association, and any successor Trustee appointed in accordance with Section 12.

"Variable Rate Obligations" means any Bonds issued with a variable, adjustable,convertible, or other similar interest rate which changes prior to the final maturity date of the Bonds, including any TriMet Payments or Reciprocal Payments under a Parity Exchange Agreement for which the interest portion of the payment is based on a rate that changes during the term of the Exchange Agreement.

Section 3. Rules of Construction.

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

A. References to section numbers shall be construed as references to sections of this Master Trust Agreement.

B. References to one gender shall include both genders.

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

Section 4. Deposit, Pledge and Use of Grant Receipts.

4.1. All Grant Receipts shall be deposited to and maintained in the Grant Receipts Deposit Fund, and shall be used only as described in this Section as long as any Bonds remain Outstanding. TriMet shall applyGrant Receipts in the Grant Receipts Deposit Fund on or before the following dates for the following purposes in the following order of priority:

A. Commencing with the Bond Year beginning October 2, 2005, and at the beginning of each Bond Year thereafter, TriMet shall transfer all Grant Receipts received by TriMet to the Trustee within thirty (30) days after TriMet receives those Grant Receipts, until TriMet has transferred to the Trustee an amount which, when that amount is added to the balance in the Debt Service Account at the beginning of the Bond Year, is equal to the sum of: (i) all Bond principal and interest which is scheduled to be paid on or before the end of that Bond Year; plus, (ii) one half of the Bond interest that is scheduled to be paid in the following Bond Year, plus (iii) any additional amount that may be required to pay any Bonds that were not timely paid when due. In addition, if TriMet calls Bonds for optional redemption, TriMet shall transfer to the Trustee Grant Receipts or other amounts sufficient to pay all Bond principal, premium (if any) and interest that is due as a result of the optional redemption, not later than one Business Day prior to the optional redemption date. The Trustee shall deposit all amounts transferred to it under this Section 4.1.A in the Debt Service Account.

B. After all transfers required by Section 4.1.A for the Bond Year have been made, and to the extent required by any Supplemental Trust Agreement, TriMet shall make transfers to each Bond Reserve Account, as provided in Section 5.3.

C. To the extent not paid from other sources, TriMet shall apply sufficient Grant Receipts to pay any rebates or penalties for Bonds that are due to be paid to the United States pursuant to Section 148 of the Code.

D. On the dates specified in any proceedings authorizing Subordinate Obligations, TriMet shall transfer to the Subordinate Obligations Account the Grant Receipts required by those proceedings.

E. After all transfers and payments having a higher priority under this Section have been made, TriMet may use Grant Receipts for any lawful purpose.

4.2. TriMet hereby pledges and grants a lien on the Pledged Property to pay the principal of, premium (if any) and interest on all Bonds. Pursuant to ORS 288.594, these pledges shall be valid and binding from the time of the adoption of this Master Trust Agreement. The Grant Receipts so pledged and hereafter received by TriMet shall immediately be subject to the lien of such pledge without any physical delivery or further act. The lien of these pledges shall be superior to all other claims and liens. TriMet covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge.

4.3. The Bonds and all other financial obligations of TriMet arising under this Trust Agreement are special obligations of TriMet that are payable solely from the Grant Receipts and other amounts specifically pledged to pay those obligations. Neither the Bonds nor any other obligations of TriMet under this Trust Agreement shall be payable from any funds of TriMet except Grant Receipts.

Section 5. Bond Funds and Accounts

5.1. So long as any Bonds are Outstanding, TriMet shall maintain the Grant Receipts Deposit Fund, the Debt Service Account and the Subordinate Obligations Account as discrete Funds in its financial records. The Debt Service Account shall be held by the Trustee. Unless otherwise provided in a Supplemental Trust Agreement, the Grant Receipts Deposit Fund and all Funds that are part of the Grant Receipts Deposit Account except the Debt Service Account shall be held by TriMet.

5.2. **Debt Service Account.** Until all Bonds are paid or defeased, amounts in the Debt Service Account shall be used only to pay or defease Bonds. The Trustee shall apply amounts in the Debt Service Account to pay all Bond principal, interest and premium (if any) when due in accordance with the terms of the Bonds. Amounts in the Debt Service Account shall be invested by the Trustee at the direction of TriMet only in Permitted Investments that mature on or before the dates the amounts deposited in the Debt Service Account will be required to pay Bonds. The Debt Service Account shall contain a Current Debt Service Subaccount and an Other Funds Subaccount. Earnings on the Current Debt Service Subaccount shall be credited to the Current Debt Service Subaccount, and earnings on the Other Funds Subaccount shall be credited to the Other Funds Subaccount. At the beginning of each Bond Year the Trustee shall credit all amounts then in the Debt Service Account, and all amounts subsequently transferred to the Trustee pursuant to Section 4 for deposit in the Debt Service Account, to the Current Debt Service Subaccount until the Current Debt Service Subaccount contains a balance that is equal to the principal and interest on the Bonds that are scheduled to be paid in that Bond Year. Once the Current Debt Service Subaccount has a balance that is equal to the principal and interest on the Bonds that are scheduled to be paid in that Bond Year, any additional transfers to the Trustee for deposit in the Debt Service Account pursuant to Section 4 shall be credited to the Other Funds Subaccount. Bond payments from the Debt Service Account shall be made first from amounts credited to the Current Debt Service Subaccount, and second from the Other Funds Subaccount.

A. If, at 11:00 am Pacific Time on the Business Day prior to any Payment Date the amounts deposited in the Debt Service Account are not sufficient to pay the Bond principal, premium (if any) and interest that is due on that Payment Date, the Trustee shall notify TriMet of the amount of the deficiency not later than 1:00 pm on that Business Day, and TriMet shall remedy the deficiency from any Grant Receipts then available

B. If, on any Payment Date, the amounts deposited in the Debt Service Account are not sufficient to pay the Bond principal, premium (if any) and interest that is due on that Payment Date, the Trustee shall apply the amounts available in the Debt Service Account: first to pay Bond interest that is then due or overdue (and *pro rata* among Owners if the amount available is not sufficient to pay all Bond interest that is then due or overdue); and, second to pay Bond principal that is then due or overdue (and *pro rata* among Owners if the amount available is not sufficient to pay all Bond principal that is then due or overdue).

5.3. **Bond Reserve Accounts.** TriMet may create one or more Bond Reserve Accounts in the Grant Receipts Deposit Fund, and may provide that those Bond Reserve Accounts may be held by TriMet or the Trustee. TriMet may establish the requirements for funding Bond Reserve Accounts in Supplemental Trust Agreements, but Grant Receipts shall be transferred to Bond Reserve Accounts only after the transfers described in Section 4.1.A have been made, as provided in Section 4.1.B. Amounts credited to any Bond Reserve Account shall be used only to pay the Bonds for which the Bond Reserve Accounts were created, and only if amounts in the Debt Service Account are insufficient to pay those Bonds.

5.4. **Subordinate Obligations Account.** If TriMet issues Subordinate Obligations, TriMet shall create and maintain the Subordinate Obligations Account in the Grant Receipts Deposit Fund as long as the Subordinate Obligations are Outstanding. TriMet may divide the Subordinate Obligations Account into subaccounts, may provide that one or more subaccounts may be held by trustees for the Subordinate Obligations, and may establish priorities for funding the subaccounts in the Subordinate Obligations Subaccount. Grant Receipts shall be deposited into the Subordinate Obligations Account only as permitted by Section 4.1.D. Earnings on the Subordinate Obligations Account shall be credited as provided in the proceedings authorizing the Subordinate Obligations.

Section 6. Parity Bonds

6.1. TriMet may issue Parity Bonds only to provide funds for Projects or to refund Outstanding Bonds. TriMet may issue Parity Bonds if:

A. No Event of Default under this Master Trust Agreement or any Supplemental Trust Agreement has occurred and is continuing;

B. There has been filed with TriMet a certificate of the General Manager stating that the Projected Grant Receipts for each Bond Year in which the proposed Parity Bonds are scheduled to be Outstanding are at least 1.50 times the Annual Bond Debt Service for that Bond Year, calculated as of the date of issue of the proposed Parity Bonds and with the proposed Parity Bonds treated as Outstanding.

C. For purposes of this Section 6.1:

(i) "Projected Grant Receipts" for any Bond Year means an amount equal to the sum of the Average 5307 Receipts, plus the IGA Receipts that are scheduled to be paid to TriMet in that Bond Year.

(ii) "Average 5307 Receipts" means the arithmetic average of the Sectbn 5307 Receipts for the three Bond Years that were completed immediately before the date the proposed Parity Bonds are issued.

(iii) The effect of Parity Exchange Agreements on Annual Debt Service shall be determined in accordance with Section 6.3.

(iv) The Annual Debt Service for Variable Rate Obligations shall be calculated in accordance with Section 6.5.

(v) The Annual Debt Service for any Balloon Payments that will be Outstanding after he proposed Parity Bonds are issued shall be calculated in accordance with Section 6.6.

6.2. TriMet may issue Parity Bonds to refund Outstanding Bonds without complying with Section6.1 if the refunded Bonds are defeased on the date of delivery of the refunding Parity Bonds and if the Annual Bond Debt Service on the refunding Parity Bonds does not exceed the Annual Bond Debt Service on the refunded Bonds in any Bond Year in which Bonds are Outstanding by more than $5,000. In addition, TriMet may issue Parity Bonds to refund Outstanding Balloon Payments without complying with Section6.1 if the Parity Bonds that refund the Balloon Payments have substantially equal annual debt service and a term that is not substantially shorter than the term most recently used for the hypothetical amortization of the Balloon Payments pursuant to Section 6.6.B. For purposes of this section:

A. Annual debt service on an issue of Parity Bonds shall be considered "substantially equal" if the highest debt service payment in any Fiscal Year on the Parity Bonds is no more than ten percent greater than the lowest debt service payment in any Fiscal Year on the Parity Bonds.

B. The term of Parity Bonds shall not be considered substantially shorter than the term of the hypothetical amortization unless the final payment date on the Parity Bonds is more than nine months earlier than the final payment date in the hypothetical amortization.

6.3. The TriMet Payments due under an Exchange Agreement may qualify as Parity Obligations if, on the date the Exchange Agreement is executed or modified, TriMet satisfies the requirements of Section 6.1.A and Section 6.1.B for all then Outstanding Bonds and the Exchange Agreement.

A. To determine the effect of an Exchange Agreement on Annual Bond Debt Service for purposes of Section 6.1.B when an Exchange Agreement becomes a Parity Exchange Agreement the General Manager shall estimate the net payments that TriMet will make or receive under the Exchange Agreement by assuming that fixed payments are made as provided in the Exchange Agreement, and that any payments that are determined according to a formula provided in the Exchange Agreement are made in amounts that are equal to the amounts that would have been paid during the twelve calendar months immediately preceding the date the Exchange Agreement qualifies as a Parity Exchange Agreement, if the Exchange Agreement had been in effect during that twelve month period

B. To determine the effect of an Exchange Agreement on Annual Bond Debt Service for purposes of Section 6.1.B when Parity Bonds are issued, the General Manager shall estimate the net payments that TriMet will make or receive under the Exchange Agreement by assuming that fixed payments are made as provided in the Exchange Agreement, and by assuming that any payments that are determined according to a formula provided in the Exchange Agreement are equal to the greater of:

(i) The amount calculated as of the date the Parity Bonds are issued using the methodology described in Section 6.3.A; or,

(ii) If payments have been made under the Exchange Agreement for at least twelve full calendar months, the actual payments that were made under the Exchange Agreement during the twelve full calendar months preceding the month in which the Parity Bonds are issued

C. Only TriMet Payments and Reciprocal Payments shall be considered to determine compliance with Section 6.1.B. Payments due under an Exchange Agreement as a result of an early termination of the Exchange Agreement Termination shall not be considered for purposes of determining compliance with Section6.1.B, and the obligation to make those payments shall not be treated as a Parity Obligation.

D. Any Parity Exchange Agreement shall clearly state that it is a Parity Exchange Agreement and has qualified as a Parity Bond under Section 6.1 of this Master Trust Agreement.

E. TriMet may replace a Parity Exchange Agreement with another Parity Exchange Agreement without qualifying the replacement Exchange Agreement under Section6.1 if the General Manager estimates, using the methodology described in this Section 6.3, that the replacement will not increase the Annual Bond Debt Service in any Bond Year in which Bonds are Outstanding by more than $5,000.

6.4. All Parity Bonds issued in accordance with this Section 6 shall have a lien on the Grant Receipts which is equal to the lien of all other Outstanding Bonds.

6.5. The Estimated Average Interest Rate for Variable Rate Obligations shall be calculated as provided in this Section to determine compliance with the tests for issuing Parity Bonds in Section6.1.B.

A. Unless Section 6.5.B applies, the Estimated Average Interest Rate for any Series of Variable Rate Obligations means the average of the weekly BMA Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Bonds are sold, expressed as an annualized interest rate; or,

B. For any Series of Variable Rate Bonds that have been Outstanding for at least 52 weekson the effective date of the certificate described in Section 6.1.B, the Estimated Average Interest Rate shall be equal to the greater of the Estimated Average Interest Rate calculated under Section 6.5.A, or the actual, annualized rate on that Series during that 52 week period preceding the effective date of the certificate described in Section 6.1.B.

6.6. When a certificate is prepared pursuant to Section 6.1.B for Parity Bonds, the Estimated Debt Service Requirement for Balloon Indebtedness that will be Outstanding after the proposed Parity Bonds are issued shall be calculated in accordance with this Section 6.6.

A. The General Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Bonds that refunds each Balloon Payment that will be outstanding after the proposed Parity Bonds are issued in accordance with Section 6.6.B. The General Manager shall prepare that schedule as of the date the proposed Parity Bonds are sold, and that schedule shall be used to determine compliance with the tests for Parity Bonds in Section 6.1.B.

B. Each hypothetical Series of refunding Bonds shall be assumed to be paid in equal annual installments of principal and interest sufficient to amortize the principal amount of the Balloon Payment over the term selected by the General Manager; however, the General Manager shall not select a term that exceeds the lesser of 20 years from the date the Balloon Payment is originally scheduled to be paid or TriMet's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed or refinanced with the Balloon Payment. The annual installments shall be assumed to be due on the anniversaries of the date the Balloon Payment is originally scheduled to be paid, with the first installment due on the date the Balloon Payment is scheduled to be paid. The hypothetical Series of refunding Bonds shall be assumed to bear interest at the General Manager's estimate of the average rate that a Series of Bonds would bear if it is amortized as provided in this Section6.6.B and is sold when the proposed Parity Bonds are sold.

Section 7. Subordinate Obligations

TriMet may issue Subordinate Obligations only if:

7.1. Tri-Met is obligated to pay the Subordinate Obligations from Grant Receipts available under Section4.1.D;

7.2. The Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Grant Receipts which is subordinate to the lien on, and pledge of, the Grant Receipts for the Bonds.

7.3. The Subordinate Obligations shall not be subject to mandatory prepayment on default. However, the preceding sentence shall not be deemed to preclude termination payments under Exchange Agreementsor puts or tenders in connection with obligations that are expected to be remarketed,or similar payment obligations.

Section 8. General Covenants

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

8.1. TriMet shall take all actions within the reasonable control of TriMet to secure Grant Receipts sufficient to pay all Bonds as they become due.

8.2. TriMet shall promptly deposit the Grant Receipts into the funds and accounts specified in this Master Trust Agreement.

8.3. TriMet shall pay or 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 Master Trust Agreement and any Supplemental Trust Agreement, but solely from the Pledged Property.

8.4. TriMet shall maintain complete books and records relating to the Grant Receipts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Bond Year, and shall have an audit report prepared by the Auditor and made available for the inspection of Owners.

8.5. TriMet shall not create any liens on the Pledged Property that are superior to the lien and pledge that secures the Bonds.

8.6. TriMet shall not create any liens on the Pledged Property that are equal to the lien and pledge that secures the Bonds, except for Parity Obligations.

8.7. TriMet shall budget for all required expenditures in connection with Projects that are funded with Bond proceeds, and for payments due on the Bonds.

8.8. TriMet shall pay all lawful charges which, if not paid, would become a lien on the Grant Receipts that would be equal or superior to the lien and pledge of the Grant Receipts that secure the Bonds. The covenant shall not prevent TriMet from contesting in good faith the validity or amount of any such charges.

8.9. TriMet shall spend Bond proceeds only on Projects. TriMet shall not spend Bond Proceeds on Projects that were not identified at the time Bonds were issued unless those Projects are "Substituted Projects" or unless, prior to the expenditure of the Bond proceeds, the General Manager of TriMet files a certificate in the public records of TriMet, taking into account the effect of the expenditure and demonstrating that TriMet complies with the requirements of Section 6.1.B for all Bonds that will be Outstanding at the time of the expenditure.

8.10. TriMet shall:

A. Comply with all requirements of the Federal government that apply to Projects.

B. Take all reasonable steps to assure that TriMet receives Grant Receipts as soon as practicable for a sum at least sufficient to make all scheduled Bond principal and interest when due.

C. If current Section 5307 Receipts, together with other IGA Receipts reasonably expected to be available, are insufficient to pay debt service, reprogram other available Section 5307 grants to the extent necessary to make up any shortfall.

D. Except as provided in Section 8.11, TriMet shall:

(i) maintain all IGAs and not agree to any termination or reduction of payments to TriMet under those IGAs.

(ii) If IGA Receipts are less than the amounts that TriMet is scheduled to receive under an IGA, take all actions reasonably within its control increase the amounts available to TriMet so that TriMet receives the amounts that TriMet was originally scheduled to receive under the IGA.

8.11. TriMet shall not be obligated to comply with Section 8.10.D if:

A. No Bonds are Outstanding that fund Projects for which TriMet expects to be reimbursed from IGA Receipts; or

B. The General Manager of TriMet files a certificate in the public records of TriMet demonstrating that TriMet complies with the requirements of Section 6.1.B for all Bonds that are then Outstanding at the time of action described in Section 8.10.D and taking into account any action that TriMet takes that is described in Section 8.10.D.

8.12. TriMet may amend any IGA to increase the amounts that TriMet is to receive under that IGA. If an IGA is so amended, all amounts the TriMet receives under the amended IGA shall be pledged to pay the Bonds without any additional act by TriMet.

Section 9. Events of Default and Remedies.

9.1. Events of Default. The following shall constitute "Events of Default":

A. If TriMet shall fail to pay any Bond principal or interest when due, either at maturity, upon exercise of a right of tender, by proceedings for redemption or otherwise;

B. Except as provided in Section 9.1.D, if TriMet shall default in the observance and performance of any other of its covenants, conditions and agreements in this Master Trust Agreement, and if such default continues for ninety (90) days after TriMet receives a written notice, specifying the Event of Default and demanding the cure of such default, from a Credit Provider or from the Owners of not less than 20% in aggregate principal amount of the Bonds Outstanding;

C. If TriMet shall file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law.

D. Exception. It shall not constitute an Event of Default under 9.1.B if the default can be remedied but cannot practicably be remedied within ninety (90) days after TriMet receives notice of the default, so long as TriMet promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied.

9.2. Remedies. If an Event of Default occurs, the Trustee may, and if the Owners of not less than fifty-one percent (51%) in Outstanding principal amount of Bonds so request, shall take whatever action at law or in equity may appear necessary or desirable to enforce or to protect any of the rights vested in the Trustee or the Owners of Bonds by this Master Trust Agreement, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Master Trust Agreement or in aid of the exercise of any power granted in this Master Trust Agreement or for the enforcement of any other legal or equitable right vested in the Trustee by this Master Trust Agreement or by law; provided that in no event shall the Trustee have the right to accelerate any Bonds.

9.3. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Trust Agreement to the Trustee, or given under the Bonds to the Trustee, 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 a may be deemed expedient. To entitle the Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Master Trust Agreement or by law.

9.4. In the event any party to this Master Trust Agreement should default under any of the provisions hereof and any nondefaulting party or parties should employ attorneys or incur other expenses for the collection of moneys on the enforcement or performance or observance of any obligation or agrement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay, to the extent permitted by law, to such nondefaulting party or parties the reasonable fees of such attorneys and such other expenses incurred by such nondefaulting party or parties.

9.5. In the event any agreement contained in this Master Trust Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived andshall not be deemed to waive any other breach hereunder.

9.6. TriMet covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of TriMet and all other records relating to the Grant Receipts shal at all reasonable times be subject to the inspection and use of the Trustee, any Credit Provider and any persons holding at least twenty percent (20%) of the principal amount of Outstanding Bonds and their respective agents and attorneys.

Section 10. Amendment of Master Trust Agreement

10.1. TriMet may amend this Master Trust Agreement by executing a Supplemental Trust Agreement with the consent of the Trustee, but without the consent of anyOwners for any one or more of the following purposes:

A. To cure any ambiguity or formal defect or omission in this Master Trust Agreement;

B. To add to the covenants and agreements of TriMet in this Master Trust Agreement, other covenants and agreements to be observed by TriMet which are not contrary to or inconsistent with this Master Trust Agreement as theretofore in effect;

C. To authorize issuance of Bonds, Parity Exchange Agreements or Subordinate Obligations in accordance with the terms of this Master Trust Agreement, and to provide administrative provisions for those Bonds Parity Exchange Agreements and Subordinate Obligations;

D. To modify, amend or supplement this Master Trust Agreement or any Supplemental Trust Agreement to qualify this Master Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America, but only if the modifications, amendments or supplements do not materially and adversely affect the security for the Bonds;

E. To confirm, as further assurance, any security interest or pledge created under this Master Trust Agreement or any Supplemental Trust Agreement;

F. To make any change which, in the reasonable judgment of TriMet, does not materially andadversely affect the rights of the owners of any Outstanding Bonds;

G. So long as a Credit Facility is in full force and effect with respect to the Bonds affected by the Supplemental Trust Agreement, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:

(i) Would result in a downgrading or withdrawal of the rating that takes into account the effect of the Credit Facility and is then assigned to the affected Bonds by the Rating Agencies;

(ii) Changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility;

(iii) Materially and adversely affects the rights and security afforded to the Owners of any Outstanding Bonds not secured by such Credit Facility; or

H. To modify any of the provisions of this Master Trust Agreement or any Supplemental Trust Agreement in any other respect whatever, as long as the modification shall take effect only after all affected Outstanding Bonds cease to be Outstanding.

10.2. This Master Trust Agreement may be amended for any other purpose only upon consent of Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding; provided, however, that no amendment shall be valid without the consent of Owners of 100 percent (100%) of the aggregate principal amount of the affected Bonds which:

A. Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond; or

B. Reduces the percent of Owners required to approve Supplemental Trust Agreements.

10.3. For purposes of Section 10.2, and subject to Section 10.4, the initial purchaser of a series of Bonds being issued or remarketed may be treated as the Owner of that Series at the time that series of Bonds is delivered in exchange for payment.

10.4. Except as otherwise expressly provided in a Supplemental Trust Agreement, as long as a Credit Facility securing all or a portion of any Outstanding Bonds is in effect, the issuer of such Credit Facility shall be deemed to be the Owner of the Bonds secured by such Credit Facility:

A. At all times for the purpose of the execution and delivery of a Supplemental Trust Agreement or of any amendment, change or modification of this Master Trust Agreement or the initiation by Owners of any action which under this Master Trust Agreement requires the written approval or consent of or can be initiated by the Owners; and following an Event of Default for all other purposes;

B. Notwithstanding the foregoing, the issuer of such Credit Facility shall not be deemed to be an Owner secured thereby with respect to any such Supplemental Trust Agreement or of any amendment, change or modification of this Master Trust Agreement which makes any change described in Section 10.2.A or 10.2.B, or would result in a downgrading or withdrawal of the rating that takes into account the effect of the Credit Facility and is then assigned to the affected Bonds by the Rating Agencies.

C. In addition and notwithstanding the foregoing, no issuer of a Credit Facility given as security for any Bonds shall be entitled to exercise any rights under this Section during any period where:

(i) The Credit Facility to which such Credit Provider is a party shall not be in full force and effect;

(ii) Such Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy, insolvency or similar law;

(iii) Such Credit Provider shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or

(iv) An order or decree shall have been entered, with the consent or acquiescence of such Credit Provider, appointing a receiver or receivers or the assets of the Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Credit Provider, shall not have been vacated or discharged or stayed within ninety (90)days after the entry thereof.

D. For purposes of determining the percentage ofOwners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Trust Agreement, the Owners ofBonds 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 suchBonds as of the date the Trustee sends out notice of requesting consent, waiver or other action as provided herein.

Section 11. Defeasance

11.1. TriMet shall be obligated to pay Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with the escrow agent or trustee, and TriMet shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if TriMet:

A. irrevocably deposits money or noncallable Government Obligations in escrow with the Trustee or an independent escrow agent which are calculated to be sufficient, without reinvestment, to pay the Bonds which are to be defeased; and

B. files with the escrow agent or trustee a report from an independent, certified public accountant verifying the accuracy of calculations indicating that the money and the principal and interest to be received from the Government Obligations are sufficient, without further reinvestment, to pay the defeased Bonds when due; and

C. files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause interest on the Bonds to be includable in gross income under the Code.

Section 12. The Trustee.

12.1. TriMet shall pay the Trustee its fees and costs in accordance with the terms of a separate contract executed between TriMet and the Trustee. The Trustee shall have no lien on the amounts in the Debt Service Account; however, the Trustee may insist on receiving indemnification as provided in Section12.8 before it acts in connection with an Event of Default.

12.2. Removal of the Trustee; Successors.

A. The Trustee may be removed and a successor Trustee appointed at any time:

(i) On written demand of TriMet. However, TriMet shall not have the right to remove the Trustee unless either no Event of Default has occurred and is continuing or TriMet obtains the consent of all Credit Providers for Credit Facilities that are then in effect. The Trustee shall provide notice of any demand for removal of the Trustee pursuant to this Section by first class mailto Owners and any Credit Provider.

(ii) On written demand of the Owners of fifty-one percent (51%) of the aggregate principal amount of all Bonds Outstanding. The Trustee shall provide notice of any demand for removal of the Trustee pursuant to this Section 12.2.A by first class mail to TriMet and any Credit Provider.

B. Any demand for removal of the Trustee shall specify the proposed successor Trustee, and no removal shall take effect until the successor Trustee accepts such appointment and the obligations hereunder and acknowledges that certain transfers have occurred, all as provided in Section 12.5 below.

C. Any successor Trustee appointed pursuant to the provisions of this section shall:

(i) be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority;

(ii) have substantial prior experience as a trustee for the benefit of the owners of municipal debt securities;

(iii) have a reported capital and surplus of at least Seventy-Five Million Dollars ($75,000,000).

12.3. Resignation of Trustee.

A. The Trustee or any successor may at any time resign by giving notice by first class mail to the Owners, TriMet and any Credit Provider. The notice shall state the Trustee's intention to resign and the proposed date of resignation, which shall be a date not less than sixty (60) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Trustee shall have been or are approved by the Owners of fifty-one percent (51%) of the aggregate principal amount of the Bonds then Outstanding and TriMet.

B. Upon mailing such notice of resignation, TriMet shall appoint a successor Trustee. If TriMet fails to appoint a successor Trustee within thirty (30) days following mailing of such written notice of resignation, the Owners of fifty-one percent (51%) of the Outstanding principal amount of all Bonds Outstanding may appoint a successor Trustee, and in the event that the Owners fail to appoint a successor Trustee, within thirty (30) days following the expiration of such initial 30-day period, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective only upon acceptance of the appointment and obligations hereunder by the successor Trustee and acknowledgment by the Successor Trustee that certain transfers have occurred, all as provided in Section 12.5 below.

C. Notwithstanding any other provision of this Master Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor Trustee has accepted its appointment as Trustee, the Debt Service Account and any Bond Reserve Account has been transferred to the successor Trustee and all Credit Providers have been given written notice of such removal, resignation or termination.

12.4. Merger or Consolidation.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 12.2.C, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Trustee shall provide notice of any merger or consolidation by first class mail to the Owners, TriMet and any Credit Provider.

12.5. Acceptance of Appointment by Successor Trustee.

A. Any successor Trustee appointed as provided in Section 12.2.C or 12.3 shall execute, acknowledge and deliver to TriMet and to its predecessor Trustee an instrument accepting such appointment and the obligations hereunder, of the predecessor Trustee and acknowledging that the Outstanding Bonds (if the Trustee is acting as a custodian of Bonds) and the Debt Service Account have been transferred to the successor Trustee, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named herein, and the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee and the Debt Service Account. Upon request of any such successor Trustee, TriMet shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights and powers.

B. No successor Trustee shall accept appointment as provided in this 12.5 unless at the time of acceptance such successor Trustee shall be qualified under the provisions of Section 12.2.C above.

C. Upon appointment of a successor Trustee as provided in this 12.5, the successor Trustee shall mail, first class, postage prepaid, notice of the succession of such Trustee hereunder to each Owner and to TriMet as of the date such notice is mailed at his or her last address as it shall appear upon the Bond register.

12.6. Duties and Responsibilities of the Trustee Prior to and During Default.

A. The Trustee undertakes, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, to perform such duties and only such duties as are specifically set forth in this Master Trust Agreement. In case any Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Master Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

B. No provision of this Master Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, breach of fiduciary duty, its negligent failure to act or its own willful misconduct, except that:

(i) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Trustee shall be determined solely by the express provisions of this Master Trust Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specificallyset forth in this Master Trust Agreement, and no covenants or obligations shall be implied into this Master Trust Agreement adverse to the Trustee;

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in Outstanding principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Master Trust Agreement; and

(iv) No provision contained in this Master Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur liability in the performance of any of its duties or the exercise of any of its rights or powers, if there is reasonable ground for the Trustee's believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

12.7. Protection and Rights of the Trustee.

A. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Master Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to TriMet or counsel to the Trustee, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

B. The Trustee may become the Owner of Bonds with the same rights it would have if it were not the Trustee; may acquire and dispose of other certificates or evidences of indebtedness of TriMet with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Outstanding Bonds, whether or not such committee shall represent be Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

C. The recitals, statements and representations by TriMet contained in this Master Trust Agreement or in the Bonds shall be taken and construed as made by TriMet, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

D. The Trustee may execute any of its trusts or powers and perform the duties required of it by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

12.8. Indemnification.

TriMet agrees to indemnify and save the Trustee harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its duties and powers hereunder, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Master Trust Agreement, excluding any losses or expenses which are due to the Trustee's breach of fiduciary duties, negligence or willful misconduct. The indemnity claimed against TriMet for tortuous conduct shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, Oregon Revised Statutes Section 30.260, et seq., unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws. The Trustee shall have no lien on, or right to payment from, amounts held in the Debt Service Account.

Section 13. BEO System

13.1. Unless otherwise provided by a Supplemental Trust Agreement, all Bonds shall be subject to the BEO System pursuant to the provisions of this Section 13.1.

13.2. The Bonds shall be initially issued as a BEO security issue with no Bonds being made available to the Beneficial Owners. Ownership of the Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC BEO system. The Bonds shall be initially issued in the form of separate single fully registered typewritten Bonds for each maturity of the Bonds (the "Global Bonds") in substantially the form attached hereto as ExhibitA with such changes as the General Manager may approve. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the "Nominee") of DTC as the "Registered Owner." The Trustee shall remit payment for the maturing principal and interest on the Bonds to the Owner for distribution by the Nominee for the benefit of the owners (the "Beneficial Owner"). While the Bonds are in BEO form, the Bonds will be available in denominations of $5,000 or any integral multiple thereof.

13.3. In the event the Depository determines not to continue to act as securities depository for the Bonds, or TriMet determines that the Depository shall no longer so act, then TriMet will discontinue the BEO system with the Depository. If TriMet fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a BEO system, the Bonds shall no longer be a BEO issue but shall be registered in the registration books maintained by the Trustee in the name of the Owner as appearing on the Bond register and thereafter in the name or names of the Owners of the Bonds transferring or exchanging Bonds.

13.4. While the Bonds are in BEO form, TriMet and the Trustee shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Beneficial Owner on behalf of which such participants or correspondents act as agent for the Owner with respect to:

A. The accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the Bonds;

B. The delivery to any participant or correspondent or any other person, other than an Owner as shown in the registration books maintained by the Trustee, of any notice with respect to the Bonds, including any notice of prepayment;

C. The selection by the Depository of the beneficial interest in Bonds to be redeemed prior to maturity;or

D. The payment to any participant, correspondent, or any other person other than the owner of the Bonds as shown in the registration books maintained by the Trustee, of any amount with respect to principal of, premium, or interest on the Bonds.

13.5. Except as provided in Section 10.4, TriMet may treat and consider the Owner in whose name each Bond is registered in the registration books maintained by the Trustee as the Owner and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such Bond, or for all other purposes whatsoever. TriMet shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge TriMet's obligation with respect to payment thereof to the extent of the sum or sums so paid.

13.6. Upon delivery by the Depository to TriMet and to the Owner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Trust Agreement shall refer to such new nominee of the Depository, and upon receipt of such notice, TriMet shall promptly deliver a copy thereof to the Trustee. The Depository shall tender the Bonds it holds to the Trustee for reregistration.

Section 14. Redemption of Bonds

14.1. Unless otherwise provided by a Supplemental Trust Agreement, all Bonds shall be subject to the redemption terms of this Section 14.

14.2. TriMet reserves the right to purchase Bonds in the open market.

14.3. Subject to the BEO System, if Bonds are subject to mandatory redemption the Trustee shall, without further action by TriMet, select the particular Bonds to be redeemed in accordance with the mandatory redemption schedule, by lot within each maturity, call the selected Bonds, and give notice of their redemption in accordance with this Section 14.

14.4. If certain maturities of Bonds of the same series are subject to both optional and mandatory redemption in part, TriMet may elect to apply any of those Bonds which it has previously optionally redeemed against the mandatory redemption requirement. In addition, if TriMet purchases Bonds for cancellation which are subject to mandatory redemption, TriMet may elect to apply against the mandatory redemption requirement any such Bonds which it has previously purchased for cancellation. If TriMet makes such an election, it shall notify the Trustee not less than sixty days prior to the mandatory redemption date to which the election applies.

14.5. So long as the BEO System remains in effect with respect to the Bonds, TriMet shall notify the Trusteeof any early redemption not less than 40 days prior to the date fixed for redemption, the Trustee shall notify the Depository of any early redemption not less than 30but no more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the letter of representations submitted to DTC in connection with the issuance of the Bonds.

14.6. During any period in which the BEO System is not in effect with respect to the Bonds, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Trustee on behalf of TriMet 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 Bonds to be redeemed, at the address shown on the Bond register or at such other address as is furnished in writing by such owner to the Trustee. TriMet shall notify the Trustee 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:

A. The redemption date;

B. The redemption price;

C. If less than all Outstanding Bonds are to be redeemed, the identification (and, inthe case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

D. That on the date fixed for redemption the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

E. The place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Trustee.

14.7. TriMet shall deposit with the Trustee, on or before the redemption date, an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

14.8. If notice of redemption is given as provided in this Section, unless the notice staes that the redemption is contingent on funds being available to the Trustee to effect the redemption, the Bonds or portions of Bonds to be redeemed shall become due and payable on the date and at the price specified in the notice, and from and after the redemption date specified in the notice such Bonds or portions of Bonds shall cease to bear interest unless TriMet fails to provide the Trustee with funds sufficient to allow the Bonds to be redeemed as provided in the notice.

Section 15. Authentication, Registration and Transfer

15.1. No Bond shall be entitled to any right or benefit under this Master Trust Agreement unless it shall have been authenticated by an authorized officer of the Trustee. The Trustee shall authenticate all Bonds to be delivered at closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Master Trust Agreement.

15.2. All Bonds shall be in registered form.

15.3. The ownership of all Bonds shall be entered in the Bond register maintained by the Trusteeand TriMet and Trustee may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.

15.4. Unless a Supplemental Trust Agreement provides otherwise, the following provisions apply only if the Bonds cease to be a BEO issue.

A. The Trustee shall mail each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed, neither TriMet nor the Trustee shall have any further liability to any party for such payment.

B. Bonds may be exchanged for an equal principal amount of Bonds of the same Series and maturity which are in different authorized denominations, and Bonds may be transferred to other owners if the Owner submits the following to the Trustee:

(i) Written instructions for exchange or transfer satisfactory to the Trustee, signed by the Owner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Trustee; and

(ii) The Bonds to be exchanged or transferred.

C. The Trustee shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next followingPayment Date; however, such Bonds shall be exchanged or transferred promptly following the Payment Date.

D. The Trustee shall not be required to exchange or transfer any Bonds which have been designated for redemption if such Bonds are submitted to it duringthe fifteen-day period preceding the designated redemption date.

E. For purposes of this section, Bonds shall be considered submitted to the Trustee on the date the Trustee actually receives the materials described in Section 15.4.B.

15.5. TriMet 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 16. The Series 2005 Bonds.

16.1. Pursuant to the authority of the Uniform Revenue Bond Act, TriMetResolution No. 04-08-58, TriMet Resolution No. 05-04-29, and this Master Trust Agreement, TriMet is issuing its Capital Grant Receipt Revenue Bonds, Series 2005, in the aggregate principal amount of $79,320,000. The Series 2005 Bonds shall be Bonds as defined in this Master Trust Agreement. The Series 2005 Bonds shall bear interest payable on April 1 and October 1 of each year at the following rates, commencingOctober 1, 2005, and shall mature in the following years in the following principal amounts:

Maturity Date (October 1)	Amount	Rate
2006	1,810,000	3.500%
2007	5,665,000	3.000
2008	3,445,000	3.000
2008	3,885,000	5.000
2009	3,040,000	3.250
2009	4,600,000	5.000
2010	1,550,000	3.250
2010	6,440,000	5.000
2011	1,140,000	3.250
2011	7,230,000	5.000
2012	1,155,000	3.375
2012	7,620,000	5.000
2013	1,450,000	3.500
2013	7,750,000	5.000
2014	9,660,000	5.000
2015	365,000	3.625
2015	9,785,000	5.000
2016	1,335,000	3.750
2017	1,395,000	3.750

16.2. The Series 2005 Bonds shall be special obligations of TriMet, and shall be payable solely from thePledged Property as provided in this Master Trust Agreement.

16.3. The Series 2005 Bonds shall be in substantially the form attached as Exhibit A and shall be signed with the facsimile or manual signature of the President and the General Manager.

16.4. Tax-Exempt Status:

A. TriMet covenants for the benefit of the Owners of the Series 2005 Bonds tocomply with all provisions of the Code which are required for interest on the Series 2005 Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, TriMet may rely on an opinion of Bond Counsel. TriMet makes the following specific covenants with respect to the Code:

(i) TriMet will not take any action or omit any action if it would cause the Series 2005 Bonds to become "arbitrage bonds" under Section 148 of the Code;

(ii) TriMet shall operate the facilities financed with the Series 2005 Bonds so that the Series 2005 Bonds do not become private activity bonds within the meaning of Section 141 of the Code; and,

(iii) TriMet shall pay, when due, all rebates and penalties with respect to the Series 2005 Bonds which are required by Section 148(f) of the Code.

B. The covenants contained in Section 16.4.A and any covenants in the closing documents for the Series 2005 Bonds shall constitute contracts with the owners of the Series 2005 Bonds, and shall be enforceable by them.

C. All Series 2005 Bond proceeds, except for any capitalized interest, shall be held by TriMet and applied only to finance Projects and costs incurred in connection with the issuance of the Series 2005 Bonds $976,804.93 of the capitalized interest shall be held in the Current Debt Service Subaccount and the remainder shall be held in the Other Funds Subaccount.

16.5. Earnings from investment of the proceeds of the Series 2005 Bonds shall be treated and disbursedas Series 2005 Bond proceeds. Series 2005 Bond proceeds which are not needed for the Projects may be transferred to the Debt Service Account.

Section 17. Provisions Relating to Series 2005 Insurance Policy.

17.1. Notwithstanding any contrary provision in this Trust Agreement:

A. The Series 2005 Credit Provider shall be entitled to exercise the rights given to it under this Trust Agreement <u>only</u> while the Series 2005 Insurance Policy is in effect and the Series 2005 Credit Provider is not in default under the Series 2005 Insurance Policy.

B. If the Series 2005 Insurance Policy is not in effect or the Series 2005 Credit Provider is in default under the Series 2005 Insurance Policy, the consent of the Insurer shall not be required for any action to be taken under this Trust Agreement

C. The requirements of this Section 17 may be waived by the Series 2005 Credit Provider, or amended by TriMet, the Series 2005 Credit Provider and the Trustee, without notice to, or consent of, Owners.

17.2. Special Provisions Relating to General Manager's Certificate and Variable Rate Bonds.

A. When a General Manager's certificate is given pursuant to Section 6.1.B of the Master Trust Agreement in connection with the issuance of Parity Obligations, the maximum amount of IGA Receipts that may be included in "Projected Grant Receipts" in any Bond Year for any IGA shall be the lesser of:

(i) the amounts that TriMet is scheduled to receive under that IGA in that year; or,

(ii) two-thirds of the Average Available Receipts for that IGA.

B. For purposes of section 17.2A:

(i) "Available Receipts" for any IGA means the total amount of Federal grant funds that the party agreeing to pay or allocate IGA Receipts to TriMet under the IGA has available to allocate or pay to TriMet and all other entities, including itself, during a Federal fiscalyear. For example: the Available Receipts for the IGA that is pledged to pay the Series 2005 Bonds are shown in the "total" column in the table entitled "MTIP Funds Received by Metro 1992–2005" on page 26 of the preliminary Official Statement for the Series 2005 Bonds.

(ii) "Average Available Receipts" means the average of the Available Receipts for the three most recently completed Federal fiscal years prior to the date that the General Manager's certificate that is given pursuant to Section 6.1.B of the Master Trust Agreement.

C. TriMet shall not issue Variable Rate Obligations unless it obtains the prior written consent of the Series 2005 Credit Provider.

17.3. Consent of the Series 2005 Credit Provider.

A. Any provision of this Trust Agreement expressly recognizingor granting rights in or to the Series 2005 Credit Provider may not be amended in any manner which affects the rights ofthe Series 2005 Credit Provider hereunder without the prior written consent ofthe Series 2005 Credit Provider. The Series 2005 Credit Provider reserves the right to charge TriMet a fee for any consent or amendment tothis Trust Agreement while the Series 2005Insurance Policy is outstanding.

B. Unless otherwise provided in this Section, the Series 2005 Credit Provider's consent shall be required in lieu of Owner consent, when required, for the following purposes: (i) execution and delivery of any supplemental Trust Agreement (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent.

17.4. Consent of Series 2005 Credit Provider in the Event of Insolvency

Any reorganization or liquidation plan with respect to TriMet must be acceptable to the Series 2005 Credit Provider. In the event of any reorganization or liquidation, the Series 2005 Credit Provider shall have the right to vote on behalf of all Owners of Series 2005 Bonds absent a default by Series 2005 Credit Provider under the Series 2005 Insurance Policy.

17.5. Consent of the Series 2005 Credit Provider Upon Default.

Anything in this Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Series 2005 Credit Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners, and shall be entitled to control and direct the enforcement of all rights and remedies by the Trustee to the same extent as if the Series 2005 Credit Provider was the Owner of all Series 2005 Bonds..

17.6. Notices to be sent to the attention of the Surveillance Department of the Series 2005 Credit Provider.

A. While the Financial Guaranty Insurance Policy is in effect, TriMet shall furnish to Series 2005 Credit Provider, upon request, the following :

(i) a copy of any financial statement, audit and/or annual report of TriMet; and,

(ii) such additional information the Series 2005 Credit Provider may reasonably request.

(iii) a copy of any notice to be given to the registered owners of the Series 2005 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 2005 Bonds, and any certificate rendered pursuant to this Trust Agreement relating to the security for the Series 2005 Bonds.

B. The information described in Section 17.6.A. shall be delivered to the attention of the Surveillance Department of the Series 2005 Credit Provider at TriMet's expense, unless otherwise indicated by the Series 2005 Credit Provider.

C. To the extent that TriMet has entered into a continuing disclosure agreement with respect to the Series 2005 Bonds, Series 2005 Credit Provider shall be included as party to be notified.

17.7. Notices to be sent to the attention of the General Counsel Office of the Series 2005 Credit Provider.

A. The Trustee shall notify the Series 2005 Credit Provider of any failure of TriMet to provide any notices that TriMet is required to provide to the Trustee under this Trust Agreement.

B. Notwithstanding any other provision of this Trust Agreement, the Trustee shall immediately notify Series 2005 Credit Provider if at any time there are insufficient moneys to make any payments of Series 2005 Bond principal and/or interest as required, and immediately upon the occurrence of any Event of Default.

17.8. Other Information to be given to the Series 2005 Credit Provider.

A. TriMet will permit the Series 2005 Credit Provider to discuss the affairs, finances and accounts of TriMet or any information Series 2005 Credit Provider may reasonably request regarding the security for the Series 2005 Bonds with appropriate officers of TriMet. The Trustee and TriMet will permit Series 2005 Credit Provider to have access to and to make copies of all books and records relating to the Series 2005 Bonds at any reasonable time.

B. The Series 2005 Credit Provider shall have the right to direct an accounting at TriMet's expense, and TriMet's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Series 2005 Credit Provider shall be deemed an Event of Default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owners of the Series 2005 Bonds.

17.9. Unless the Series 2005 Credit Provider otherwise consents in writing, Permitted Investments shall include the following securities and the securities described in Section 17.10, and Government Obligations shall include only the following securities:

A. Cash or bank accounts insured at all times by the Federal Deposit Insurance Corporation,

B. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

(i) U.S. treasury obligations, including State and Local Government Series

(ii) All direct or fully guaranteed obligations of:

(a) Farmers Home Administration

(b) General Services Administration

(c) Guaranteed Title XI financing

(d) Government National Mortgage Association (GNMA)

17.10. Unless the Series 2005 Credit Provider otherwise consents in writing, Permitted Investments shall include the following securities and the securities described in Section 17.9:

A. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

(i) Export-Import Bank

(ii) Rural Economic Community Development Administration

(iii) U.S. Maritime Administration

(iv) Small Business Administration

(v) U.S. Department of Housing & Urban Development (PHAs)

(vi) Federal Housing Administration

(vii) Federal Financing Bank

B. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(i) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

(ii) Obligations of the Resolution Funding Corporation (REFCORP)

(iii) Senior debt obligations of the Federal Home Loan Bank System

(iv) Senior debt obligations of other Government Sponsored Agencies approved by Ambac

C. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

D. Commercial paper which is rated at the time of purchase in the single highest classification, "P1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the dae of purchase;

E. Investments in a money market fund rated "AAAm" or "AAAmG" or better by S&P;

F. Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentaliy or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in Section 17.9, above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specifed redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

G. Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

H. Investment Agreements approved in writing bythe Series 2005 Credit Provider (supported by appropriate opinions of counsel); and

I. Other forms of investments (including repurchase agreements) approved in writing by the Series 2005 Credit Provider.

17.11. The value of investments described in Sections 17.9 and 17.10 shall be determined as follows:

A. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

B. As to certificates of deposit and bankers' acceptances: the face amount thereof, plus. accrued interest thereon; and

C. As to any investment not specified above: the value thereof established by prior agreement among the Issuer, the Trustee, and the Series 2005 Credit Provider.

17.12. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2005 Bonds shall be paid by Series 2005 Credit Provider Corporation pursuant to the Series 2005 Insurance Policy, the Series 2005 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by TriMet, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of TriMet to the registered owners shall continue to exist and shall run to the benefit of Series 2005 Credit Provider, and Series 2005 Credit Provider shall be subrogated to the rights of such registered owners.

17.13. TriMet, the Trustee and any Paying Agent agree to comply with the following provisions:

A. At least one (1) business day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Series 2005 Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify Series 2005 Credit Provider. Such notice shall specify the amount of the anticipated deficiency, the Series 2005 Bonds to which such deficiency is applicable and whether such Series 2005 Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified Series 2005 Credit Provider at least one (1) business day prior to an Interest Payment Date, Series 2005 Credit Provider will make payments of principal or interest due on the Series 2005 Bonds on or before the first (1st) business day next following the date on which Series 2005 Credit Provider shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

B. The Trustee or Paying Agent, if any, shall, after giving notice to Series 2005 Credit Provider as provided in (a) above, make available to Series 2005 Credit Provider and, at Series 2005 Credit Provider's direction, to The Bank of New York, in New York, New York, as insurance trustee for Series 2005 Credit Provider or any successor insurance trustee (the "Insurance Trustee"), the registration books of TriMet maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under this Trust Agreement.

C. The Trustee or Paying Agent, if any, shall provideSeries 2005 Credit Provider and the Insurance Trustee with a list of registered owners ofSeries 2005 Bonds entitled to receive principal or interest payments from Series 2005 Credit Provider under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners ofSeries 2005 Bonds entitled to receive full or partial interest payments fromSeries 2005 Credit Provider and (ii) to pay principal upon Series 2005 Bonds surrendered to the Insurance Trustee by the registered owners ofSeries 2005 Bonds entitled to receive full or partial principal payments from Series 2005 Credit Provider.

D. The Trustee or Paying Agent, if any, shall, at the time it provides notice to Series 2005 Credit Provider pursuant to (a) above, notify registered owners of Series 2005 Bonds entitled to receive the payment of principal or interest thereon from Series 2005 Credit Provider (i) as to the fact of such entitlement, (ii) that Series 2005 Credit Provider will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Series 2005 Credit Provider, they must surrender their Series 2005 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2005 Bonds to be registered in the name of Series 2005 Credit Provider) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from Series 2005 Credit Provider, they must surrender their Series 2005 Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Series 2005 Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

E. In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on an Series 2005 Bond which has become due for payment and which is made to a Owner by or on behalf of TriMet has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time Series 2005 Credit Provider is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Series 2005 Credit Provider to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Series 2005 Credit Provider its records evidencing the payments of principal of and interest on the Series 2005 Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

F. In addition to those rights granted Series 2005 Credit Provider under this Trust Agreement, Series 2005 Credit Provider shall, to the extent it makes payment of principal of or interest on Series 2005 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note Series 2005 Credit Provider's rights as subrogee on the registration books of TriMet maintained by the Trustee or Paying Agent, if any, upon receipt from Series 2005 Credit Provider of proof of the payment of interest thereon to the registered owners of the Series 2005 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note Series 2005 Credit Provider's rights as subrogee on the registration books of the TriMet maintained by the Trustee or Paying Agent, if any, upon surrender of the Series 2005 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

17.14. Trustee Provisions.

A. The Trustee may be removed at any time, at the request of Series 2005 Credit Provider, for any breach of the Trust set forth herein.

B. The Series 2005 Credit Provider shall receive prior written notice of any Trustee (or Paying Agent) resignation.

C. Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $75,000,000 and acceptable to Series 2005 Credit Provider. Any successor Paying Agent, if applicable, shall not be appointed unless Ambac approves such successor in writing.

D. Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Trust Agreement, the Trustee (or Paying Agent) shall consider the effect on the Owners as if there were no Series 2005 Insurance Policy.

E. Notwithstanding any other provision of this Trust Agreement, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to Ambac, shall be appointed.

17.15. Ambac As Third Party Beneficiary.

To the extent that this Trust Agreement confers upon or gives or grants to the Series 2005 Credit Provider any right, remedy or claim under or by reason of this Trust Agreement, Ambac is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

17.16. Parties Interested Herein.

Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than TriMet, the Trustee, Series 2005 Credit Provider, the Paying Agent, if any, and the registered owners of the Series 2005 Bonds, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of TriMet shall be for the sole and exclusive benefit of TriMet, the Trustee, Series 2005 Credit Provider, the Paying Agent, if any, and the registered owners of the Series 2005 Bonds.

Executed as of the 23rd day of June, 2005.

Tri-County Metropolitan Transportation District of Oregon, Oregon

By: ______________________
District Official

Wells Fargo Bank, National Association, as Trustee

By: ______________________
Vice President

Exhibit A

Form of Series 2005 Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Bond, Series 2005

Dated Date: June 23, 2005
Interest Rate Per Annum: «CouponRate»%
Maturity Date: October 1, «MaturityYear»
CUSIP Number: 89546R«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON, a municipality, political subdivision and body corporate and politic duly created and existing under the laws of the State of Oregon ("TriMet"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date of this Series 2005 Bond at the Interest Rate Per Annum indicated above. Interest is payable semiannually on the first day of April and October in each year until maturity or prior redemption, commencing October 1, 2005. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. Such payments shall be made payable to the order of "Cede & Co." as nominee of The Depository Trust Company, New York, New York

This Series 2005 Bond is not a general obligation or liability of TriMet, and is payable solely from the Pledged Property as provided in the Master Capital Grant Receipt Revenue Bond Trust Agreement dated as of June 1, 2005 (the "Master Trust Agreement"). TriMet covenants and agrees with the owner of this Series 2005 Bond that it will keep and perform all of the covenants in this Series 2005 Bond and in the Master Trust Agreement. TriMet has pledged the Pledged Property to pay this Series 2005 Bond.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Master Trust Agreement. Interest on any Series 2005 Bond or Series 2005 Bonds so called for redemption shall cease on the redemption date designated in the notice. TriMet's paying agent and Trustee, which is currently Wells Fargo Bank, National Association (the "Trustee"), will notify The Depository Trust Company of any Series 2005 Bonds called for redemption not less than 30 days prior to the date fixed for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given 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 registered owner of each Series 2005 Bond to be redeemed at the address shown on the Bond register.

The Series 2005 Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Series 2005 Bondowners. Records of Series 2005 Bond ownership will be maintained by the Trustee and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, the Series 2005 Bonds shall be issued in the form of registered Series 2005 Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Such Series 2005 Bonds may be exchanged for Series 2005 Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Master Trust Agreement.

Any transfer of this Series 2005 Bond must be registered, as provided in the Master Trust Agreement, upon the Series 2005 Bond register kept for that purpose by the Trustee. Upon registration, a new registered Series 2005 Bond or Series 2005 Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Master Trust Agreement. The Trustee and

TriMet may treat the person in whose name this Series 2005 Bond is registered as its absolute owner for all purposes, as provided in the Master Trust Agreement.

The Series 2005 Bondowner may exchange or transfer this Series 2005 Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Trustee and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Trustee in the manner and subject to the conditions set forth in the Master Trust Agreement.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Series 2005 Bond is one of a series of $79,320,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2005, of TriMet, and is issued by TriMet (i) to pay a portion of the costs of capital construction and improvements for TriMet's Mass Transit System, including the Interstate-205 ("I-205")/Portland Mall Light Rail, the Washington County Commuter Rail, the North Macadam Streetcar Extension projects and any Substituted Projects; (ii) to pay the costs of acquiring transit buses (collectively, (i) and (ii) constitute the "2005 Project"); (iii) to pay the costs of obtaining credit enhancement; (iv) to pay capitalized interest on the Series 2005 Bonds through April 1, 2006 and (iv) to pay the costs of issuing the Series 2005 Bonds. 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 TriMet.

TriMet reserves the right to redeem all or any portion of the Series 2005 Bonds by lot within a maturity on October 15, 2015, and on any date thereafter, at a price of 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

The Series 2005 Bonds are issuable in the form of registered Series 2005 Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Series 2005 Bonds may be exchanged for an equal aggregate principal amount of registered Series 2005 Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth in the Master Trust Agreement.

This Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee 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 Series 2005 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; that the issue of which this Series 2005 Bond is a part, and all other obligations of such TriMet, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Board of the Tri-County Metropolitan Transportation District of Oregon has caused this Series 2005 Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President of its Board and attested by the facsimile signature of its Executive Director of Finance and Administration all as of the Dated Date set forth above.

Tri-County Metropolitan Transportation District of Oregon

George J. Passadore, President

ATTEST:

David Auxier, Executive Director of Finance and Administration

THIS SERIES 2005 BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE TRUSTEE IN THE SPACE INDICATED BELOW.

This Series 2005 Bond is one of a series of $79,320,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2005, of TriMet, issued pursuant to the Master Trust Agreement described herein.

Date of authentication: June 23, 2005.

Wells Fargo Bank, National Association, as Trustee

____

Authorized Officer

Financial Guaranty Insurance Policy No. 24138BE (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 obligation acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: ________________

____

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

this Series 2005 Bond and does hereby irrevocably constitute and appoint ________________________ ____________________ as attorney to transfer this Series 2005 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 Series 2005 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 Series 2005 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.

Exhibit B

Additional Government Obligations

The obligations of the following agencies:

- Senior, unsubordinated Federal Home Loan Mortgage Corp. (FHLMC)

  Debt Obligations

- Senior, unsubordinated Federal Home Loan Banks (FHL Banks)

  Consolidated debt obligations

- Senior, unsubordinated Federal National Mortgage Association (FNMA)

  Debt obligations

- Senior, unsubordinated Farm Credit System

  Consolidated system wide bonds and notes

- Senior, unsubordinated Resolution Funding Corp. (REFCORP)

  Debt obligations, including strips by the Federal Reserve Bank of New York

- Senior, unsubordinated U.S. Agency for International Development (U.S. A.I.D.)

  Guaranteed notes which mature at least four business days before the appropriate payment date

- The obligations of any other agency of the United States, or any corporation sponsored by the United States, if those obligations are approved in advance and in writing by all entities who are Credit Providers at the time the obligations are purchased.

First Supplemental Trust Agreement

between the

Tri-County Metropolitan Transportation District of Oregon

as Issuer

and

Wells Fargo Bank, National Association

as Trustee

Relating to the Issuer's

CAPITAL GRANT RECEIPT REVENUE BONDS, 2011 SERIES A AND 2011 SERIES B

DATED AS OF JUNE 1, 2011

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FIRST SUPPLEMENTAL TRUST AGREEMENT

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT is executed by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and Wells Fargo Bank, National Association, a national banking association having a corporate trust office in Portland, Oregon as Trustee, (the "Trustee") as of the 1st day of June, 2011, to supplement the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005, and to provide for the issuance of TriMet's Capital Grant Receipt Revenue Bonds, Series 2011.

Section 1. **Recitals.**

1.1. TriMet is authorized to issue revenue bonds and other obligations that are secured by a pledge of its capital grant receipts by ORS 287A.150, its Resolution No. 10-12-61 and its Resolution No. 11-06-34.

1.2. TriMet executes this First Supplemental Trust Agreement pursuant to Section 10.1.C of the 2005 Master Trust Agreement to provide the terms under which its Capital Grant Receipt Revenue Bonds, Series 2011, will be issued as Parity Bonds under the Master Trust Agreement.

1.3. The Trustee serves as Trustee under 2005 Master Trust Agreement and is willing to serve as trustee and paying agent under this First Supplemental Trust Agreement.

Section 2. **Definitions.**

Unless the context clearly requires otherwise: capitalized terms that are used in this First Supplemental Trust Agreement and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2; and, capitalized terms that are not listed in this Section 2 but are defined in the 2005 Master Trust Agreement shall have the meanings defined for those terms in the 2005 Master Trust Agreement.

"2005 Master Trust Agreement" means the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005.

"2011 IGA" means the "Revised and Restated Intergovernmental Agreement To Provide Regional Flexible Funds for the Milwaukie LRT, Commuter Rail, Portland-Lake Oswego Transit and Southwest Corridor Projects" that was executed on various dates in February, 2011 by Metro, Oregon and TriMet, and that obligates Metro to transfer certain federal Metropolitan Transportation Improvement Program funds to TriMet, as that agreement may be amended from time to time in accordance with the Master Trust Agreement.

"Master Trust Agreement" means the 2005 Master Trust Agreement, including the amendments and supplements contained in this First Supplemental Trust Agreement and any amendments and supplements subsequently made in accordance with the requirements of the Master Trust Agreement.

"Series 2011 Bonds" means the Series 2011A Bonds and the Series 2011B Bonds.

"Series 2011A Bonds" TriMet's Capital Grant Receipt Revenue Bonds, Series 2011A (Tax-Exempt), that are issued pursuant to Section 4 of this First Supplemental Trust Agreement.

"Series 2011B Bonds" TriMet's Capital Grant Receipt Revenue Bonds, Series 2011B (Federally Taxable), that are issued pursuant to Section 4 of this First Supplemental Trust Agreement.

Section 3. **Pledge of Additional IGA Receipts.**

3.1. In addition to the amounts pledged by the 2005 Master Trust Agreement, TriMet hereby pledges and grants a lien on all the amounts due to TriMet under the 2011 IGA to pay the principal of, premium (if any) and interest on all Bonds in accordance with the Master Trust Agreement. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the time of the execution of this First Supplemental Trust Agreement. The amounts so pledged and hereafter received by TriMet shall immediately be subject to the lien of such pledge without any physical delivery or further act. The lien of these pledges shall be superior to all other claims and liens. TriMet covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge.

3.2. The 2011 IGA shall be an "IGA" as defined in the Master Trust Agreement, and the amounts due to TriMet under the 2011 IGA shall be additional "IGA Receipts" and "Grant Receipts" as defined in the Master Trust Agreement.

Section 4. **The Series 2011 Bonds.**

4.1. Pursuant to the authority of ORS 287A.150, TriMet Resolution No. 10-12-61 and Resolution No. 11-06-34, and the Master Trust Agreement, TriMet is issuing its Series 2011 Bonds. The Series 2011 Bonds shall be Bonds as defined in the Master Trust Agreement.

4.2. The Series 2011A Bonds.

A. The Series 2011A Bonds shall be issued in the aggregate principal amount of $136,040,000, shall bear interest payable on April 1 and October 1 of each year at the following rates, commencing October 1, 2011, and shall mature in the following years in the following principal amounts:

Maturity Date (October 1)	Principal Amount ($)	Interest Rate (%)
2016	2,830,000	3.000
2017	870,000	2.500
2017	8,580,000	5.000
2018	900,000	3.000
2018	9,000,000	5.000
2019	2,380,000	3.000

2019	8,000,000	5.000
2020	450,000	4.000
2020	10,400,000	5.000
2021	850,000	4.000
2021	10,540,000	5.000
2022	150,000	3.625
2022	11,800,000	5.000
2023	12,545,000	5.000
2024	13,170,000	5.000
2025	1,030,000	4.000
2025	12,800,000	5.000
2026	14,510,000	5.000
2027	250,000	4.250
2027	14,985,000	5.000

B. The Series 2011A Bonds maturing on and before October 1, 2021 are not subject to optional redemption prior to their respective maturities. TriMet reserves the right to redeem all or any portion of the Series 2011A Bonds maturing on and after October 1, 2022 (from the maturities selected by TriMet and by lot within a maturity) on October 1, 2021, and on any date thereafter, at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

C. TriMet covenants for the benefit of the Owners of the Series 2011A Bonds to comply with all provisions of the Code which are required for interest on the Series 2011A Bonds to be excluded from gross income under the Code. In determining what actions are required to comply, TriMet may rely on an opinion of Bond Counsel. TriMet makes the following specific covenants with respect to the Code:

(i) TriMet will not take any action or omit any action if it would cause the Series 2011A Bonds to become "arbitrage bonds" under Section 148 of the Code;

(ii) TriMet shall operate the facilities financed with the Series 2011A Bonds so that the Series 2011A Bonds do not become private activity bonds within the meaning of Section 141 of the Code; and,

(iii) TriMet shall pay, when due, all rebates and penalties with respect to the Series 2011A Bonds which are required by Section 148(f) of the Code.

D. The covenants contained in Section 4.2.C and any covenants in the closing documents for the Series 2011 Bonds shall constitute contracts with the owners of the Series 2011 Bonds, and shall be enforceable by them.

4.3. The Series 2011B Bonds.

A. The Series 2011A Bonds shall be issued in the aggregate principal amount of $6,340,000, shall bear interest payable on April 1 and October 1 of each year at the following rates, commencing October 1, 2011, and shall mature in the following years in the following principal amounts:

Maturity Date (October 1)	Principal Amount ($)	Interest Rate (%)
2016	6,340,000	3.080

B. The Series 2011B Bonds are subject to optional redemption by the TriMet prior to their stated maturity dates, as a whole or in part, on any business day, at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the Series 2011B Bonds to be redeemed on the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100 percent of the principal amount of the Series 2011B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2011B Bonds are to be redeemed, discounted to the date on which the Series 2011B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus 25 basis points.

"Treasury Rate" means, with respect to any redemption date for a Series 2011B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a Series 2011B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2011B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2011B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a Series 2011B Bond:

(i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or

(ii) if the yield described in (1) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference

Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by TriMet.

"Reference Treasury Dealer" means each of four firms, specified by TriMet from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, TriMet is to substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a Series 2011B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Valuation Date" means at least three (3) Business Days but not more than twenty (20) calendar days preceding the redemption date.

C. The Series 2011B Bonds will bear interest that is includable in gross income under the Code.

4.4. The Series 2011 Bonds shall be special obligations of TriMet, and shall be payable solely from the Pledged Property as provided in the Master Trust Agreement.

4.5. The Series 2011 Bonds shall be initially issued as book-entry-only securities that are subject to the BEO System described in Section 13 of the 2005 Master Trust Agreement, shall be in substantially the form attached as Exhibit A, and shall be signed with the facsimile or manual signature of the Executive Director of Finance and Administration.

A. All Series 2011 Bond proceeds, except for any capitalized interest, shall be held by TriMet and applied only to finance costs that are eligible to be paid from Grant Receipts and are costs of transit-related projects, including the Portland-Milwaukie light rail project, or costs incurred in connection with the issuance of the Series 2011 Bonds. All of the capitalized interest shall be credited to the Other Funds Subaccount.

4.6. Except as provided in the next sentence, earnings from investment of the proceeds of the Series 2011 Bonds shall be treated and disbursed as Series 2011 Bond proceeds. Earnings on Series 2011 Bond proceeds that are held to pay capitalized interest shall be used to pay interest on the 2011 Bonds. Series 2011 Bond proceeds that are not needed for the Projects may be transferred to the Debt Service Account.

Section 5. Special Administrative Provisions for 2011 Bonds.

5.1. Selection of 2011 Bonds for Redemption.

A. In the event of any optional redemption, any maturity or maturities of the Series 2011A Bonds to be redeemed shall be selected on by lot unless otherwise determined by TriMet and, if less than all of the Series 2011A Bonds are to be redeemed, the Trustee shall select the Series 2011A Bonds of such maturity to be redeemed by lot in such manner as the Trustee may determine.

B. If the Series 2011B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2011B Bonds shall be effected by the Trustee among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular Series 2011B Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate.

C. If the Series 2011B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2011B Bonds, if less than all of the Series 2011B Bonds of a maturity are called for prior redemption, the particular Series 2011B Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2011B Bonds are held in book-entry form, the selection for redemption of such Series 2011B Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Trustee pursuant to DTC operational arrangements. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2011B Bonds will be selected for redemption in accordance with DTC procedures by lot.

D. It is TriMet's intent with respect to the Series 2011B Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between TriMet and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, TriMet can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2011B Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Series 2011B Bonds will be selected for redemption in accordance with DTC procedures by lot.

5.2. Notice of Redemption.

A. Unless the book-entry-only system is discontinued, notice of any call for redemption of the 2011 Bonds shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company. Unless The Depository Trust Company consents to a shorter period, the Trustee will notify The Depository Trust Company of any Bonds called for redemption not less than 20 days nor more than 60 days prior to the date fixed for redemption.

B. Any notice of optional redemption given for the 2011 Bonds may state that the optional redemption is conditional upon receipt by the Trustee of moneys sufficient to pay the redemption price of the Bonds for which notice of redemption has been given, or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event. If a conditional notice of redemption is given in accordance with this paragraph TriMet may direct the Trustee to rescind the redemption at any time before payment of the redemption price. Notice of that rescission or of the failure of any condition shall be given by the Trustee to affected owners of the 2011 Bonds as promptly as practicable.

5.3. Termination of Book-Entry System.

If the book-entry-only system is discontinued, TriMet and the Trustee may amend the Master Trust Agreement without the consent of Owners of the 2011 Bonds to provide for an alternative to the BEO system of registering, paying and providing notice of redemption that is of general acceptance in the municipal bond markets. Notice that an alternative has been provided shall be given by the Trustee to affected owners of the 2011 Bonds as promptly as practicable.

Section 6. Series 2005 Bond Insurance Covenants.

Section 17 of the 2005 Master Trust Agreement has provisions relating to the Series 2005 Insurance Policy and the Series 2005 Credit Provider, including covenants for the benefit of the Series 2005 Credit Provider. Those provisions, including all covenants, were made solely for the benefit of the Series 2005 Credit Provider and do not apply to the 2011 Bonds. The Owners of the 2011 Bonds shall have no right to enforce any covenants in Section 17 of the 2005 Master Trust Agreement.

Section 7. Amendment of Master Trust Agreement.

7.1. Section 10.1.F of the 2005 Master Trust Agreement allows TriMet to amend the Master Trust Agreement with the consent of the Trustee but without the consent of any Owners "To make any change which, in the reasonable judgment of TriMet, does not materially and adversely affect the rights of the owners of any Outstanding Bonds."

7.2. The outstanding Series 2005 Bonds are insured by Ambac Assurance Corporation. Section 17 of the 2005 Master Trust Agreement allows TriMet to amend the Master Trust Agreement without the consent of Ambac Assurance Corporation if the amendment does not require the consent of Owners.

7.3. In Section 8.4 of the 2005 Master Trust Agreement TriMet covenants that "TriMet shall maintain complete books and records relating to the Grant Receipts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Bond Year, and shall have an audit report prepared by the Auditor and made available for the inspection of Owners."

7.4. TriMet's audits are required by law to be performed as of the end of each Fiscal Year, rather than at the end of each Bond Year. Providing Owners with an audit as of the end of each Bond Year does not give Owners any better information than providing an audit at the end of each Fiscal Year. However, forcing TriMet to provide an audit at the end of each Bond Year unnecessarily raises TriMet's costs. TriMet has reasonably determined that amending Section 8.4 to require audits be done at the end of each Fiscal Year, instead of at the end of each Bond Year, does not materially and adversely affect the rights of the owners of any Outstanding Bonds.

7.5. Section 8.4 of the 2005 Master Trust Agreement is therefore amended to read as follows:

> 8.4. TriMet shall maintain complete books and records relating to the Grant Receipts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Fiscal Year, and shall have an audit report prepared by the Auditor and made available for the inspection of Owners.

7.6. Since the amendment described in Section 7.5 could have been made by TriMet at any time without the consent of any party except the Trustee, that amendment shall be in effect currently, and shall be deemed to have taken effect when the 2005 Master Trust Agreement took effect.

[The remainder of this page is left blank intentionally.]

Executed as of the 1st day of June, 2011.

Tri-County Metropolitan Transportation District of Oregon, Oregon

By: Beth A deHamel

Beth A. deHamel, Executive Director of
Finance and Administration

Wells Fargo Bank, National Association, as Trustee

By: Beth A Moyer

Beth A. Moyer, Vice President

Exhibit A

Form of Series 2011 Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Bond, 2011 Series [A/B]

Dated Date: June 30, 2011
Interest Rate Per Annum: «CouponRate»%
Maturity Date: October 1, «MaturityYear»
CUSIP Number: 89546R«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON, a municipality, political subdivision and body corporate and politic duly created and existing under the laws of the State of Oregon ("TriMet"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date of this 2011 Series [A/B] Bond atthe Interest Rate Per Annum indicated above. Interest is payable semiannually on the first day of April and October in each year until maturity or prior redemption, commencing October 1, 2011. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. Such payments shall be made payable to the order of "Cede & Co." as nominee of The Depository Trust Company, New York, New York

This 2011 Series [A/B] Bond is not a general obligation or liability of TriMet, and is payable solely from the Pledged Property as provided in the Master Capital Grant Receipt Revenue Bond Trust Agreement dated as of June 1, 2005, as supplemented by the First Supplemental Trust Agreement dated as ofJune 1, 2011, and as it may be amended and supplemented in the future in accordance with its terms (collectively, the "Master Trust Agreement"). TriMet covenants and agrees with the owner of this 2011 Series [A/B] Bond that it will keep and perform all of the covenants in this 2011 Series [A/B] Bond and in the Master Trust Agreement. TriMet has pledged the Pledged Property to pay this 2011 Series [A/B] Bond.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Master Trust Agreement. If the book-entry-only system is discontinued, notice of redemption shall be given by firstclass mail, postage prepaid at least 20 days and not more than 60 days prior to the date fixed for redemption to the registered owner of each 2011 Series [A/B] Bond to be redeemed at the address shown on the Bond register.

The 2011 Series [A/B] Bonds are initially issued as a book-entry-only security issue with no certificates provided to the 2011 Series [A/B] Bondowners. Records of 2011 Series [A/B] Bond ownership willbe maintained by the Trustee and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, the 2011 Series [A/B] Bonds shall be issued in the form of registered 2011 Series [A/B] Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Such 2011 Series [A/B] Bonds may be exchanged for 2011 Series [A/B] Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Master Trust Agreement.

Any transfer of this 2011 Series [A/B] Bond must be registered, as provided in the Master Trust Agreement, upon the 2011 Series [A/B] Bond register kept for that purpose by the Trustee. Upon registration, a new registered 2011 Series [A/B] Bond or 2011 Series [A/B] Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Master Trust Agreement. The Trustee and TriMet may treat the person in whose name this 2011 Series [A/B] Bond is registered as its absolute owner for all purposes, as provided in the Master Trust Agreement.

The 2011 Series [A/B] Bondowner may exchange or transfer this 2011 Series [A/B] Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Trustee and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Trustee in the manner and subject to the conditions set forth in the Master Trust Agreement.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This 2011 Series [A/B] Bond is one of a series of $_____ aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2011, of TriMet, and is issued by TriMet (i) to pay a portion of the costs of transit-related projects, including the Portland-Milwaukie light rail project); (ii) to pay capitalized interest on the 2011 Series [A/B] Bonds and (iii) to pay the costs of issuing the 2011 Series [A/B] Bonds. 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.

The Bonds shall mature and be subject to redemption as described in Section 4 of the First Supplemental Trust Agreement for the Bonds that is dated as of June 1, 2011 and in the final Official Statement for the Bonds that is dated June 20, 2011.

The 2011 Series [A/B] Bonds are issuable in the form of registered 2011 Series [A/B] Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. 2011 Series [A/B] Bonds may be exchanged for an equal aggregate principal amount of registered 2011 Series [A/B] Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth in the Master Trust Agreement.

This Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee 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 2011 Series [A/B] 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; that the issue of which this 2011 Series [A/B] Bond is a part, and all other obligations of such TriMet, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Board of the Tri-County Metropolitan Transportation District of Oregon has caused this 2011 Series [A/B] Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director of Finance and Administration all as of the Dated Date set forth above.

Tri-County Metropolitan Transportation District of Oregon

____

Executive Director of Finance and Administration

THIS 2011 SERIES [A/B] BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE TRUSTEE IN THE SPACE INDICATED BELOW.

This 2011 Series [A/B] Bond is one of a series of $_____ aggregate principal amount of Capital Grant Receipt Revenue Bonds, 2011 Series [A/B], of TriMet, issued pursuant to the Master Trust Agreement described herein.

Date of authentication: June 30, 2011.

Wells Fargo Bank, National Association, as Trustee

____

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: _______________

____

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

this 2011 Series [A/B] Bond and does hereby irrevocably constitute and appoint _______________________ _______________________ as attorney to transfer this 2011 Series [A/B] 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 2011 Series [A/B] Bond in every particular, without alteration or enlargement or anychange 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 2011 Series [A/B] 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.

Second Supplemental Trust Agreement

between the

Tri-County Metropolitan Transportation District of Oregon

as Issuer

and

Wells Fargo Bank, National Association

as Trustee

Relating to the Issuer's

CAPITAL GRANT RECEIPT REVENUE REFUNDING BONDS, SERIES 2017A

DATED AS OF AUGUST 1, 2017

2699506.6 041016 RSIND

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SECOND SUPPLEMENTAL TRUST AGREEMENT

THIS SECOND SUPPLEMENTAL TRUST AGREEMENT is executed by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and Wells Fargo Bank, National Association, a national banking association, as Trustee, (the "Trustee") as of the 1st day of August, 2017, to supplement the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005 (the "2005 Master Trust Agreement"), as supplemented by the First Supplemental Trust Agreement dated as of June 1, 2011, and to provide for the issuance of TriMet's Capital Grant Receipt Revenue Refunding Bonds, Series 2017A.

Section 1. Recitals.

1.1. TriMet is authorized to issue revenue refunding bonds that are secured by a pledge of its capital grant receipts by ORS 287A.360 to 287A.375 and its Resolution No. 16-09-58, adopted by TriMet's Board on September 28, 2016.

1.2. TriMet has previously issued its Capital Grant Receipt Revenue Bonds, Series 2011A (the "Series 2011A Bonds") pursuant to the 2005 Master Trust Agreement, as supplemented by a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement" and together with the 2005 Master Trust Agreement, the "Master Trust Agreement").

1.3. TriMet executes this Second Supplemental Trust Agreement pursuant to Sections 10.1.C of the 2005 Master Trust Agreement to provide the terms under which its Capital Grant Receipt Revenue Refunding Bonds, Series 2017A, will be issued as Parity Bonds under the Master Trust Agreement to refund certain callable, outstanding Series 2011A Bonds.

1.4. The Trustee serves as Trustee under 2005 Master Trust Agreement and the First Supplemental Trust Agreement and is willing to serve as trustee and paying agent under this Second Supplemental Trust Agreement.

Section 2. Definitions.

Unless the context clearly requires otherwise: capitalized terms that are used in this Second Supplemental Trust Agreement and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2; and, capitalized terms that are not listed in this Section 2 but are defined in the 2005 Master Trust Agreement and the First Supplemental Trust Agreement shall have the meanings defined for those terms in the 2005 Master Trust Agreement and the First Supplemental Trust Agreement.

"2005 Master Trust Agreement" means the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005.

"First Supplemental Trust Agreement" between TriMet and the Trustee that is dated as of June 1, 2011.

"Master Trust Agreement" means the 2005 Master Trust Agreement, as amended and supplemented, including by the First Supplemental Trust Agreement and the amendments and supplements contained in this Second Supplemental Trust Agreement and any amendments and supplements subsequently made in accordance with the requirements of the Master Trust Agreement.

"Refunded Bonds" means the portion of TriMet's Capital Grant Receipt Revenue Bonds, Series 2011A refunded by the Series 2017A Bonds.

"Second Supplemental Trust Agreement" means this Second Supplemental Trust Agreement between TriMet and the Trustee that is dated as of August 1, 2017.

"Series 2017A Bonds" TriMet's Capital Grant Receipt Revenue Refunding Bonds, Series 2017A, that are issued pursuant to Section 3 of this Second Supplemental Trust Agreement.

Section 3. The Series 2017A Bonds.

3.1. Pursuant to the authority of ORS 287A.360 to 287A.375, TriMet Resolution No. 16-09-58, and the Master Trust Agreement, TriMet is issuing its Series 2017A Bonds. The Series 2017A Bonds shall be Bonds as defined in the Master Trust Agreement.

3.2. The Series 2017A Bonds.

A. The Series 2017A Bonds shall be issued in the aggregate principal amount of $76,015,000, shall bear interest payable on October 1 and April 1 of each year at the following rates, commencing October 1, 2017, and shall mature according to the following schedule:

Maturity Date (October 1)	Principal Amount ($)	Interest Rate (%)	CUSIP No. (Base 89546R)
2022	11,175,000	5.000	NZ3
2023	11,735,000	5.000	PA6
2024	12,320,000	5.000	PB4
2025	12,940,000	5.000	PC2
2026	13,585,000	5.000	PD0
2027	14,260,000	5.000	PE8

B. The Series 2017A Bonds are not subject to optional redemption prior to their respective maturities.

C. TriMet covenants for the benefit of the Owners of the Series 2017A Bonds to comply with all provisions of the Code which are required for interest on the Series 2017A Bonds to be excluded from gross income under the Code. In determining what actions are required to comply, TriMet may rely on an opinion of Bond Counsel. TriMet makes the following specific covenants with respect to the Code:

(i) TriMet will not take any action or omit any action if it would cause the Series 2017A Bonds to become "arbitrage bonds" under Section 148 of the Code;

(ii) TriMet shall operate the facilities financed with the Series 2017A Bonds so that the Series 2017A Bonds do not become private activity bonds within the meaning of Section 141 of the Code; and,

(iii) TriMet shall pay, when due, all rebates and penalties with respect to the Series 2017A Bonds which are required by Section 148(f) of the Code.

D. The covenants contained in Section 3.2.C and any covenants in the closing documents for the Series 2017A Bonds shall constitute contracts with the owners of the Series 2017A Bonds, and shall be enforceable by them.

3.3. The Series 2017A Bonds shall be special obligations of TriMet, and shall be payable solely from the Pledged Property as provided in the Master Trust Agreement.

3.4. The Series 2017A Bonds shall be initially issued as book-entry-only securities that are subject to the BEO System described in Section 13 of the 2005 Master Trust Agreement, shall be in substantially the form attached as Exhibit A, and shall be signed with the facsimile or manual signature of the Executive Director of Finance and Administration.

3.5. A portion of the Series 2017A Bond proceeds along with a contribution from the Debt Service Account shall be deposited with the Trustee to refund and defease the Refunded Bonds pursuant to an Escrow Deposit Agreement between TriMet and the Trustee dated as of August 30, 2017. The remaining Series 2017A Bond proceeds shall be held by TriMet and applied to costs incurred in connection with the issuance of the Series 2017A Bonds.

3.6. Except as provided in the next sentence, earnings from investment of the proceeds of the Series 2017A Bonds shall be treated and disbursed as Series 2017A Bond proceeds. Series 2017A Bond proceeds that are not needed for the refunding and defeasance of the Refunded Bonds or to pay costs of issuance of the Series 2017A Bonds may be transferred to the Debt Service Account.

Section 4. Special Administrative Provisions for 2017A Bonds.

4.1. Termination of Book-Entry System.

If the book-entry-only system is discontinued, TriMet and the Trustee may amend the Master Trust Agreement without the consent of Owners of the Series 2017A Bonds to provide for an alternative to the BEO system of registering, paying and providing notice of redemption that is of general acceptance in the municipal bond markets. Notice that an alternative has been provided shall be given by the Trustee to affected Owners of the Series 2017A Bonds as promptly as practicable.

Section 5. Series 2005 Bond Insurance Covenants.

Section 17 of the 2005 Master Trust Agreement has provisions relating to the Series 2005 Insurance Policy and the Series 2005 Credit Provider, including covenants for the benefit of the Series 2005 Credit Provider. Those provisions, including all covenants, were made solely for the benefit of the Series 2005 Credit Provider and do not apply to the Series 2017A Bonds. The Owners of the Series 2017A Bonds shall have no right to enforce any covenants in Section 17 of the 2005 Master Trust Agreement.

Section 6. Miscellaneous.

6.1. Successor is Deemed Included in All References to Predecessor.

Whenever in this Second Supplemental Trust Agreement either TriMet or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the duties, covenants, obligations and agreements in this Second Supplemental Trust Agreement contained by or on behalf of TriMet or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof, whether so expressed or not.

6.2. Limitation of Rights to Parties.

Nothing expressed or implied in this Second Supplemental Trust Agreement or in the Series 2017A Bonds is intended or shall be construed to give to any person other than TriMet, the Trustee and the Owners of Series 2017A Bonds any legal or equitable right, remedy or claim under or in respect of this Second Supplemental Trust Agreement or any duty, covenant, obligation, agreement, condition or provision therein or in this Second Supplemental Trust Agreement contained; and all such duties, covenants, obligations, agreements, conditions and provisions are and shall be for the sole and exclusive benefit of TriMet, the Trustee and the Owners of Series 2017A Bonds.

6.3. Severability of Invalid Provisions.

If any one or more of the provisions contained in this Second Supplemental Trust Agreement or in the Series 2017A Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Second Supplemental Trust Agreement or in the Series 2017A Bonds and such invalidity, illegality or unenforceability shall not affect any other provision of this Second Supplemental Trust Agreement or the Series 2017A Bonds, and this Second Supplemental Trust Agreement and the Series 2017A Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained in this Second Supplemental Trust Agreement or in the Series 2017A Bonds. TriMet hereby declares that it would have entered into this Second Supplemental Trust Agreement and each and every other section, paragraph, sentence, clause or phrase of this Second Supplemental Trust Agreement and authorized the issuance of the Series 2017A Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Second Supplemental Trust Agreement may be held illegal, invalid or unenforceable.

6.4. Notices.

Any notices, certificates or other communications required or permitted to be given in Second Supplemental Trust Agreement shall be in writing (unless otherwise specifically required or permitted in this Second Supplemental Trust Agreement) and shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid to TriMet and the Trustee at the addresses set forth below:

TriMet: Tri-County Metropolitan Transportation District of Oregon
1800 S.W. First Avenue, Suite 300
Portland, Oregon 97201

Trustee: Wells Fargo Bank, National Association
Corporate Trust Department
1740 Broadway Street, MAC C7300-107
Denver, CO 80274
Attn: Juliet Ward

TriMet and the Trustee may designate any further or different address to which subsequent notices and communications shall be sent by giving notice thereof to the other parties hereto.

6.5. Governing Law.

This Second Supplemental Trust Agreement shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and the State of Oregon. If any action, claim, suit or other proceeding ("claim") is brought to interpret or enforce the provisions of this Second Supplemental Trust Agreement, such claims shall be brought exclusively in the Circuit Court for the State of Oregon located in Multnomah County, Oregon. The Trustee hereby agrees to submit to the personal jurisdiction of such court.

6.6. Counterparts.

This agreement may be executed in counterparts; when each party has executed a counterpart of the signature page for this Second Supplemental Trust Agreement, this Second Supplemental Trust Agreement shall be deemed to have been executed by all parties.

EXECUTED as of the date first written above.

Tri-County Metropolitan Transportation District of Oregon

Dee Brookshire

Dee Brookshire, Executive Director of Finance & Administration

[The signature of the Trustee appears on the following page.]

EXECUTED as of the date first written above.

Wells Fargo Bank, National Association, as Trustee

Marybeth K. Jones, Vice President

[The signature of TriMet appears on the preceding page.]

Exhibit A

Form of Series 2017A Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Refunding Bond, Series 2017A

Dated Date: August 30, 2017
Interest Rate Per Annum: «CouponRate»%
Maturity Date: October 1, «MaturityYear»
CUSIP Number: 89546R«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON, a municipality, political subdivision and body corporate and politic duly created and existing under the laws of the State of Oregon ("TriMet"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date of this Series 2017A Bond at the Interest Rate Per Annum indicated above. Interest is payable semiannually on October 1 and April 1 in each year until maturity or prior redemption, commencing October 1, 2017. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. Such payments shall be made payable to the order of "Cede & Co." as nominee of The Depository Trust Company, New York, New York

This Series 2017A Bond is not a general obligation or liability of TriMet, and is payable solely from the Pledged Property as provided in the Master Capital Grant Receipt Revenue Bond Trust Agreement dated as of June 1, 2005, as supplemented by the First Supplemental Trust Agreement dated as of June 1, 2011 and the Second Supplemental Trust Agreement dated as of August 1, 2017, and as it may be amended and supplemented in the future in accordance with its terms (collectively, the "Master Trust Agreement"). TriMet covenants and agrees with the owner of this Series 2017A Bond that it will keep and perform all of the covenants in this Series 2017A Bond and in the Master Trust Agreement. TriMet has pledged the Pledged Property to pay this Series 2017A Bond.

The Series 2017A Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Series 2017A Bondowners. Records of Series 2017A Bond ownership will be maintained by the Trustee and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, TriMet and the Trustee may amend the Master Trust Agreement without the consent of the Owners of the Series 2017A Bonds to provide for an alternative to the book-entry-only system, as provided in the Master Trust Agreement.

Any transfer of this Series 2017A Bond must be registered, as provided in the Master Trust Agreement, upon the Series 2017A Bond register kept for that purpose by the Trustee. Upon registration, a new registered Series 2017A Bond or Series 2017A Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Master Trust Agreement. The Trustee and TriMet may treat the person in whose name this Series 2017A Bond is registered as its absolute owner for all purposes, as provided in the Master Trust Agreement.

The Series 2017A Bondowner may exchange or transfer this Series 2017A Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Trustee and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Trustee in the manner and subject to the conditions set forth in the Master Trust Agreement.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Series 2017A Bond is one of a series of $76,015,000 aggregate principal amount of Capital Grant Receipt Revenue Refunding Bonds, Series 2017A, of TriMet, and is issued by TriMet (i) to refund the callable, outstanding maturities of TriMet's Capital Grant Receipt Revenue Bonds, Series 2011A and (ii) to pay the costs of issuing the Series 2017A Bonds. 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.

The Bonds are not subject to optional redemption.

The Series 2017A Bonds are issuable in the form of registered Series 2017A Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Series 2017A Bonds may be exchanged for an equal aggregate principal amount of registered Series 2017A Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth in the Master Trust Agreement.

This Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee 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 Series 2017A 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; that the issue of which this Series 2017A Bond is a part, and all other obligations of such TriMet, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Board of the Tri-County Metropolitan Transportation District of Oregon has caused this Series 2017A Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director of Finance and Administration all as of the Dated Date set forth above.

Tri-County Metropolitan Transportation District of Oregon

____

Executive Director of Finance and Administration

THIS SERIES 2017A BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE TRUSTEE IN THE SPACE INDICATED BELOW.

This Series 2017A Bond is one of a series of $76,015,000 aggregate principal amount of Capital Grant Receipt Revenue Refunding Bonds, Series 2017A, of TriMet, issued pursuant to the Master Trust Agreement described herein.

Date of authentication: August 30, 2017.

Wells Fargo Bank, National Association, as Trustee

____

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: _______________
____

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

this Series 2017A Bond and does hereby irrevocably constitute and appoint ______________________________ as attorney to transfer this Series 2017A 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 Series 2017A 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 Series 2017A 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.

Third Supplemental Trust Agreement

between the

Tri-County Metropolitan Transportation District of Oregon

as Issuer

and

Wells Fargo Bank, National Association

as Trustee

Relating to the Issuer's

CAPITAL GRANT RECEIPT REVENUE BONDS, SERIES 2018A

DATED AS OF FEBRUARY 1, 2018

Table of Contents

THIRD SUPPLEMENTAL TRUST AGREEMENT

THIS THIRD SUPPLEMENTAL TRUST AGREEMENT is executed by the Tri-County Metropolitan Transportation District of Oregon ("TriMet") and Wells Fargo Bank, National Association, a national banking association, as Trustee, (the "Trustee") as of the 6th day of February, 2018, to supplement the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005 (the "2005 Master Trust Agreement"), as it has been amended and supplemented.

Section 1. Recitals.

1.1. TriMet is authorized to issue revenue bonds that are secured by a pledge of its capital grant receipts by ORS 287A.150 and its Resolution No. 17-10-75, adopted by TriMet's Board on October 25, 2017.

1.2. TriMet executes this Third Supplemental Trust Agreement pursuant to Sections 10.1.C of the 2005 Master Trust Agreement to provide the terms under which its Capital Grant Receipt Revenue Bonds, Series 2018A, will be issued as Parity Bonds under the Master Trust Agreement.

1.3. The Trustee serves as Trustee under the Master Trust Agreement and is willing to serve as trustee and paying agent under this Third Supplemental Trust Agreement.

Section 2. Definitions.

Unless the context clearly requires otherwise: capitalized terms that are used in this Third Supplemental Trust Agreement and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2; and, capitalized terms that are not listed in this Section 2 but are defined in the 2005 Master Trust Agreement, the First Supplemental Trust Agreement, and the Second Supplemental Trust Agreement shall have the meanings defined for those terms in the 2005 Master Trust Agreement, the First Supplemental Trust Agreement, and the Second Supplemental Trust Agreement.

"2005 Master Trust Agreement" means the Master Capital Grant Receipt Revenue Bond Trust Agreement between TriMet and the Trustee that is dated as of June 1, 2005.

"2017 IGA" means the "Intergovernmental Agreement to Provide Regional Flexible Funds for the Division Transit Project, the Southwest Corridor, Highway/Arterial Project Development and Active Transportation/Safe Routes Projects" that was executed on various dates in June, 2017 by Metro, Oregon and TriMet, and that obligates Metro to transfer certain federal Metropolitan Transportation Improvement Program funds to TriMet, as amended by the "First Amendment to Intergovernmental Agreement No. 934681" that was executed on various dates in November and December, 2017 by Metro, Oregon and TriMet, and as that agreement may further be amended from time to time in accordance with the Master Trust Agreement.

"First Supplemental Trust Agreement" between TriMet and the Trustee that is dated as of June 1, 2011.

“Master Trust Agreement” means the 2005 Master Trust Agreement, as amended and supplemented, including by the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, and the amendments and supplements contained in this Third Supplemental Trust Agreement and any amendments and supplements subsequently made in accordance with the requirements of the Master Trust Agreement.

“Second Supplemental Trust Agreement” means the Second Supplemental Trust Agreement between TriMet and the Trustee that is dated as of August 1, 2017.

“Series 2018A Bonds” TriMet’s Capital Grant Receipt Revenue Bonds, Series 2018A, that are issued pursuant to Section 3 of this Third Supplemental Trust Agreement.

“Third Supplemental Trust Agreement” means this Third Supplemental Trust Agreement between TriMet and the Trustee that is dated as of February 1, 2018.

Section 3. Pledge of Additional IGA Receipts.

3.1. The 2017 IGA shall be an “IGA” as defined in the Master Trust Agreement, and the amounts due to TriMet under the 2017 IGA shall be additional “IGA Receipts” and “Grant Receipts” as defined in the Master Trust Agreement.

3.2. In addition to the amounts pledged by the 2005 Master Trust Agreement, the First Supplemental Trust Agreement, and the Second Supplemental Trust Agreement to secure Bonds, TriMet hereby pledges and grants a lien on all the amounts due to TriMet under the 2017 IGA to pay the principal of, premium (if any) and interest on all Bonds in accordance with the Master Trust Agreement. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the time of the execution of this Third Supplemental Trust Agreement. The amounts so pledged and hereafter received by TriMet shall immediately be subject to the lien of such pledge without any physical delivery or further act. The lien of these pledges shall be superior to all other claims and liens. TriMet covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge.

Section 4. The Series 2018A Bonds.

4.1. Pursuant to the authority of ORS 287A.150, TriMet Resolution No. 17-10-75, and the Master Trust Agreement, TriMet is issuing its Series 2018A Bonds. The Series 2018A Bonds shall be Bonds as defined in the Master Trust Agreement.

4.2. The Series 2018A Bonds.

A. The Series 2018A Bonds shall be issued in the aggregate principal amount of $113,900,000, shall bear interest payable on October 1 and April 1 of each year at the following rates, commencing April 1, 2018, and shall mature according to the following schedule:

Maturity Date (October 1)	Principal Amount ($)	Interest Rate (%)	CUSIP No. (Base 89546R)
2020	395,000	5.000	PF5
2021	410,000	5.000	PG3
2022	1,660,000	5.000	PH1
2023	1,730,000	5.000	PJ7
2024	1,785,000	5.000	PK4
2025	1,855,000	5.000	PL2
2026	1,930,000	5.000	PM0
2027	2,010,000	5.000	PN8
2028	12,620,000	5.000	PP3
2029	13,235,000	5.000	PQ1
2030	13,875,000	5.000	PR9
2031	14,550,000	5.000	PS7
2032	15,245,000	5.000	PT5
2033	15,990,000	4.000	PU2
2034	16,610,000	3.250	PV0

B. The Series 2018A Bonds maturing on and after October 1, 2028 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after April 1, 2028, in any order of maturity and by lot within a maturity, at a redemption price equal to 100 percent of the principal thereof, plus accrued interest thereon to the date fixed for redemption.

C. TriMet covenants for the benefit of the Owners of the Series 2018A Bonds to comply with all provisions of the Code which are required for interest on the Series 2018A Bonds to be excluded from gross income under the Code. In determining what actions are required to comply, TriMet may rely on an opinion of Bond Counsel. TriMet makes the following specific covenants with respect to the Code:

(i) TriMet will not take any action or omit any action if it would cause the Series 2018A Bonds to become "arbitrage bonds" under Section 148 of the Code;

(ii) TriMet shall operate the facilities financed with the Series 2018A Bonds so that the Series 2018A Bonds do not become private activity bonds within the meaning of Section 141 of the Code; and,

(iii) TriMet shall pay, when due, all rebates and penalties with respect to the Series 2018A Bonds which are required by Section 148(f) of the Code.

D. The covenants contained in Section 4.2.C and any covenants in the closing documents for the Series 2018A Bonds shall constitute contracts with the owners of the Series 2018A Bonds, and shall be enforceable by them.

4.3. The Series 2018A Bonds shall be special obligations of TriMet, and shall be payable solely from the Pledged Property as provided in the Master Trust Agreement.

4.4. The Series 2018A Bonds shall be initially issued as book-entry-only securities that are subject to the BEO System described in Section 13 of the 2005 Master Trust Agreement, shall be in substantially the form attached as Exhibit A, and shall be signed with the facsimile or manual signature of the Executive Director of Finance and Administration.

4.5. The Series 2018A Costs of Issuance Account.

A. The Series 2018A Costs of Issuance Account is hereby created and held by the Trustee pursuant to this Third Supplemental Trust Agreement for deposit of certain proceeds of the Series 2018A Bonds to be disbursed by the Trustee to pay costs of issuing the Series 2018A Bonds. Disbursements shall be made only upon receipt of a requisition certificate in the form attached hereto as Exhibit B.

B. Earnings on amounts held in the Series 2018A Costs of Issuance Account shall be credited to such account. Amounts held in the Series 2018A Costs of Issuance Account on August 6, 2018 shall be transferred to the Debt Service Account.

4.6. Proceeds of the Series 2018A Bonds shall be disbursed as follows: (i) $119,104,802.65 shall be held by TriMet and applied only to pay costs of Projects; (ii) $218,500.00 shall be credited to the Series 2018A Costs of Issuance Account to pay costs of issuing the Series 2018A Bonds; and (iii) $8,167,169.10 shall be credited to the Other Funds Subaccount to pay capitalized interest of the Series 2018A Bonds.

4.7. Earnings on Series 2018A Bond proceeds that are held in the Other Funds Subaccount to pay capitalized interest shall be used to pay interest on the Series 2018A Bonds. Series 2018A Bond proceeds that are not needed for the Projects may be transferred to the Debt Service Account.

Section 5. Special Administrative Provisions for 2018A Bonds.

5.1. Termination of Book-Entry System.

If the book-entry-only system is discontinued, TriMet and the Trustee may amend the Master Trust Agreement without the consent of Owners of the Series 2018A Bonds to provide for an alternative to the BEO system of registering, paying and providing notice of redemption that is of general acceptance in the municipal bond markets. Notice that an alternative has been provided shall be given by the Trustee to affected Owners of the Series 2018A Bonds as promptly as practicable.

Section 6. Miscellaneous.

6.1. Successor is Deemed Included in All References to Predecessor.

Whenever in this Third Supplemental Trust Agreement either TriMet or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the duties, covenants, obligations and agreements in this Third Supplemental Trust Agreement contained by or on behalf of TriMet or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof, whether so expressed or not.

6.2. Limitation of Rights to Parties.

Nothing expressed or implied in this Third Supplemental Trust Agreement or in the Series 2018A Bonds is intended or shall be construed to give to any person other than TriMet, the Trustee and the Owners of Series 2018A Bonds any legal or equitable right, remedy or claim under or in respect of this Third Supplemental Trust Agreement or any duty, covenant, obligation, agreement, condition or provision therein or in this Third Supplemental Trust Agreement contained; and all such duties, covenants, obligations, agreements, conditions and provisions are and shall be for the sole and exclusive benefit of TriMet, the Trustee and the Owners of Series 2018A Bonds.

6.3. Severability of Invalid Provisions.

If any one or more of the provisions contained in this Third Supplemental Trust Agreement or in the Series 2018A Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Third Supplemental Trust Agreement or in the Series 2018A Bonds and such invalidity, illegality or unenforceability shall not affect any other provision of this Third Supplemental Trust Agreement or the Series 2018A Bonds, and this Third Supplemental Trust Agreement and the Series 2018A Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained in this Third Supplemental Trust Agreement or in the Series 2018A Bonds. TriMet hereby declares that it would have entered into this Third Supplemental Trust Agreement and each and every other section, paragraph, sentence, clause or phrase of this Third Supplemental Trust Agreement and authorized the issuance of the Series 2018A Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Third Supplemental Trust Agreement may be held illegal, invalid or unenforceable.

6.4. Notices.

Any notices, certificates or other communications required or permitted to be given in Third Supplemental Trust Agreement shall be in writing (unless otherwise specifically required or permitted in this Third Supplemental Trust Agreement) and shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid to TriMet and the Trustee at the addresses set forth below:

TriMet: Tri-County Metropolitan Transportation District of Oregon
1800 S.W. First Avenue, Suite 300
Portland, Oregon 97201

Trustee: Wells Fargo Bank, National Association
Corporate Trust Department
1740 Broadway Street, MAC C7300-107
Denver, CO 80274
Attn: Juliet Ward

TriMet and the Trustee may designate any further or different address to which subsequent notices and communications shall be sent by giving notice thereof to the other parties hereto.

6.5. Governing Law.

This Third Supplemental Trust Agreement shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and the State of Oregon. If any action, claim, suit or other proceeding ("claim") is brought to interpret or enforce the provisions of this Third Supplemental Trust Agreement, such claims shall be brought exclusively in the Circuit Court for the State of Oregon located in Multnomah County, Oregon. The Trustee hereby agrees to submit to the personal jurisdiction of such court.

6.6. Counterparts.

This agreement may be executed in counterparts; when each party has executed a counterpart of the signature page for this Third Supplemental Trust Agreement, this Third Supplemental Trust Agreement shall be deemed to have been executed by all parties.

EXECUTED as of the date first written above.

Tri-County Metropolitan Transportation District of Oregon

____

Dee Brookshire, Executive Director of Finance and Administration

[The signature of the Trustee appears on the following page.]

EXECUTED as of the date first written above.

Wells Fargo Bank, National Association, as Trustee

____

Marybeth K. Jones, Vice President

[The signature of TriMet appears on the preceding page.]

Exhibit A

Form of Series 2018A Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Bond, Series 2018A

Dated Date: February 6, 2018
Interest Rate Per Annum: «CouponRate»%
Maturity Date: October 1, «MaturityYear»
CUSIP Number: 89546R«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON, a municipality, political subdivision and body corporate and politic duly created and existing under the laws of the State of Oregon ("TriMet"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date of this Series 2018A Bond at the Interest Rate Per Annum indicated above. Interest is payable semiannually on October 1 and April 1 in each year until maturity or prior redemption, commencing April 1, 2018. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. Such payments shall be made payable to the order of "Cede & Co." as nominee of The Depository Trust Company, New York, New York

This Series 2018A Bond is one of a duly authorized series of bonds of TriMet aggregating $113,900,000 in principal amount and designated as Capital Grant Receipt Revenue Bonds, Series 2018A (the "Series 2018A Bonds"). The Bonds are authorized by Resolution No. 17-10-75, adopted by TriMet's Board on October 25, 2017, and are in full compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

This Series 2018A Bond is not a general obligation or liability of TriMet, and is payable solely from the Pledged Property as provided in the Master Capital Grant Receipt Revenue Bond Trust Agreement dated as of June 1, 2005, as amended and supplemented by the First Supplemental Trust Agreement dated as of June 1, 2011, the Second Supplemental Trust Agreement dated as of August 1, 2017, and the Third Supplemental Trust Agreement dated as of February 1, 2018, and as it may be amended and supplemented in the future in accordance with its terms (collectively, the "Master Trust Agreement"). TriMet covenants and agrees with the owner of this Series 2018A Bond that it will keep and perform all of the covenants in this Series 2018A Bond and in the Master Trust Agreement. TriMet has pledged the Pledged Property to pay this Series 2018A Bond.

The Series 2018A Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Series 2018A Bondowners. Records of Series 2018A Bond ownership will be maintained by the Trustee and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, TriMet and the Trustee may amend the Master Trust Agreement without the consent of the Owners of the Series 2018A Bonds to provide for an alternative to the book-entry-only system, as provided in the Master Trust Agreement.

Any transfer of this Series 2018A Bond must be registered, as provided in the Master Trust Agreement, upon the Series 2018A Bond register kept for that purpose by the Trustee. Upon registration, a new registered Series 2018A Bond or Series 2018A Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Master Trust Agreement. The Trustee and

TriMet may treat the person in whose name this Series 2018A Bond is registered as its absolute owner for all purposes, as provided in the Master Trust Agreement.

The Series 2018A Bondowner may exchange or transfer this Series 2018A Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Trustee and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Trustee in the manner and subject to the conditions set forth in the Master Trust Agreement.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Series 2018A Bond is issued by TriMet to pay (i) costs of certain transit and transit supportive projects, (ii) capitalized interest, and (iii) the costs of issuing the Series 2018A Bonds.

The Bonds shall mature and be subject to redemption as described in Section 4 of the Third Supplemental Trust Agreement for the Bonds that is dated as of February 1, 2018 and the final Official Statement for the Bonds.

The Series 2018A Bonds are issuable in the form of registered Series 2018A Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Series 2018A Bonds may be exchanged for an equal aggregate principal amount of registered Series 2018A Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth in the Master Trust Agreement.

This Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee 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 Series 2018A 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; that the issue of which this Series 2018A Bond is a part, and all other obligations of such TriMet, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Board of the Tri-County Metropolitan Transportation District of Oregon has caused this Series 2018A Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director of Finance and Administration all as of the Dated Date set forth above.

Tri-County Metropolitan Transportation District of Oregon

____

Executive Director of Finance and Administration

THIS SERIES 2018A BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE TRUSTEE IN THE SPACE INDICATED BELOW.

This Series 2018A Bond is one of a series of $113,900,000 aggregate principal amount of Capital Grant Receipt Revenue Bonds, Series 2018A, of TriMet, issued pursuant to the Master Trust Agreement described herein.

Date of authentication: February 6, 2018.

Wells Fargo Bank, National Association, as Trustee

____

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: __________________

____

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

this Series 2018A Bond and does hereby irrevocably constitute and appoint __________________________________ ______________________________ as attorney to transfer this Series 2018A 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 Series 2018A 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 Series 2018A 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.

EXHIBIT B

Form of Requisition Certificate

TO: Wells Fargo Bank, National Association, Trustee

FROM: Tri-County Metropolitan Transportation District of Oregon ("TriMet")

SUBJECT: Capital Grant Receipt Revenue Bonds, Series 2018A

The undersigned, being the duly appointed and qualified [title] of the Tri-County Metropolitan Transportation District of Oregon ("TriMet"), hereby submits this requisition to Wells Fargo Bank, National Association as trustee (the "Trustee") under a Third Supplemental Trust Agreement between TriMet and the Trustee that is dated as of February 6, 2018 (the "Third Supplemental") and relates to TriMet's Capital Grant Receipt Revenue Bonds, Series 2018A. TriMet hereby directs you to disburse the amount described below from the Series 2018A Costs of Issuance Account (the "Account").

In accordance with the requirements of Section 4.5.A. of the Third Supplemental, the following information and certifications are provided in connection with this requisition.

1. This is Requisition No. ____ from the moneys on deposit in the Account. The date of this requisition is set forth below. TriMet desires the funds requisitioned hereby to be disbursed on _________, ________.

2. The amount to be disbursed to TriMet from the Account is $_______.

3. Each of the obligations to be paid by TriMet from the amount requisitioned hereby has been properly incurred, and:

☐ is currently due and payable and shall be paid directly to ____________; or

☐ has heretofore been paid by TriMet out of funds other than those previously requisitioned from the Account, is a proper charge against the Account, and has not been the basis of any previous withdrawal from the Account and shall be distributed to TriMet.

IN WITNESS WHEREOF, the undersigned, for and on behalf of TriMet, has hereunto set his hand as of the ___ day of _______.

Tri-County Metropolitan Transportation District of Oregon

By: ___________________________________
As Authorized Issuer Representative

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TRIMET

Mixed Sources
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