OFFICIAL STATEMENT DATED JULY 20, 2017

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, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2017 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 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the Series 2017 Bonds is exempt from State of Oregon personal income tax under existing law. See "TAX MATTERS" herein.

$76,015,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE REFUNDING BONDS SERIES 2017A

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 $76,015,000 aggregate principal amount of Capital Grant Receipt Revenue Refunding Bonds, Series 2017A (the "Series 2017 Bonds"). The Series 2017 Bonds are being issued on parity with TriMet's unrefunded Capital Grant Receipt Revenue Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2017 Bonds, together with the unrefunded Series 2011A 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 2017 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 2017 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 2017 Bonds.**

The Series 2017 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 Second Supplemental Trust Agreement dated as of August 1, 2017 (the "Second Supplemental Trust Agreement"), between TriMet and the Trustee. The Series 2017 Bonds are being issued (i) refund a portion of the Series 2011A Bonds and (ii) to pay the costs of issuing the Series 2017 Bonds.

Interest on the Series 2017 Bonds from the date of delivery is payable semiannually on October 1 and April 1 of each year, commencing October 1, 2017. The Series 2017 Bonds are not subject to optional or mandatory redemption.

The Series 2017 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 2017 Bonds will be made in book-entry form in denominations of $5,000 and integral multiples thereof. Individual purchasers of Series 2017 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 2017 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 2017 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 August 30, 2017.

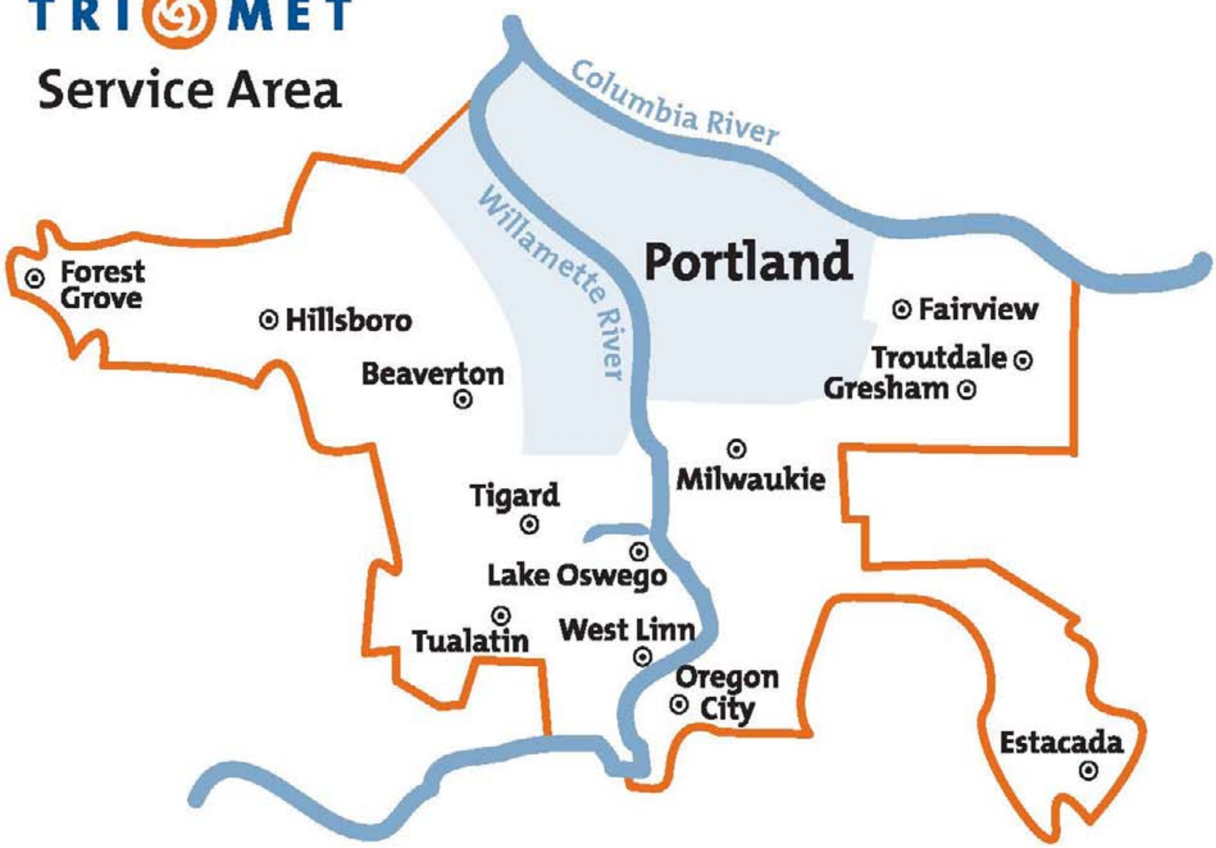
J.P. Morgan **Citigroup**

$76,015,000
TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE REFUNDING BONDS
SERIES 2017A
(TAX-EXEMPT)

Due October 1	Principal Amount	Interest Rate	Price or Yield	CUSIP† 89546R
2022	$11,175,000	5.00%	1.510%	NZ3
2023	11,735,000	5.00	1.680	PA6
2024	12,320,000	5.00	1.870	PB4
2025	12,940,000	5.00	2.040	PC2
2026	13,585,000	5.00	2.180	PD0
2027	14,260,000	5.00	2.330	PE8

TRIMET

Service Area



(This Page Intentionally Left Blank)

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 & Administration
Cara Fitzpatrick, Director of Financial Services
Nancy Young, 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

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 2017 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 2017 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 2017 Bonds to the public. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing the Series 2017 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.

TABLE OF CONTENTS

(This Page Intentionally Left Blank)

$76,015,000
TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON
CAPITAL GRANT RECEIPT REVENUE REFUNDING BONDS
SERIES 2017A

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 $76,015,000 aggregate principal amount of Capital Grant Receipt Revenue Refunding Bonds, Series 2017A (the "Series 2017 Bonds").

TriMet issued its Capital Grant Receipt Revenue Bonds, Series 2011A (the "Series 2011A Bonds") in the original aggregate principal amount of $136,040,000. The Series 2011A Bonds are currently outstanding in the amount of $133,210,000. The Series 2017 Bonds are being issued to refund a portion of the Series 2011A Bonds. See "PLAN OF REFUNDING." The Series 2017 Bonds, together with the unrefunded Series 2011A 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 2017 Bonds are being issued in compliance with the conditions of the 2005 Master Trust Agreement and the Second 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 2017 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. 16-09-58, adopted by TriMet's Board of Directors on September 28, 2016. The Series 2017 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, and the Second Supplemental Trust Agreement, dated as of August 1, 2017 (the "Second Supplemental Trust Agreement"), between TriMet and the Trustee. The 2005 Master Trust Agreement, the First Supplemental Trust Agreement and the Second 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 AND FORM OF SECOND SUPPLEMENTAL TRUST AGREEMENT."

The Series 2017 Bonds are being issued (i) to refund a portion of the Series 2011A Bonds and (ii) to pay the costs of issuing the Series 2017 Bonds. See "PLAN OF REFUNDING."

Security and Sources of Payment

The Bonds, including the Series 2017 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, 2016 AND 2015."

Miscellaneous

Brief descriptions of the Series 2017 Bonds, the security for the Series 2017 Bonds, the use of Series 2017 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 2017 Bonds are qualified in their entirety by reference to the form thereof included in the Form of Second Supplemental Trust Agreement and to the information with respect thereto in the Master Trust Agreement and the Form of Second Supplemental Trust Agreement. The 2005 Master Trust Agreement, First Supplemental Trust Agreement and the form of the Second 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 2017 Bonds to provide certain financial information and operating data and to give notices of certain events, if material, 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 2017 BONDS

General

When issued, the Series 2017 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 2017 Bonds will be payable semiannually on each April 1 and October 1, commencing on October 1, 2017, until maturity or prior redemption. Interest on the Series 2017 Bonds is calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2017 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 2017 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Series 2017 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 2017 Bonds, as nominee of DTC, references herein to "Owners," "Bondholders" or "Registered Owners" mean Cede & Co. and not the Beneficial Owners of the Series 2017 Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC Participant acquires an interest in the Series 2017 Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, the principal of and interest on the Series 2017 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 2017 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 2017 Bonds are not subject to the Book-Entry System, the exchange and transfer of Series 2017 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.

No Redemption

The Series 2017 Bonds are not subject to redemption prior to their respective maturities.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds, including the Series 2017 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 2017 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 AND FORM OF SECOND 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 2017 Bonds. TriMet did not establish a Bond Reserve Account for the Series 2011A 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 2017 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 2017 Bonds and is not being created or funded in connection with the Series 2017 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 AND FORM OF SECOND 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 2017 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 AND FORM OF SECOND 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. The Series 2017 Bonds are being issued under this provision, and the Annual Bond Debt Service on the Series 2017 Bonds does not exceed the Annual Bond Debt Service on the refunded Series 2011A 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 AND FORM OF SECOND 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 AND FORM OF SECOND 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 AND FORM OF SECOND 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 AND FORM OF SECOND SUPPLEMENTAL TRUST AGREEMENT—Master Trust Agreement—Subordinate Obligations."

PLAN OF REFUNDING

TriMet plans to use a portion of the proceeds of the Series 2017 Bonds to achieve debt service savings by refunding a portion of the Series 2011A Bonds and paying costs related to the refunding. The portion of the Series 2011A Bonds to be refunded is referred to herein as the "Refunded Bonds." On the date the Series 2017 Bonds are issued, the only Outstanding Bonds will be the Series 2011A Bonds. All other previously issued Bonds will have matured or been redeemed by that date.

The proceeds of the Series 2017 Bonds are expected to be used to refund the Refunded Bonds on the date fixed for redemption shown in the table below, and at the price (expressed as a percentage of the principal amounts to be redeemed) set forth in the table below, and pay the costs of issuing the Series 2017 Bonds. For this purpose, TriMet intends to establish an escrow deposit account (the "Escrow Deposit Account") with Wells Fargo Bank, N.A. TriMet expects to purchase direct, noncallable obligations of the United States; noncallable obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States; or any noncallable debt securities listed in Exhibit B to the 2005 Master Trust Agreement for deposit into the Escrow Deposit Account together with cash or cash equivalents, if necessary, in an amount sufficient to provide for the redemption of the Refunded Bonds.

Outstanding Capital Grant Receipt Revenue Refunding Bonds
To Be Refunded With Proceeds of the Series 2017 Bonds

Series	Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP Number (89546R)
2011A	10/1/2022	$ 150,000	3.625%	10/1/2021	100	HX5
	10/1/2022	11,800,000	5.000	10/1/2021	100	JH8
	10/1/2023	12,545,000	5.000	10/1/2021	100	JJ4
	10/1/2024	13,170,000	5.000	10/1/2021	100	HY3
	10/1/2025	1,030,000	4.000	10/1/2021	100	HZ0
	10/1/2025	12,800,000	5.000	10/1/2021	100	JK1
	10/1/2026	14,510,000	5.000	10/1/2021	100	JA3
	10/1/2027	250,000	4.250	10/1/2021	100	JB1
	10/1/2027	14,985,000	5.000	10/1/2021	100	JL9

Verification

Samuel Klein and Company, Certified Public Accountants (the "Verification Agent") is expected to deliver to TriMet on or before the date the Series 2017 Bonds are issued its reports indicating that it has verified the mathematical accuracy of (i) the mathematical computations relating to the sufficiency of the cash, if any, and maturing principal of and interest on the escrow investments to pay, when due, prepayment price, the principal of, and interest and premium on the Refunded Bonds, and (ii) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Series 2017 Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by TriMet and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by TriMet and its representatives and has not evaluated or examined the assumptions or information used in the computations.

Projects Funded by Series 2011A Bonds

Projects financed by the Series 2011A Bonds include the Southwest Corridor Project, Portland Milwaukie Light Rail ("PMLR") project, the costs of acquiring transit buses, the Powell-Division Project and capital improvements on the Willamette Shore Line to keep the right-of-way available for a future possible streetcar extension to the south. The PMLR project, TriMet's most recently completed light rail extension was completed in 2015 on time and under budget. It includes a 7.3-mile extension of TriMet's MAX system between the cities of Portland and Milwaukie, Oregon, and extends MAX service from the campus of Portland State University in downtown Portland to the City of Milwaukie. The project included the construction of an award winning new bus, rail, pedestrian and bicycle bridge spanning the Willamette River, as well as the construction of ten new light rail stations and two park-and-ride facilities. TriMet worked with the State of Oregon, the City of Portland, Metro, the City of Milwaukie, Clackamas County and the Federal Transit Administration (the "FTA") to develop the PMLR project. TriMet has approximately $4.9 million in unspent proceeds from the Series 2011A Bonds.

ESTIMATED APPLICATION OF PROCEEDS

The estimated application of the proceeds of the Series 2017 Bonds are as follows:

Estimated Sources and Uses of Funds

Sources of Funds	
Par amount	$76,015,000.00
Net original issue premium	16,082,903.70
Contribution from Debt Service Account	1,696,594.44
Total sources	$93,794,498.14
Uses of Funds	
Escrow Deposit	$93,264,100.04
Costs of Issuance(1)	530,398.10
Total uses	$93,794,498.14

(1) Costs of issuance include underwriters' discount, trustee fees, legal fees, financial 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 2017 Bonds.

Debt Service Requirements(1)(2)

Period Ending October 1	Outstanding Bonds(3)	Series 2017 Bonds			Total Debt Service
		Principal	Interest	Total	
2017	$13,972,031		$ 327,287	$ 327,287	$ 14,299,318
2018	11,947,400		3,800,750	3,800,750	15,748,150
2019	11,950,400		3,800,750	3,800,750	15,751,150
2020	11,949,000		3,800,750	3,800,750	15,749,750
2021	11,951,000		3,800,750	3,800,750	15,751,750
2022	-	$11,175,000	3,800,750	14,975,750	14,975,750
2023	-	11,735,000	3,242,000	14,977,000	14,977,000
2024	-	12,320,000	2,655,250	14,975,250	14,975,250
2025	-	12,940,000	2,039,250	14,979,250	14,979,250
2026	-	13,585,000	1,392,250	14,977,250	14,977,250
2027	-	14,260,000	713,000	14,973,000	14,973,000
Total	**$61,769,831**	**$76,015,000**	**$29,372,787**	**$105,387,787**	**$167,157,618**

(1) Annual Debt Service shown for Bond Year, beginning October 2.
(2) Totals may not add due to rounding.
(3) Does not include the portion of the Outstanding Series 2011A Bonds that will be refunded by the Series 2017 Bonds. See "PLAN OF REFUNDING" herein.

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," which was entered into on February 3, 2011 by Metro, as the Metropolitan Planning Organization (the "MPO") for the Portland metropolitan region, and TriMet, as amended (the "2011 IGA") is the only intergovernmental agreement pledged to pay the Bonds. See "The 2011 IGA" below.

The Master Trust Agreement allows TriMet to pledge additional intergovernmental agreements to pay Bonds by executing a Supplemental Trust Agreement. TriMet entered into an additional intergovernmental agreement with Metro in June 2017, which dedicated additional future regional flexible funds for the Division Transit Project, the Southwest Corridor Project, the Highway/Arterial Project Development and the Active Transportation/Safe Routes Projects. That additional intergovernmental agreement has not been pledged to pay the Bonds, but TriMet expects to pledge that additional intergovernmental agreement when it issues additional Bonds late in 2017.

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 2011 IGA 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 2011 IGA

The 2011 IGA obligates Metro, as the MPO, 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 2011 IGA. 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 2011 IGA acknowledges the issuance of the Bonds payable from the Committed Funds that TriMet is scheduled to receive under the 2011 IGA, 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 2011 IGA. See “INTERGOVERNMENTAL GRANT AGREEMENTS” and “HISTORIC AND PROJECTED SOURCES OF FUNDS— Estimated Projected Debt Service Coverage” and “—IGA Receipts.”

The 2011 IGA requires Metro to facilitate TriMet’s receipt of the following amounts in the following FFYs:

Scheduled IGA Receipts Under 2011 IGA

FFY	Scheduled 2011 IGA Receipts
2012	$ 3,700,000
2013	3,700,000
2014	5,700,000
2015	5,700,000
2016	16,000,000
2017	16,000,000
2018	16,000,000
2019	16,000,000
2020	16,000,000
2021	16,000,000
2022	16,000,000
2023	16,000,000
2024	16,000,000
2025	16,000,000
2026	16,000,000
2027	16,000,000
TOTAL	**$210,800,000**

Source: The 2011 IGA.

As of the end of Fiscal Year 2017 all amounts due to TriMet under the 2011 IGA have been received when expected.

Committed Funds and Obligations of Metro and TriMet under the 2011 IGA

Metro’s Obligations. The 2011 IGA requires 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 2011 IGA, subject only to reauthorization or continuation of the STPBG and the CMAQ Program or successor programs.

The 2011 IGA specifically provides that each year during the term of the 2011 IGA the allocation to TriMet of Committed Funds due under the 2011 IGA has precedence over all other allocations of Committed Funds by Metro to other projects in the MTIP.

Metro’s obligation under the 2011 IGA 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 2011 IGA. The 2011 IGA does not obligate Metro to make payments to TriMet from other sources. The 2011 IGA provides 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 2011 IGA, 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 2011 IGA, 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 2011 IGA, 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 amounts of Committed Funds that Metro is obligated to provide under the 2011 IGA.

The 2011 IGA also provides 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 2011 IGA 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 2011 IGA requires 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 2011 IGA in the manner described in the Regional Funding Plan to finance the projects identified in the 2011 IGA, or, if those projects are terminated, other projects determined by Metro and TriMet; and, (c) providing the projects identified in the 2011 IGA, regardless of TriMet's borrowing costs.

The 2011 IGA was amended in connection with the termination of one project and the substitution of another.

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. On May 14, 2017 Congress passed the Consolidated Appropriations Act, 2017 that, among other things, appropriates the funds that comprise the Grant Receipts through September 30, 2017. Additional action by Congress may be required for TriMet to receive Grant Receipts after September 30, 2017.

Other actions by TriMet, by Congress and by the federal government may be required for TriMet to receive Grant Receipts. No assurance can be given that Congress will continue to authorize funding after FFY 2020, that Congress will not change the current authorization for the federal transportation programs, that Congress will appropriate federal expenditures for the applicable federal transportation programs, or that the federal government will take all actions necessary for TriMet to receive those amounts. See "INVESTMENT CONSIDERATIONS—Uncertainties in Federal Funding."

The Bonds, including the Series 2017 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 2011 IGA, and under any additional IGAs that TriMet may pledge to pay the Bonds in the future. The 2011 IGA commits 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 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 about \$70 billion (\$51.9 billion from the General Fund, a transfer of \$100 million from the Leaking Underground Storage Tank Trust Fund to the Highway Account, and a transfer of \$18.1 billion from the General Fund to the Mass Transit Account).

The table below show the balance in the Highway Account and the Mass Transit Account from FFY 2008 through May 31, 2017.

Status of the Highway Trust Fund (FFY 2008 – May 31, 2017†) (billions)

FFY	2009	2010	2011	2012	2013	2014	2015	2016	2017†
Highway Account									
Opening Balance	$10.032	$8.881	$20.743	$14.323	$9.731	$3.771	$11.376	$9.040	$51.435
Receipts									
Net Tax Receipts	30.126	30.150	31.961	35.143	31.800	34.066	35.740	36.062	21.392
Interest Income	0.000	0.012	0.011	0.005	0.005	0.003	0.001	0.092	0.151
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)	0.120(9)
Total Receipts	37.317	44.893	32.010	37.641	37.704	52.504	41.834	88.274	21.663
Transfers									
To Mass Transit Account	1.005	1.052	1.140	1.103	0.796	1.159	1.246	1.170	0.775
From Mass Transit Account	0.108	0.028	0.034	0.020	0.050	0.051	0.029	0.078	0.013
Outlays	37.571	32.007	37.325	41.150	42.917	43.791	42.952	44.787	25.659
Closing Balance	8.881	20.743	14.323	9.731	3.771	11.376	9.040	51.435	46.678
Mass Transit Account									
Opening Balance	6.787	5.212	8.489	7.315	5.194	2.492	3.471	2.869	17.782
Receipts									
Net Tax Receipts	4.809	4.811	4.922	5.003	4.648	4.965	5.049	5.162	3.207
Interest Income	0.000	0.005	0.005	0.002	0.002	0.001	0.000	0.032	0.055
Other Receipts	0.000	4.800(2)	0.000	0.000	0.000	4.042(6)	2.000(7)	18.100(8)	0.000
Total Receipts	4.809	9.616	4.927	5.006	4.649	9.007	7.049	23.294	3.262
Transfers									
To Highway Account	0.108	0.028	0.034	0.020	0.050	0.051	0.029	0.078	0.013
From Highway Account	1.005	1.052	1.140	1.103	0.796	1.159	1.246	1.170	0.775
Outlays	7.281	7.363	7.207	8.210	8.098	9.136	8.868	9.472	5.404
Closing Balance	5.212	8.489	7.315	5.194	2.492	3.471	2.869	17.782	16.402

†Amounts shown for FFY 2016 are for the partial FFY ending May 31, 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.

Source: Federal Highway Administration Table FE-1 as of June 13, 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 $70 billion to the HTF in December 2015 as the HTF fund balance neared exhaustion. Including that amount, transfers into the HTF since 2008 have totaled over $143 billion, taking into account transfers from the General Fund and the Leaking Underground Storage Fund, but reduced by $1.223 billion that was sequestered in FFY 2013 and 2014.

Based on a Congressional Budget Office ("CBO") report dated December 2, 2015, the FAST Act is 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 2017 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 2011 IGA 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 STBG program continues all prior STP eligibilities and adds additional eligibilities. The FAST Act authorizes funding for the STPBG of $11.2 billion in FFY 2016, 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 $2.3 billion in FFY 2016, 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). TriMet qualifies for grants related to capital and planning assistance under the Section 5307 program, but not for operating assistance.

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 2017 Bonds.

The FAST Act authorizes a total of $4.5 billion of Section 5307 Formula Funds in FFY 2016, 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%.

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 current federal fiscal year) to make the federal expenditures that comprise the Grant Receipts.

THE CONSOLIDATED APPROPRIATIONS ACT, 2017 APPROPRIATES THE FEDERAL FUNDS THAT COMPRISE THE GRANT RECEIPTS THROUGH SEPTEMBER 30, 2017. ADDITIONAL ACTION BY CONGRESS MAY BE REQUIRED FOR TRIMET TO RECEIVE GRANT RECEIPTS AFTER SEPTEMBER 30, 2017.

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 2011 IGA from STPBG and CMAQ funds that are allocated to the Portland metropolitan region. See "FEDERAL TRANSPORTATION PROGRAMS AND FUNDING—IGA Receipts" above.

The 2011 IGA obligates Metro to transfer $16,000,000 each FFY to TriMet, beginning in FFY 2016. STPBG and CMAQ funds that were allocated to the Portland metropolitan region for FFY 2011 through 2016 substantially exceeded the amount Metro is required to transfer to TriMet under the 2011 IGA, 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	$14,952,411	$38,069,500
2012	22,251,555	14,405,140	37,203,966
2013	24,163,644	13,418,422	37,582,066
2014	23,880,059	13,265,002	37,145,061
2015	23,318,596	12,849,056	36,167,652
2016	24,733,927	12,849,056	37,582,983

† References are to FFYs (October 1 – September 30).
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 2007 through 2016 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	37,153,801(2)	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.

(2) $521,034 of Section 5307 formula funds unallocated.

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. This year, C-TRAN has proposed an alternative allocation methodology based solely on how funds are calculated by the FTA to determine the apportionment before distribution to the region. TriMet is agreeable to the new distribution and while it will initially cause a reduction in TriMet's share, it is believed that TriMet's share will grow in future years based on changes in the underlying calculation factors that will recognize growth in the TriMet system.

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 consistently 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 2011 IGA 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	$56,993,762	$38,677,980	$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	35,493,013	9,300,000	32,060,548	67,553,561	41,360,548	10,707,013	6.31	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	36,666,695	13,000,000	34,580,799	71,247,494	47,580,799	17,547,172	4.06	2.71
2013	37,582,066	13,000,000	34,899,189	72,481,255	47,899,189	17,552,191	4.13	2.73
2014	37,145,061	15,000,000	36,100,977	73,246,038	51,100,977	17,573,941	4.17	2.91
2015	26,171,652	15,000,000	35,781,973	61,953,625	50,781,973	17,580,941	3.52	2.89
2016	37,582,983	16,000,000	37,153,801	74,736,784	53,153,801	17,433,460	4.29	3.05

Source: TriMet.

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 2011 IGA. See "INTERGOVERNMENTAL GRANT AGREEMENTS—The 2011 IGA" above.

2. Total STPBG and CMAQ Funds Allocated to Metro in FFY 2017 and beyond are equal to the average amounts allocated to Metro in FFY 2013-2015 (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 2013 – 2016 (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[1]

FFY	Total STPBG and CMAQ Funds Allocated to Metro (A)	2011 IGA Receipts (B)	Section 5307 Receipts (C)	Total Regional Transportation Funds (A+C)	Total Estimated Grant Receipts (B+C)	Debt Service on Outstanding Bonds[2]	Debt Service on Series 2017 Bonds	Total Debt Service on Bonds[2]	Projected Coverage from Regional Transportation Funds	Projected Coverage from Grant Receipts
2017	$36,964,926	$16,000,000	$35,983,985	$72,948,911	$51,983,985	$13,972,031	$ 327,287	$14,299,318	5.10	3.64
2018	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	11,947,400	3,800,750	15,748,150	4.63	3.30
2019	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	11,950,400	3,800,750	15,751,150	4.63	3.30
2020	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	11,949,000	3,800,750	15,749,750	4.63	3.30
2021	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	11,951,000	3,800,750	15,751,750	4.63	3.30
2022	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,975,750	14,975,750	4.87	3.47
2023	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,977,000	14,977,000	4.87	3.47
2024	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,975,250	14,975,250	4.87	3.47
2025	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,979,250	14,979,250	4.87	3.47
2026	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,977,250	14,977,250	4.87	3.47
2027	36,964,926	16,000,000	35,983,985	72,948,911	51,983,985	-	14,973,000	14,973,000	4.87	3.47

(1) Totals may not add due to rounding.
(2) Does not include the portion of the Outstanding Bonds that will be refunded by the Series 2017 Bonds. See “PLAN OF REFUNDING” herein.
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 2017 Bonds. The following discussion is not meant to be a comprehensive list of the risks associated with the purchase of any Series 2017 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 2017 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 2017 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 federal law will continue to authorize 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 2017 Bonds. The amount of federal funds available for allocation to TriMet for payment of debt service on the Bonds, including the Series 2017 Bonds, is subject to 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. 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 2017 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.

THE CONSOLIDATED APPROPRIATIONS ACT, 2017 APPROPRIATES THE FEDERAL EXPENDITURES THAT COMPRISE THE GRANT RECEIPTS THROUGH SEPTEMBER 30, 2017. ADDITIONAL ACTION BY CONGRESS MAY BE REQUIRED FOR TRIMET TO RECEIVE GRANT RECEIPTS AFTER SEPTEMBER 30, 2017. 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 2017 BONDS.

Limited Obligations

The Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds, is not subject to acceleration. Payments of debt service on the Bonds, including the Series 2017 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 2017 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 2017 Bonds will be qualified in such respect. See APPENDIX E—"2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT AND FORM OF SECOND SUPPLEMENTAL TRUST AGREEMENT."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2017 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2017 Bonds, as a result of acts or omissions of TriMet subsequent to the issuance of the Series 2017 Bonds or a change in federal law.

Failure to Maintain Credit Ratings

Certain rating agencies have assigned ratings to TriMet's Series 2017 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 2017 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 2017 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2017 Bonds or, if a secondary market exists, that the Series 2017 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, 2016 AND 2015—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 2017 Bonds or (ii) question the validity of the Series 2017 Bonds or the authority of TriMet to make principal and interest payments or to collect Grant Receipts to pay the Series 2017 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 2017 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 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. 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 2017 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 2017 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 2017 Bonds is exempt from State of Oregon personal income tax under existing law.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2017 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 2017 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 2017 Bonds in order that interest on the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2017 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 2017 Bonds.

Prospective owners of the Series 2017 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 2017 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 2017 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 means the first price at which a substantial amount of the Series 2017 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2017 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2017 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 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Series 2017 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 2017 Bonds, if any are purchased. The purchase price of the Series 2017 Bonds is $91,858,439.56, which is equal to the principal amount of the Series 2017 Bonds ($76,015,000), plus net original issue premium of $16,082,903.70 and less an Underwriters' discount of $239,464.14. 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 2017 Bonds to the public. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing the Series 2017 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 2017 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 2017 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that such firm sells.

Citigroup Global Markets Inc., an Underwriter of Series 2017 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Series 2017 Bonds.

RATINGS

The Series 2017 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 2017 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 2017 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 2017 Bonds, or the investment quality of the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 & Administration

(This Page Intentionally Left Blank)

APPENDIX A

INFORMATION REGARDING TRIMET, INCLUDING BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

(This Page Intentionally Left Blank)

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.

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, CPA, CISA, CFE, MBA, Director, Budget and Grants, is responsible for grants administration and budgeting. Ms. Young 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 June 22, 2017, TriMet has approximately 2,499 union and 440 non-union full time and part time employees. Of these 1,296 are bus drivers and 201 are rail operators. Also employed are 727 maintenance personnel, of which 321 are for bus maintenance, 320 are for light rail facilities, trains and equipment and 86 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. With the expiration of the 2015 Agreement, collective bargaining began in early January 2017 attempting to reach a new working and wage agreement that includes fair, reasonable and sustainable compensation to TriMet's union employees and all retirees. TriMet and ATU have exchanged proposals and met regularly over the past six months. As of June 15, 2017, no contract settlement had been reached. The next phases of the statutory bargaining include mediation, declaration of impasse, submission of final offers and, if no agreement is reached, binding arbitration at which time each negotiating team will submit a last best offer for an independent arbitrator to consider and award. Most terms of the 2015 Agreement will remain in effect until a new agreement is in place. See "Management's Discussion of Financial Results" below.

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 2016 population of 627,395; Gresham, Oregon, with a 2016 population of 108,150; and Beaverton, Oregon with a 2016 population of 95,385. See the TriMet service area map in the forepart of this Official Statement.

Operations

Scope of Operations. As of June 2016, 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 2016, 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 2016. 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 2006-2016
(000s)

	Fixed Route Bus and Rail		**Paratransit**		**System**	
Fiscal Year	Annual	Average Weekday	Annual	Average Weekday	Annual	Average Weekday
2006	95,736	307	1,050	3.6	96,786	311
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
Total Change 2006-2016	4,743	12	15	0.1	4,758	12
Total % Change 2006-2016	5.0%	3.9%	1.4%	2.8%	4.9%	3.9%

(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 2016, 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, 22 percent from passenger fares, 10 percent state and federal operating grants and 8 percent from other sources such as advertising, payments for contracted operations, and interest earnings. See "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015" 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. If (as expected) the governor signs the bill, then 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, implementation 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.

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	$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

Source: TriMet.

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.

TriMet has funded its capital replacement and improvement program from its on-going resources, federal, state and local grants and from proceeds of bonds. Federal funds were the largest source of payments for the MAX lines, other than the Red Line to Portland International Airport, which was financed with a combination of private sector and local government debt. The federal, state, and local governments shared in construction funding for the WES commuter rail service. TriMet's resources have funded just 6 percent of the total cost of the region's high capacity transit construction program to date including East and West Blue Line MAX, Orange Line MAX, Red Line MAX, Yellow Line MAX, WES Commuter Rail and Green Line MAX. Federal funds have paid for 65 percent, general obligation bonds, 4 percent, and TriMet's partners (Oregon Department of Transportation, City of Portland, Metro, Port of Portland, Portland Development Commission, other local governments and private contributions) have paid for 25 percent of construction costs.

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

TriMet has not defaulted on any debt obligation and has not used bond proceeds to pay operating costs.

Long-Term Debt

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

Capital Grant Receipt Revenue Bonds. TriMet's Series 2011A Bonds were outstanding in the amount of $133,210,000 as of June 30, 2017. The Series 2017 Bonds are being issued to refund a portion of the Series 2011A Bonds, as described in "REFUNDING PLAN" and "DEBT SERVICE REQUIREMENTS FOR THE BONDS" in the front part of this Official Statement.

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 June 30, 2017 in the aggregate principal amount of $559,730,000.

Full Funding Grant Agreement Bonds with a Subordinate Lien on Payroll Taxes. TriMet has issued one series of Full Funding Grant Agreement ("FFGA") Bonds: $225,000,000 were outstanding as of June 30, 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 JUNE 30, 2017

	Dated Date	Final Maturity Date	Original Principal Amount	Amount Outstanding
Capital Grant Receipt Revenue Bonds				
Capital Grant Receipt Revenue Bonds, Series 2011A[(1)]	06/30/11	10/01/27	$142,380,000	$133,210,000
Total Capital Grant Receipt Revenue Bonds			**142,380,000**	**133,210,000**
Bonds Secured by Payroll Taxes				
Senior Lien Bonds				
Series 2009A and 2009B	10/27/09	09/01/33	$ 49,550,000	$ 17,510,000
Series 2012A	08/30/12	09/01/37	93,290,000	16,050,000
Series 2015A and 2015B	09/09/15	09/01/40	134,590,000	128,940,000
Series 2016A	05/11/16	09/01/37	74,800,000	74,800,000
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	225,000,000
Total Bonds Secured by Payroll Taxes			**774,660,000**	**559,730,000**
Total Long Term Debt			**$917,040,000**	**$692,940,000**

(1) The Series 2017 Bonds are being issued to refund a portion of the outstanding Series 2011A Bonds as described in "REFUNDING PLAN" and "DEBT SERVICE REQUIREMENTS FOR THE BONDS" in the front part of this Official Statement.
Source: TriMet.

Future Debt Plans

TriMet's share of significant regional projects that are now in development will require additional bond issuance which may include issuance of Capital Grant Receipt Revenue Bonds.

In FY 2018, TriMet anticipates issuing up to $330 million of borrowings secured by the payroll tax revenues between FYs 2018 and 2021, depending upon the level of external funding from federal, state, and local sources available to fund the CIP. TriMet also intends to issue additional Capital Grant Receipt Revenue Bonds secured in part by an additional intergovernmental agreement that will be pledged to pay those Capital Grant Receipt Revenue Bonds. See "INTERGOVERNMENTAL GRANT AGREEMENTS" in the Official Statement.

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, 2016 and 2015 were performed by Moss Adams LLP, Portland, Oregon (the "Auditor"). A copy of the financial statements and supplementary information for June 30, 2016 and 2015, 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, 2016 and 2015 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.

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[2]	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[3]	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 2012 through 2016.

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

	2012	2013	2014	2015	2016
Assets					
Current Assets (unrestricted)					
Cash & cash equivalents	$ 134,864	$ 69,841	$ 111,620	$ 56,522	$ 58,590
Investments	8,284	19,729	0	11,359	4,323
Taxes & other receivables	83,326	86,725	92,552	88,342	98,560
Grants receivable	1,795	9,924	1,647	24,843	40,125
Prepaid expenses	7,675	4,821	7,676	12,483	10,205
Current Assets (restricted) [(1)]					
Cash & cash equivalents	26,474	75,345	93,456	32,796	57,740
Investments	224,141	387,962	222,857	151,283	102,463
Taxes & other receivables	893	377	75	656	204
Grants receivable	4,700	101,166	2,308	3,508	100,658
Prepaid expenses	1,209	1,252	1,203	1,033	724
Prepaid lease	13,556	4,352	674	10,956	5,051
Total Current Assets	506,917	761,494	534,068	393,781	478,643
Capital Assets					
Land and other	208,485	223,287	229,964	232,347	231,713
Construction in progress	316,186	657,651	944,701	1,126,782	99,121
Property & equipment	2,828,588	2,842,742	2,909,073	2,950,866	4,121,284
Less accumulated depreciation	(1,111,574)	(1,171,026)	(1,229,213)	(1,298,485)	(1,407,732)
Net Capital Assets	2,241,685	2,552,654	2,854,525	3,011,510	3,044,386
Prepaid lease expenses	163,124	102,659	85,836	80,141	67,840
Long-term restricted lease deposit	41,790	40,788	43,156	35,376	0
Materials, supplies & other	20,640	21,557	23,159	26,572	32,765
Other assets	2,245	5,455	5,386	1,836	1,792
Total Assets	2,976,401	3,484,607	3,546,130	3,549,216	3,625,426
Deferred outflows of resources					
Unamortized loss on pension assets	29,962	35,310	49,590	55,545	80,070
Unamortized loss on refunded debt	1,968	883	670	419	6,740
Total deferred outflows of resources	31,930	36,193	50,260	55,964	86,810
Total assets and deferred outflows of resources	$3,008,331	$3,520,800	$3,596,390	$3,605,180	$3,712,236

[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]

	2012	2013	2014	2015	2016
Liabilities					
Current liabilities (unrestricted)					
Accounts payable	$ 19,707	$ 15,028	$ 22,510	$ 16,481	$ 24,300
Accrued payroll	27,581	25,811	26,664	24,917	19,322
Current portion of non-current liabilities	6,030	12,890	7,957	8,195	6,881
Unearned revenue	13,832	12,457	17,056	18,794	12,921
Current liabilities (restricted)					
Accounts payable	36,466	41,988	57,799	10,262	10,463
Current portion of long-term debt	26,369	17,792	18,539	19,349	111,533
Unearned revenue	1,000	1,000	1,000	1,000	1,000
Unearned capital project revenue	164,144	152,676	152,836	35,839	12,398
Other accrued liabilities	4,676	9,266	6,988	6,732	6,725
Unearned lease revenue, current portion	13,556	4,352	674	10,956	5,051
Total current liabilities	313,361	293,260	312,023	152,525	210,594
Noncurrent liabilities					
Long-term debt	319,122	751,883	713,746	685,783	651,628
Unearned lease revenue	22,160	16,681	16,007	5,051	0
Long-term lease liability	143,595	81,390	66,967	65,727	55,914
Net pension liability	300,184	239,210	186,470	177,449	201,973
Other postemployment benefits liability	290,554	355,793	430,867	475,009	520,615
Other long-term liabilities	7,805	9,749	12,472	12,101	13,681
Total noncurrent liabilities	1,083,420	1,454,706	1,426,529	1,421,120	1,443,811
Total liabilities	1,396,781	1,747,966	1,738,552	1,573,645	1,654,405
Deferred inflows of resources					
Unamortized gain on pension investments	4,870	29,341	67,914	62,186	49,295
Unamortized gain on leases	21,591	20,517	19,444	18,370	17,312
Total deferred inflows of resources	26,461	49,858	87,358	80,556	66,607
Net Position					
Net investment in capital assets	1,938,543	1,867,361	2,214,210	2,416,392	2,502,486
Restricted	28,318	306,174	40,171	52,216	11,296
Unrestricted	(381,772)	(450,559)	(483,901)	(517,629)	(522,558)
Total net position	1,585,089	1,722,976	1,770,480	1,950,979	1,991,224
Total liabilities, deferred inflows of resources & net position	$3,008,331	$3,520,800	$3,596,390	$3,605,180	$3,712,236

(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 2012 through 2016. 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
Revenues				
Operating revenues				
Passenger revenue	$ 112,500	$ 114,618	$ 116,734	$ 118,069
Auxiliary transportation & other revenue	40,198	42,376	36,701	25,704
Total operating revenues	152,698	156,994	153,435	143,773
Operating expenses				
Labor	129,385	132,531	139,920	155,069
Fringe benefits	204,019	197,793	166,847	190,385
Materials and services	91,893	99,139	82,913	89,581
Utilities	7,671	8,097	8,573	9,488
Purchased transportation	40,845	43,071	36,396	27,979
Depreciation expense	78,955	88,567	91,555	132,999
Other operating expense	14,938	9,167	10,340	10,181
Total operating expenses	567,706	578,365	536,544	615,682
Operating loss	(415,008)	(421,371)	(383,109)	(471,909)
Nonoperating revenues and (expenses)				
Payroll tax and other tax revenue	259,233	275,357	292,077	325,074
Grant revenue	96,629	89,472	47,596	72,550
Interest income	411	332	464	803
Net leveraged lease expense	(240)	(317)	(206)	278
Interest and other expense	(9,914)	(7,608)	(2,703)	(16,227)
Total nonoperating revenues, net	346,119	357,236	337,228	382,478
Loss before contributions	(68,889)	(64,135)	(45,881)	(89,431)
Capital contributions	206,775	111,639	226,380	129,676
Changes in net position	137,886	47,504	180,499	40,245
Cumulative effect of restatement(1)	(235,431)			
Total net position-beginning	1,820,521	1,722,976	1,770,480	1,950,979
Total net position-ending	$ 1,722,976	$ 1,770,480	$ 1,950,979	$ 1,991,224

(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. FY 2012 data is not included in the table due to the restatement of net position that rendered it less than a year-to-year comparison with FY 2013.

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2013 through 2016. 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, 2016 and 2015, see AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015—Management's Discussion and Analysis" contained in this APPENDIX A.

All amounts set forth below have been rounded.

In FY 2016, total payroll taxes and other tax revenues increased $33.0 million, or 11.3 percent, compared to FY 2015, due to the underlying growth of employer payroll taxes as the economy continued to strengthen and an increase to the payroll tax rate.

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. At June 30, 2015, total assets were $3,549.2 million, an increase of $3.1 million, or 0.1 percent, compared to June 30, 2014. The increases for FY 2016 were mainly due to increases in fixed assets related to the construction of the PMLR project.

For FY 2016, passenger revenues were $118.1 million, increasing $1.3 million compared to FY 2015. There were no fare increases during the FY 2016. Passenger revenues were $116.7 million for FY 2015, an increase of $2.1 million or 1.8 percent, over FY 2014.

In FY 2016, total operating expenses were $615.7 million, an increase of $79.1 million, or 14.7 percent compared to FY 2015. Labor and fringe benefit costs make up 54.6 percent of total expenses, and totaled $345.5 million for FY 2016, an increase of $38.7 million, or 12.6 percent. In FY 2015, total operating expenses were $536.5 million, a decrease of $41.8 million, or 7.2 percent compared to FY2014.

At June 30, 2016, total net position was $1,991.2 million, an increase of $40.2 million, or 2.1 percent compared to June 30, 2015. This increase primarily resulted from construction on the PMLR project during the year. At June 30, 2015, total net position was $1,951.0 million, an increase of $180.5 million, or 10.2 percent from June 30, 2014.

Capital contributions include federal grants and other local government contributions restricted for the purchase or construction of capital assets. TriMet received capital contributions of $129.7 million, during FY 2016, primarily supporting the construction of the PMLR project. In FY 2015, TriMet recorded $226.4 million in capital contributions, of which $100 million was a draw on Federal Funds for the PMLR project.

At June 30, 2016, TriMet had invested $3,044.4 million in capital assets, net of accumulated depreciation. Total capital assets, net of depreciation, increased $32.9 million, or 1.0 percent compared to June 30, 2015. Total net capital assets were $3,011.5 million at June 30, 2015, an increase of $157.0 million or 5.5 percent. These increases included construction on the PMLR project, the addition of new buses to TriMet's fleet, and other equipment purchases. For additional information concerning TriMet's capital assets, see Note 4 to the audited financial statements attached in this Appendix A.

In September 2015, the PMLR was successfully completed and opened in full revenue operation. This 7.3-mile light rail extension project, connects Portland State University in downtown Portland, inner Southeast Portland, the City of Milwaukie and north Clackamas County. The $1.5 billion project was completed on time and under budget. On opening day, the line transported more than 45,000 riders. PMLR includes the first vehicle free expansion bridge, Tilikum Crossing, in the country. Use of the bridge is limited to bus, light rail, streetcar, bike and pedestrian traffic.

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, 2016, TriMet had the following investments:

TABLE A-7
CASH AND INVESTMENTS AS OF JUNE 30, 2016
($000s)

	Fair Value	**% of Portfolio**	**Weighted Average Maturity (years)**
Cash on hand	$ 416	0.2%	-
Demand deposits with financial institutions	36,547	16.4	-
State of Oregon local government investment pool	46,628	20.9	-
Commercial paper	2,000	0.9	-
Federal National Mortgage Association	20,637	9.2	0.16
Federal Home Loan Bank	20,008	9.0	0.04
U.S. Treasuries	96,880	43.4	0.29
Total Cash and Investments	$ 223,116[(1)]		

(1) Includes $160.2 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 leveraged leases (the "Leases"), which are scheduled to remain in effect until 2038. The Leases are all that remain 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 Leases are not secured by a pledge of or lien on the Grant Receipts and are described in greater detail in the"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015—Notes to Financial Statements, 8. Lease Transactions at pp 40-43" in this Appendix A.

During 2005, TriMet entered into the outstanding Leases, consisting of sale-leaseback transactions for 28 light rail vehicles. The Leases do 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, 2016 AND 2015—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.

Debt Management Policy

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's Board adopted the most recent version of the Debt Management Policy in April 2014. 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 25 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 until TriMet begins to replace or add to the light rail vehicle fleet.

- 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.

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 are anticipated to be 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 March 31, 2017, 457 active employees were covered by the Management DC Plan, and TriMet contributions and employee contributions in FY 2016 were $2.1 million and $0.8 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 March 31, 2017, 1,076 active employees were covered by the Union DC Plan and TriMet contributions and employee contributions in FY 2016 were $2.5 million and $1.6 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 2016, TriMet and the plan actuary used an assumed future net rate of return 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, 2012	**June 30, 2013**	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**
Total pension liability	$ 113,750	$ 121,918	$ 123,740	$ 129,132	$ 133,362
Plan fiduciary net position (Market value of plan assets)	74,978	91,335	107,119	111,100	114,997
Plan fiduciary net position as a percent of total pension liability	65.9%	74.9%	86.6%	86.0%	86.2%
Annual covered payroll	$ 14,869	$ 14,200	$ 13,142	$ 12,751	$ 12,722
Net pension liability	38,772	30,583	16,621	18,032	18,365
Net pension liability as a percentage of payroll	260.8%	215.4%	126.5%	141.4%	144.4%
Actuarially Determined Contribution (the "ADC")	$ 6,216	$ 6,491	$ 4,957	$ 4,219	$ 4,242
Contributions	3,008	9,776	5,602	6,559	7,036
Contributions excess (deficiency)	(3,208)	3,285	645	2,340	2,794
Contributions as a percent of covered payroll	20.2%	68.8%	42.6%	51.4%	55.3%

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2012 through 2016. This summary is not audited. See Note 12 in "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015" 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 2016, TriMet and the Plan actuary used an assumed future rate of return 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, 2012	**June 30, 2013**	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**
Total pension liability	$ 542,269	$ 574,616	$ 618,228	$ 625,233	$ 656,437
Plan fiduciary net position (Market value of plan assets)	280,856	365,989	448,379	465,815	472,829
Plan fiduciary net position as a percent of Total pension liability	51.8%	63.7%	72.5%	74.5%	72.0%
Annual covered payroll	$ 125,142	$ 125,143	$ 124,696	$ 116,556	$ 117,666
Net pension liability	261,413	208,627	169,849	159,418	183,608
Net pension liability as a percentage of payroll	208.9%	166.7%	136.2%	136.8%	156.1%
Actuarially determined contribution (the "ADC")	$ 32,224	$ 34,638	$ 35,553	$ 31,926	$ 28,030
Contributions	35,853	36,766	48,689	37,793	38,027
Contributions excess (deficiency)	3,629	2,128	13,136	5,867	9,997
Contributions as a percentage of covered payroll	28.6%	29.4%	39.0%	32.4%	32.3%

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2012 through 2016. This summary is not audited. See Note 13 in "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015," 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. TriMet pays a portion of the premiums for primary medical and hospitalization, dental and vision benefits for eligible retirees and spouses. 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 2,453 and 2,285 union and non-union retirees, dependents, and surviving spouses receiving the post-employment health care and life insurance benefits at January 1, 2016 and 2015, 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 $17.1 million and $17.6 million in FYs 2016 and 2015, 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 December 31, 2015, using the following assumptions: a discount rate of 3.5 percent and health care cost increases between 4.25 percent annually and 8.25 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, 2016, 2015, 2014, 2013 and 2012 and a schedule of funding progress.

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

	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015	Jan. 1, 2016
Actuarial Accrued Liability (AAL)	$ 900,541	$ 852,756	$ 949,993	$ 711,180	$ 760,727
Actuarial Value (Market Value of Assets)	0	401	401	401	401
Funded Ratio	0.0%	0.0%	0.0%	0.0%	0.0%

ANNUAL REQUIRED CONTRIBUTION (ARC)
($000s)

	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015	Jan. 1, 2016
Total Annual Required Contribution (ARC)	$ 83,279	$ 81,869	$ 94,145	$ 73,999	$ 76,628
Covered payroll	151,448	151,180	145,469	154,966	167,369
ARC as a percentage of payroll	55.0%	54.2%	64.7%	47.8%	45.7%
Contributions made	$ 16,655	$ 15,649	$ 16,020	$ 17,617	$ 17,107

Source: TriMet; based on actuarial valuations and other post-employment benefits (OPEB) as of January 1, 2015 in accordance with GASB Statement No. 45.

Secretary of State Audit of TriMet

In January 2014, in response to 2013 state legislation requiring an examination of TriMet, the Oregon Secretary of State conducted a high-level examination of TriMet in the following areas: Governance and Management; Financial Condition; Internal Communication and Labor Management Relations; External Communications and Relations; Managing Operations Hiring, Training and Evaluations; and Safety. The examination, which was not a financial audit, resulted in twenty-three specific recommendations, each of which TriMet implemented over the course of the 2014 calendar year. Information relating to the Oregon Secretary of State's examination and TriMet's response is contained in the "Transparency and Accountability Center" of TriMet's website.

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

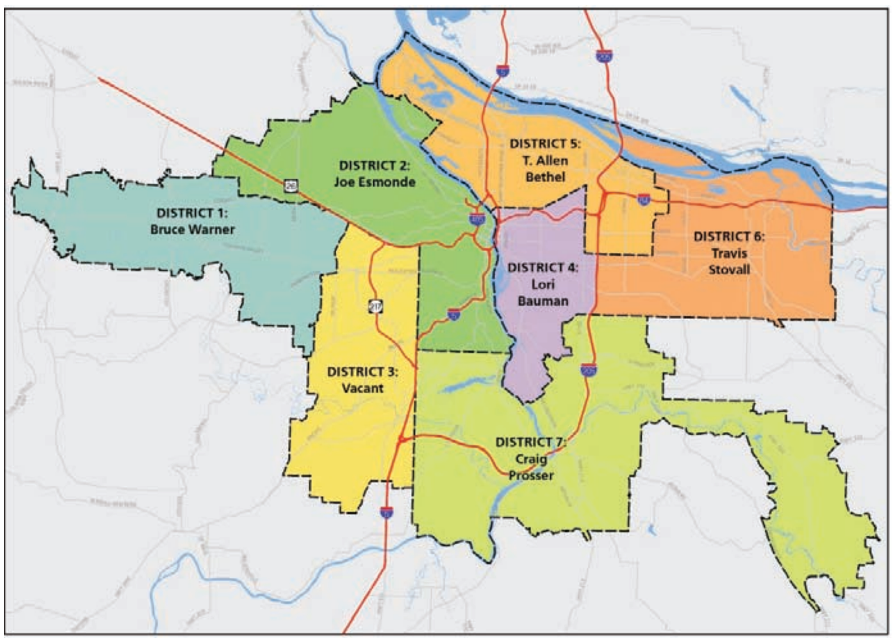
The TriMet Board has the power to create local legislation by enacting ordinances. Regular ordinances can be referred to a vote if a petition is signed by a number of TriMet voters that is at least equal to four percent of the number of TriMet voters who voted in the last election for Governor of the 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.

TRI MET

Report of Independent Auditors and Financial Statements with Supplementary Information June 30, 2016 and 2015

Board of Directors

Name	District
Bruce Warner, President	#1
Joe Esmonde	#2
Vacant	#3
Lori Irish Bauman	#4
Dr. T. Allen Bethel	#5
Travis Stovall	#6
Craig Prosser	#7



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

WWW.MOSSADAMS.COM

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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 or TriMet), as of June 30, 2016 and 2015, and the statements of revenues, expenses, and changes in net position and cash flows of the Enterprise Fund for the years ended June 30, 2016 and 2015, and the statements of changes in fiduciary net position of the Pension Plan Trust Funds for the years ended June 30, 2016 and 2015, 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. 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

REPORT OF INDEPENDENT AUDITORS (continued)

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 TriMet as of June 30, 2016 and 2015, 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 TriMet 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 schedule of 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.

REPORT OF INDEPENDENT AUDITORS (continued)

The schedule of 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the budgetary comparison information, the schedule of property tax levies and collections last five fiscal years, and schedule of property tax transactions and outstanding balances is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Moss Adams LLP

Moss Adams LLP
Portland, Oregon
September 20, 2016

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, 2016 and 2015, 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, 2016 and 2015, 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.

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 $542,200 for fiscal year 2016, an increase of 9.9 percent. The increase was the result of timing of Grant revenue authorization in fiscal year 2016, and increases in Payroll Tax revenues due to a rate increase in January 2016 and improved economic conditions in the District. Grant revenue increased 52.4 percent, totaling $72,550 for the fiscal year. Payroll Tax Revenue increased 11.3 percent, totaling $325,074 for the fiscal year.

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

- Total payroll and other tax revenues increased $32,997, or 11.3 percent, compared to fiscal year 2015. Employer payroll tax revenue increased $32,359, or 11.8 percent, while self employment and other tax revenues increased $639, over fiscal year 2015, due to the impact of the underlying growth of employer payroll taxes as the economy continued to strengthen.

  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, resulting in a rate of 0.007337.

- Grant revenue increased $24,954, or 52.4 percent, compared to fiscal year 2015. Revenues in this category include Federal Preventive Maintenance Funds and other operating support. Revenues under these programs are recognized when the grants are approved by the granting agency and funds are appropriated. 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.

- Passenger revenue was $118,069 for the fiscal year, an increase of 1.1 percent. Pass revenue made up the majority of this increase.

- Total operating and non-operating expenses increased 17.1 percent to $631,631, during fiscal year 2016. Labor expense increased 10.8 percent, or $15,149, due primarily to staffing increases in transportation operations and regular pay increases for employees. Fringe benefits expense increased by $23,538, or 14.1 percent, due primarily to increased staffing levels in the current year. Materials and services expenses increased 8.0 percent, or $6,668, 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. Purchased transportation decreased 23.1 percent to $27,979, as a result of the termination of the medical transportation contract with the State of Oregon in December 2014.

- Total net position at June 30, 2016, was $1,991,224, an increase of 2.1 percent from 2015. The increase in net position is due primarily to an increase in net capital assets associated with the Portland to Milwaukie light rail project ("PMLR").

- Total capital assets, net of accumulated depreciation, were $3,044,386 at June 30, 2016, an increase of $32,876 from 2015. This increase was due primarily to the net impact of construction costs related to PMLR, offset by depreciation expense related to existing capital assets currently in use.

ENTERPRISE FUND FINANCIAL SUMMARY

Net Position

The District's 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 increased $76,210, or 2.1 percent, and total liabilities increased $80,760 or 5.1 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 increases in Grants receivable due to timing of receipt of grants in the current year. The increase in total liabilities is due primarily to issuance of debt to fund capital acquisitions in future months, and increases in Net pension liability.

Management's Discussion and Analysis

continued

(dollars in thousands)

Total net position at June 30, 2015, was $1,950,979, an increase of $180,499 or 10.2 percent from June 30, 2014 (see Table 1). Total assets increased $3,086, or 0.1 percent, and total liabilities decreased $164,907 or 9.5 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"). The decrease in total liabilities is due primarily to decreases in Unearned capital project revenue associated with construction of PMLR, as capital contributions were recognized in conjunction with related construction costs during the year.

Table 1

Net Position
As of June 30
(dollars in thousands)

				Increase (decrease)			
				2016 - 2015		2015 - 2014	
	2016	2015	2014	$	%	$	%
Assets							
Current and other assets	$ 581,040	$ 537,706	$ 691,605	$ 43,334	8.1 %	$ (153,899)	(22.3)%
Capital assets, net of depreciation	3,044,386	3,011,510	2,854,525	32,876	1.1 %	156,985	5.5 %
Total assets	3,625,426	3,549,216	3,546,130	76,210	2.1 %	3,086	0.1 %
Deferred outflows of resources	86,810	55,964	50,260	30,846	55.1 %	5,704	11.3 %
Total assets and deferred outflows of resources	$ 3,712,236	$ 3,605,180	$ 3,596,390	$ 107,056	3.0 %	$ 8,790	0.2 %
Liabilities							
Current liabilities	$ 210,594	$ 152,525	$ 312,023	$ 58,069	38.1 %	$ (159,498)	(51.1)%
Noncurrent liabilities	1,443,811	1,421,120	1,426,529	22,691	1.6 %	(5,409)	(0.4)%
Total liabilities	1,654,405	1,573,645	1,738,552	80,760	5.1 %	(164,907)	(9.5)%
Deferred inflows of resources	66,607	80,556	87,358	(13,949)	(17.3)%	(6,802)	(7.8)%
Net position							
Net investment in capital assets	2,502,486	2,416,392	2,214,210	86,094	3.6 %	202,182	9.1 %
Restricted	11,296	52,216	40,171	(40,920)	(78.4)%	12,045	30.0 %
Unrestricted	(522,558)	(517,629)	(483,901)	(4,929)	1.0 %	(33,728)	7.0 %
Total net position	1,991,224	1,950,979	1,770,480	40,245	2.1 %	180,499	10.2 %
Total liabilities, deferred inflows of resources, and net position	$ 3,712,236	$ 3,605,180	$ 3,596,390	$ 107,056	3.0 %	$ 8,790	0.2 %

Current and other assets increased $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 fiscal year.

Current and other assets decreased $153,899, or 22.3 percent, in 2015, due primarily to decreases in Cash and investments of $175,973 compared to fiscal year 2014. The decrease was due to reductions in restricted cash related to payment for construction costs associated with the Portland to Milwaukie project, and timing delays in authorization and receipt of federal operating grants in fiscal year 2015.

Management's Discussion and Analysis

continued

(dollars in thousands)

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. 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. The decrease in Current liabilities of $159,498, or 51.1 percent, in 2015 was due to decreases 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 increased $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. Noncurrent liabilities decreased $5,409, or 0.4 percent, in 2015, primarily due to decreases in Long term debt of $27,963 resulting from debt principal payments during the year, decreases in Unearned lease revenue of $10,956 as the amortization of the deferred balance transferred to a current liability, and decreases in Net pension liability of $9,021, offset by increases in OPEB liability of $44,142.

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 2016 and 2015. This resulted primarily from the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* These statements established standards for the measurement, recognition, and presentation of net pension liability and other postemployment benefits in the District's financial statements. Net pension liabilities recorded on the statement of net position in accordance with GASB Statement No. 68 totaled $201,973 and $177,449 for the years ended June 30, 2016 and 2015, respectively. Other postemployment benefit liabilities recorded on the statement of net position in accordance with GASB Statement No. 45 totaled $520,615 and $475,009 for the years ended June 30, 2016 and 2015, respectively.

Changes in Net Position

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.

The District's total revenues decreased $28,583, or 5.5 percent, during fiscal year 2015. Passenger revenue increased $2,116, or 1.8 percent, Payroll and other tax revenue increased $16,720, or 6.1 percent, and Grant revenue decreased $41,876, or 46.8 percent.

In fiscal year 2016, the Oregon economy showed significant improvement, with jobs and income increasing as fast as was noted in the mid-2000's, and unemployment continuing to decline to pre-recession rates. 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 expansion of service levels and overall strengthening of the District's financial position.

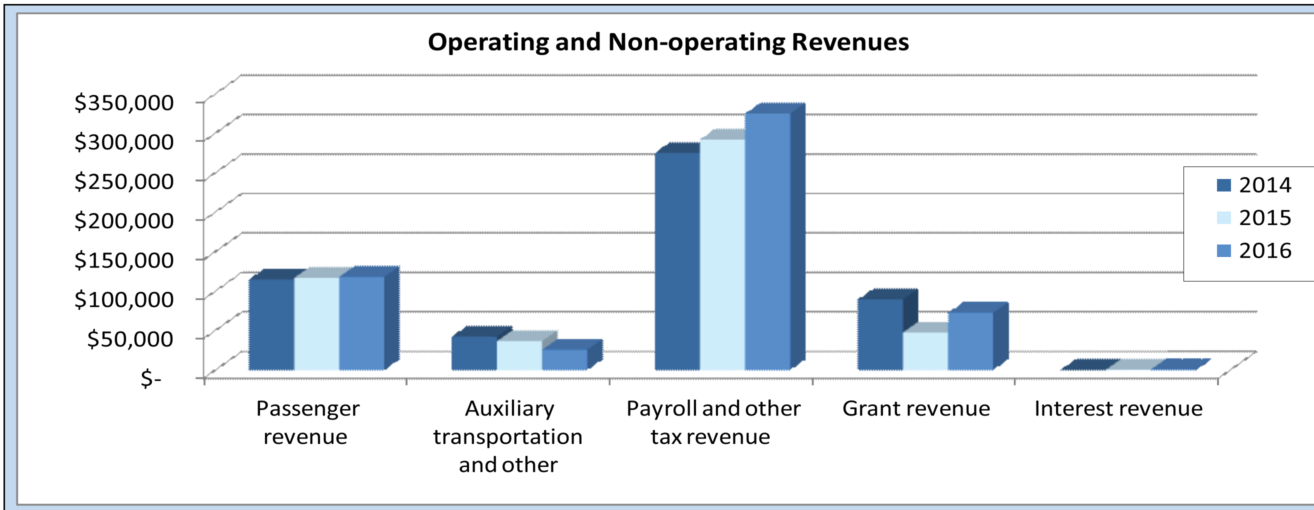
Management's Discussion and Analysis
continued
(dollars in thousands)

Table 2

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

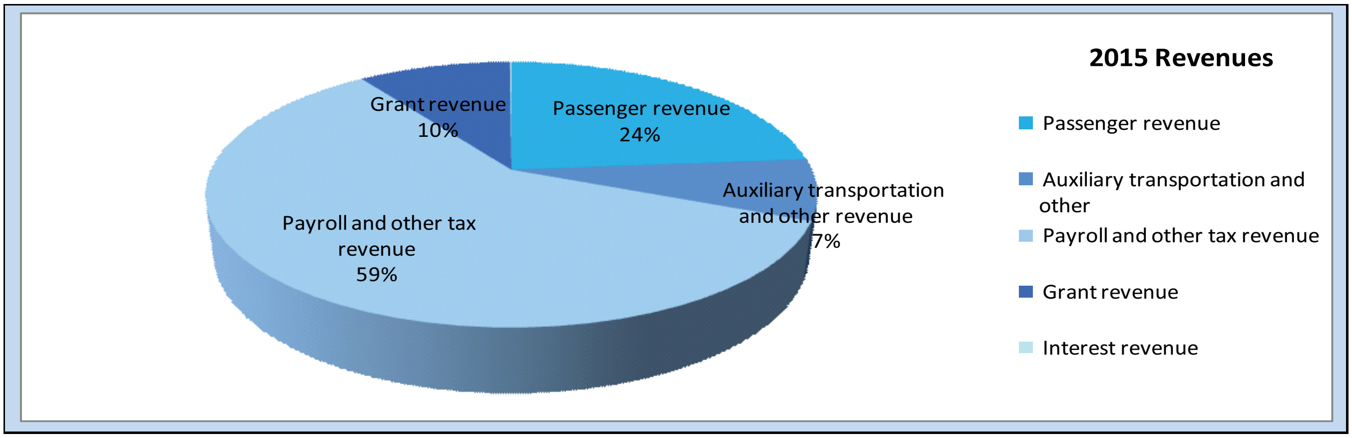
				Increase (decrease)			
				2016 - 2015		2015 - 2014	
	2016	2015	2014	$	%	$	%
Revenues							
Operating revenues							
Passenger revenue	$ 118,069	$ 116,734	$ 114,618	$ 1,335	1.1 %	$ 2,116	1.8 %
Auxiliary transportation and other	25,704	36,701	42,376	(10,997)	(30.0)%	(5,675)	(13.4)%
Non-operating revenues							
Payroll and other tax revenue	325,074	292,077	275,357	32,997	11.3 %	16,720	6.1 %
Grant revenue	72,550	47,596	89,472	24,954	52.4 %	(41,876)	(46.8)%
Interest revenue	803	464	332	339	73.1 %	132	39.8 %
Total operating and non-operating revenues	542,200	493,572	522,155	48,628	9.9 %	(28,583)	(5.5)%
Expenses							
Labor	155,069	139,920	132,531	15,149	10.8 %	7,389	5.6 %
Fringe benefits	190,385	166,847	197,793	23,538	14.1 %	(30,946)	(15.6)%
Materials and services	89,581	82,913	99,139	6,668	8.0 %	(16,226)	(16.4)%
Utilities	9,488	8,573	8,097	915	10.7 %	476	5.9 %
Purchased transportation	27,979	36,396	43,071	(8,417)	(23.1)%	(6,675)	(15.5)%
Depreciation expense	132,999	91,555	88,567	41,444	45.3 %	2,988	3.4 %
Other operating expense	10,181	10,340	9,167	(159)	(1.5)%	1,173	12.8 %
Net leveraged lease (income) expense	(278)	206	317	(484)	(235.0)%	(111)	(35.0)%
Interest and other expense	16,227	2,703	7,608	13,524	500.3 %	(4,905)	(64.5)%
Total expenses	631,631	539,453	586,290	92,178	17.1 %	(46,837)	(8.0)%
Loss before contributions	(89,431)	(45,881)	(64,135)	(43,550)	94.9 %	18,254	(28.5)%
Capital contributions	129,676	226,380	111,639	(96,704)	(42.7)%	114,741	102.8 %
Increase in net position	40,245	180,499	47,504	(140,254)	(77.7)%	132,995	280.0 %
Total net position - beginning	1,950,979	1,770,480	1,722,976	180,499	10.2 %	47,504	2.8 %
Total net position - ending	$1,991,224	$1,950,979	$ 1,770,480	$ 40,245	2.1 %	$ 180,499	10.2 %

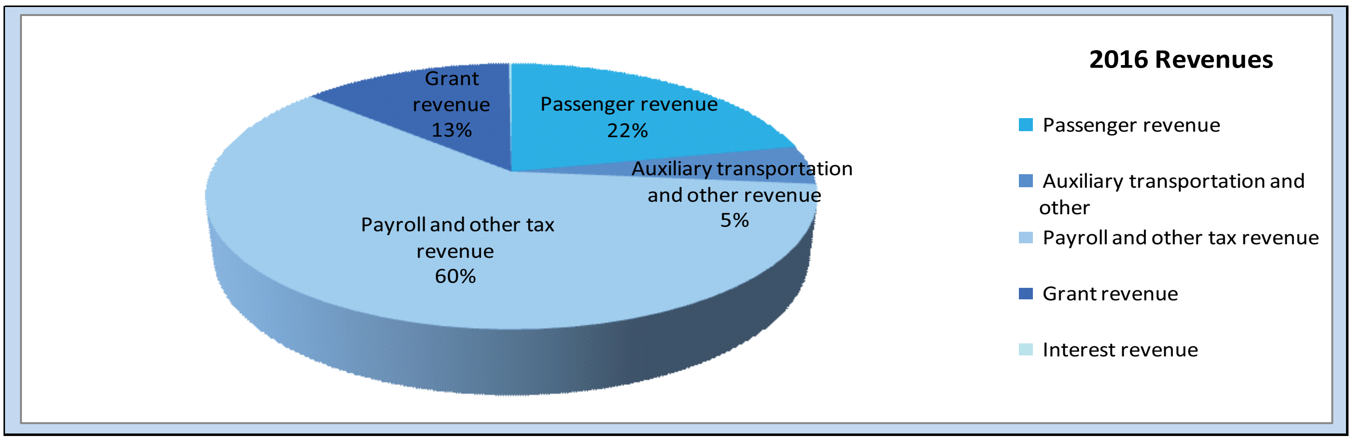
The following chart displays trends in Operating and Non-operating Revenues for the last three fiscal years:



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

The following charts display the allocation of District revenues for fiscal years 2015 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 2016, the District experienced overall growth in passenger revenue of 1.1 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 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 $32,997, or 11.3 percent in fiscal year 2016. In fiscal year 2015, payroll and other tax revenues increased $16,720, or 6.1 percent, compared to fiscal year 2014.

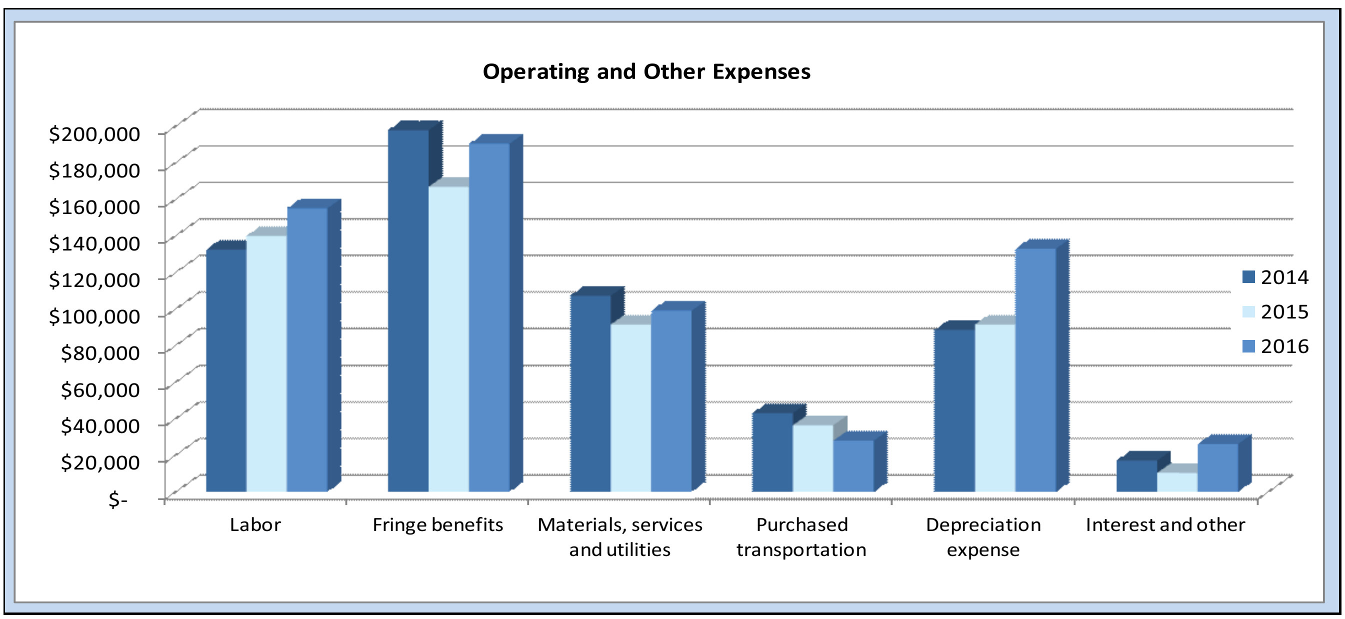
Operating and Other Expenses

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 $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. 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.

Total expenses decreased $46,837, or 8.0 percent, during fiscal year 2015. Labor costs increased $7,389, or 5.6 percent, and Fringe benefits decreased $30,946, or 15.6 percent, resulting primarily from increases in staffing in bus transportation, offset by decreases in Other post employment benefits expense. Materials and services decreased $16,226, or 16.4 percent, due primarily to savings resulting from lower diesel fuel prices, and reductions in intergovernmental transfers in the current year. Purchased transportation decreased $6,675, or 15.5 percent during fiscal year 2015 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 $96,704, during fiscal year 2016, due to timing of contributions recognized in relation to PMLR. Capital contributions increased $114,741, during fiscal year 2015, due to timing of contributions recognized in relation to PMLR.

Management's Discussion and Analysis

continued

(dollars in thousands)

Capital Assets

At June 30, 2016, the District had invested $3,044,386, 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)			
				2016 - 2015		2015 - 2014	
	2016	2015	2014	$	%	$	%
Land and other	$ 231,713	$ 232,347	$ 229,964	$ (634)	(0.3)%	$ 2,383	1.0 %
Rail right-of-way and stations	1,603,548	1,113,195	1,160,206	490,353	44.0 %	(47,011)	(4.1)%
Buildings	539,228	187,231	185,709	351,997	188.0 %	1,522	0.8 %
Transportation equipment	413,514	291,464	267,928	122,050	41.9 %	23,536	8.8 %
Furniture and other equipment	157,262	60,491	66,017	96,771	160.0 %	(5,526)	(8.4)%
Construction in progress	99,121	1,126,782	944,701	(1,027,661)	(91.2)%	182,081	19.3 %
Total capital assets	$ 3,044,386	$ 3,011,510	$ 2,854,525	$ 32,876	1.1 %	$ 156,985	5.5 %

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. Total capital assets net of depreciation increased $156,985, or 5.5 percent, during fiscal year 2015, due to construction on PMLR, offset in part 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, 2016, the District had $718,410 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, 2016	Moody's	Standard & Poor's
Payroll Tax Revenue Bonds:				
2007 Series A Payroll Tax	$ 45,450	$ 1,545	Aaa	AAA
2009 Series A and B Payroll Tax	49,550	19,050	Aaa	AAA
2012 Series A Payroll Tax	93,290	18,315	Aaa	AAA
2015 Series A and B Payroll Tax	134,590	134,590	Aaa	AAA
2016 Series A Payroll Tax	74,800	74,800	Aaa	AAA
Payroll Tax and Grant Receipt Revenue Bonds:				
2013 Series Payroll Tax and Grant Receipt	325,000	325,000	Aa3	A+
Grant Receipt Revenue Bonds:				
2005 Series Capital Grant Receipt	79,320	2,730	A3	A
2011 Series A and B Capital Grant Receipt	142,380	142,380	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 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. 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, 2016.

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 of June 30, 2016, 2015, and 2014:

Table 5

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

	2016	2015	2014
Trust assets	$ 115,034	$ 111,141	$ 107,119
Trust liabilities	37	41	27
Trust net position	$ 114,997	$ 111,100	$ 107,092

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 (see Note 12). Total net position as of June 30, 2015 increased by $4,008 or 3.7 percent, due to employer contributions recorded in the plan of $6,559 in fiscal year 2015, the increase in fair market value of investments, and offset by reductions due to payment of retirement benefits. 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, 2016, 2015, and 2014:

Table 6

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

	2016	2015	2014
Employer contributions	$ 7,036	$ 6,559	$ 5,367
Investment earnings	1,460	2,019	14,252
Total additions	8,496	8,578	19,619
Benefit payments	4,502	4,458	3,892
Administrative expenses	97	112	154
Total deductions	4,599	4,570	4,046
Increase in net position	3,897	4,008	15,573
Trust net position, beginning	111,100	107,092	91,519
Trust net position, ending	$ 114,997	$ 111,100	$ 107,092

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 of June 30, 2016, 2015, and 2014:

Table 7

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

	2016	2015	2014
Trust assets	$ 473,024	$ 466,012	$ 448,379
Trust liabilities	195	197	29
Trust net position	$ 472,829	$ 465,815	$ 448,350

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 (see Note 13). Total net position as of June 30, 2015 increased by $17,465, or 3.9 percent, due to employer contributions to the plan of $37,793 in fiscal year 2015, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits. 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, 2016, 2015, and 2014:

Table 8

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

	2016	2015	2014
Employer contributions	$ 39,805	$ 37,793	$ 48,689
Investment earnings	1,949	12,294	64,566
Total additions	41,754	50,087	113,255
Benefit payments	34,458	32,269	30,277
Administrative expenses	282	353	454
Total deductions	34,740	32,622	30,731
Increase in net position	7,014	17,465	82,524
Trust net position, beginning	465,815	448,350	365,826
Trust net position, ending	$ 472,829	$ 465,815	$ 448,350

Management's Discussion and Analysis

continued

(dollars in thousands)

ACCOUNTING GUIDANCE

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application* ("the statement") during fiscal year 2016. The statement provides guidance for determining fair value to certain investments and disclosures related to all fair value measurements, and requires accounting for investments at fair value (See notes 1, 12, and 13).

ECONOMIC FACTORS AND FISCAL YEAR 2017 BUDGET

The District's Board of Directors adopted the fiscal year 2017 budget on May 25, 2016. The fiscal year 2017 budget includes $917,939 in general fund appropriations, a 13.1 percent increase from fiscal year 2016. 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.

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, 2016 and 2015
(dollars in thousands)

Assets	2016	2015
Current assets (unrestricted):		
Cash and cash equivalents	$ 58,590	$ 56,522
Investments	4,323	11,359
Taxes and other receivables, net	98,560	88,342
Grants receivable	40,125	24,843
Prepaid expenses	10,205	12,483
Current assets (restricted):		
Cash and cash equivalents	57,740	32,796
Investments	102,463	151,283
Taxes and other receivables, net	204	656
Grants receivable	100,658	3,508
Prepaid expenses	724	1,033
Prepaid lease expenses and deposits	5,051	10,956
Total current assets	478,643	393,781
Capital assets		
Land and other	231,713	232,347
Construction in process	99,121	1,126,782
Property and equipment	4,121,284	2,950,866
Less accumulated depreciation	(1,407,732)	(1,298,485)
Net capital assets	3,044,386	3,011,510
Prepaid lease expenses	67,840	80,141
Long-term restricted lease deposit	-	35,376
Materials, supplies and other	32,765	26,572
Other assets	1,792	1,836
Total assets	3,625,426	3,549,216
Deferred outflows of resources		
Unamortized loss on pension assets	80,070	55,545
Unamortized loss on refunded debt	6,740	419
Total deferred outflows of resources	86,810	55,964
Total assets and deferred outflows of resources	$ 3,712,236	$ 3,605,180

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Net Position

June 30, 2016 and 2015
(dollars in thousands)
continued

Liabilities	2016	2015
Current liabilities (unrestricted):		
Accounts payable	$ 24,300	$ 16,481
Accrued payroll	19,322	24,917
Current portion of noncurrent liabilities	6,881	8,195
Unearned revenue	12,921	18,794
Current liabilities (restricted):		
Accounts payable	10,463	10,262
Current portion of long-term debt	111,533	19,349
Unearned revenue	1,000	1,000
Unearned capital project revenue	12,398	35,839
Other accrued liabilities	6,725	6,732
Unearned lease revenue, current portion	5,051	10,956
Total current liabilities	210,594	152,525
Noncurrent liabilities:		
Long-term debt	651,628	685,783
Unearned lease revenue	-	5,051
Long-term lease liability	55,914	65,727
Net pension liability	201,973	177,449
Other postemployment benefits liability	520,615	475,009
Other long-term liabilities	13,681	12,101
Total noncurrent liabilities	1,443,811	1,421,120
Total liabilities	1,654,405	1,573,645
Deferred inflows of resources		
Unamortized gain on pension investments	49,295	62,186
Unamortized gain on leases	17,312	18,370
Total deferred inflows of resources	66,607	80,556
Net position		
Net investment in capital assets	2,502,486	2,416,392
Restricted	11,296	52,216
Unrestricted	(522,558)	(517,629)
Total net position	1,991,224	1,950,979
Total liabilities, deferred inflows of resources and net position	$ 3,712,236	$ 3,605,180

See accompanying notes to basic financial statements

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

For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	2016	2015
Operating revenues		
Passenger revenue	$ 118,069	$ 116,734
Auxiliary transportation and other revenue	25,704	36,701
Total operating revenues	143,773	153,435
Operating expenses		
Labor	155,069	139,920
Fringe benefits	190,385	166,847
Materials and services	89,581	82,913
Utilities	9,488	8,573
Purchased transportation	27,979	36,396
Depreciation expense	132,999	91,555
Other operating expense	10,181	10,340
Total operating expenses	615,682	536,544
Operating loss	(471,909)	(383,109)
Non-operating revenues (expenses)		
Payroll and other tax revenue	325,074	292,077
Grant revenue	72,550	47,596
Interest income	803	464
Net leveraged lease income (expense)	278	(206)
Interest and other expense	(16,227)	(2,703)
Total non-operating revenues, net	382,478	337,228
Loss before contributions	(89,431)	(45,881)
Capital contributions	129,676	226,380
Changes in net position	40,245	180,499
Total net position - beginning	1,950,979	1,770,480
Total net position - ending	$ 1,991,224	$ 1,950,979

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	2016	2015
Cash flows from operating activities		
Receipts from passengers	$ 117,136	$ 119,051
Receipts from other sources	18,916	40,730
Payments to employees	(315,271)	(285,229)
Payments to suppliers	(135,133)	(199,562)
Net cash used in operating activities	(314,352)	(325,010)
Cash flows from noncapital financing activities		
Receipts from payroll taxes	316,054	290,659
Receipts from operating grants	57,900	25,740
Net cash provided by noncapital financing activities	373,954	316,399
Cash flows from capital and related financing activities		
Receipts from capital grants	8,453	110,464
Receipts from property taxes	22	44
Payments on leases	(207)	-
Receipts from sales or lease of capital assets	235	1,466
Acquisition and construction of capital assets	(129,349)	(232,352)
Issuance of long-term debt	209,390	-
Principal payments on long-term debt	(155,840)	(18,539)
Interest payments on long-term debt	(22,406)	(28,309)
Net cash used by capital and related financing activities	(89,702)	(167,226)
Cash flows from investing activities		
Purchases of investment securities	(462,664)	(435,262)
Proceeds from sales and maturities of investment securities	518,520	495,341
Interest received	1,256	-
Net cash provided by investing activities	57,112	60,079
Net (decrease) increase in cash and cash equivalents	27,012	(115,758)
Cash and cash equivalents, beginning of year	89,318	205,076
Cash and cash equivalents, end of year	$ 116,330	$ 89,318
Reconciliation of cash and cash equivalents		
Unrestricted cash and cash equivalents	$ 58,590	$ 56,522
Restricted cash and cash equivalents	57,740	32,796
Total cash and cash equivalents	$ 116,330	$ 89,318

See accompanying notes to basic financial statements

Enterprise Fund
Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015
(dollars in thousands)
continued

Reconciliation of operating loss to net cash used in operating activities

	2016	2015
Operating loss	$ (471,909)	$ (383,109)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	132,999	91,555
Loss on disposal of capital assets	(191)	(667)
(Increase) decrease in taxes and other receivables	(1,221)	5,602
Increase in materials, supplies and other	(6,193)	(3,413)
Increase in prepaid and other assets	2,631	(4,708)
Increase (decrease) in operating accounts payable	8,020	(53,328)
Increase (decrease) in accrued payroll	(5,595)	(1,747)
Increase in unearned revenue	(5,873)	1,738
Increase (decrease) in net pension obligation	(12,892)	(20,704)
Increase in other postemployment benefit obligation	45,606	44,142
Increase (decrease) in other liabilities	266	(371)
Total adjustments	157,557	58,099
Net cash used in operating activities	$ (314,352)	$ (325,010)

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

(dollars in thousands)

	2016	2015
Net leveraged lease expense	$ 278	$ (206)
Accretion/amortization of investments	(3,245)	64,880
Fiber optic lease	329	317
Amortization of bond premium/discount, and deferred amounts	(10,023)	(8,619)

See accompanying notes to basic financial statements

Trust Fund
Statements of Pension Plan Fiduciary Net Position
June 30, 2016 and 2015
(dollars in thousands)

	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
Statements of Pension Plan Fiduciary Net Position

June 30, 2016 and 2015
(dollars in thousands)
continued

2015		
Trust Fund		
Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
$ 6,119	$ 14,808	$ 20,927
23,930	125,971	149,901
2,943	15,072	18,015
18,871	104,407	123,278
-	-	-
18,411	51,185	69,596
-	-	-
14,783	34,736	49,519
9,615	37,533	47,148
10,144	62,216	72,360
956	12,767	13,723
5,294	7,026	12,320
104,947	450,913	555,860
75	291	366
75	291	366
111,141	466,012	577,153
41	197	238
41	197	238
$ 111,100	$ 465,815	$ 576,915

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Years Ended June 30, 2016 and 2015
(dollars in thousands)

	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
Gain (loss) on investments sold	(1,925)	6	(1,919)
Other income	-	-	-
Net increase (decrease) in fair value of investments	2,118	(3,002)	(884)
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 pension benefits:			
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

Trust Fund
Statement of Changes in Pension Plan Fiduciary Net Position

For the Years Ended June 30, 2016 and 2015
(dollars in thousands)
continued

2015		
Trust Fund		
Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
$ 6,559	$ 37,793	$ 44,352
190	1	191
1,572	6,401	7,973
6,490	19,077	25,567
108	230	338
(6,168)	(12,673)	(18,841)
(173)	(742)	(915)
2,019	12,294	14,313
8,578	50,087	58,665
4,458	32,269	36,727
112	353	465
4,570	32,622	37,192
4,008	17,465	21,473
107,092	448,350	555,442
$ 111,100	$ 465,815	$ 576,915

Notes to Financial Statements

June 30, 2016
(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 trust accounts: 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. 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 including GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* GASB Statement No. 67, *Financial Reporting for Pension Plans, and* GASB Statement No. 72*, Fair Value Measurement and Application*.

(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, 2016
(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 0.7337 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 in 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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

.

(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.

(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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

(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.

(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.

2. Cash and Investments

Cash and Investments at June 30 consisted of the following:

	2016			2015		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
Cash and investments:						
Cash on hand	$ 416	0.2 %	-	$ 400	0.2 %	-
Demand deposits with financial institutions	36,547	16.4 %	-	31,805	12.6 %	-
Oregon local government investment pool	46,628	20.9 %	-	26,696	10.6 %	-
Commercial paper	2,000	0.9 %	-	-	0.0 %	-
Federal National Mortgage Association	20,637	9.2 %	0.16	-	0.0 %	-
Federal Home Loan Bank	20,008	9.0 %	0.04	20,000	7.9 %	0.04
U.S. Treasuries	96,880	43.4 %	0.29	173,059	68.7 %	0.36
Total cash and investments	$ 223,116			$ 251,960		
Cash and investments are reflected in the Statements of net position as follows:						
Cash and cash equivalents						
Unrestricted	$ 58,590			$ 56,522		
Restricted	57,740			32,796		
Investments						
Unrestricted	4,323			11,359		
Restricted	102,463			151,283		
Total cash and investments	$ 223,116			$ 251,960		

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).

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

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.

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, 2016, the weighted average maturity of the investment portfolio was 0.15 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 Aa 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.

The Local Government Investment Pool (LGIP) is an open-ended, diversified portfolio offered to eligible participants including Oregon municipalities and political subdivisions. The Oregon State Treasurer's Office manages the LGIP in the same manner it oversees the management of the State's funds and in accordance with the prudent investor rule. The LGIP is commingled with the State's short-term funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable asset value fund, and it is not currently rated by an independent rating agency. The OSTF is an external investment pool that operates as a demand deposit account. The asset value per share is calculated by the Oregon State Treasurer's Office and approximates fair value. The LGIP is not registered with the U.S. Securities and Exchange Commission. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the LGIP are further governed by portfolio guidelines issued by the Fund Board.

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, 2016, the District had 43.4 percent invested in U.S. government securities, 18.2 percent in agency securities, 16.4 percent in demand deposits, 20.9 percent in local government investment pool, 0.9 percent in commercial paper, and 0.2 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.

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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

3. Receivables

At June 30, 2016 and 2015, the District had the following receivables under various federal and state grant agreements:

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

2015	Unrestricted	Restricted	Total
Federal pass through	$ -	$ 703	$ 703
Other federal	24,682	2,788	27,470
State grants	159	17	176
Local governments	2	-	2
	$ 24,843	$ 3,508	$ 28,351

Taxes and other receivables at June 30, 2016 and 2015, including the applicable allowances for uncollectible accounts, are as follows:

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	5,998	400	5,598
Property Tax	103	65	38
Other	7,640	-	7,640
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

2015	Receivable	Allowance for uncollectible accounts	Net receivable
Unrestricted:			
Payroll tax	$ 71,646	$ 3,369	$ 68,277
Self-employment tax	9,212	1,369	7,843
Trade accounts	5,022	400	4,622
Property Tax	120	60	60
Other	7,540	-	7,540
Total unrestricted	93,540	5,198	88,342
Restricted:			
Other	656	-	656
Total restricted	656	-	656
Total taxes and other receivables	$ 94,196	$ 5,198	$ 88,998

Notes to Financial Statements
June 30, 2016
(dollars in thousands)
continued

4. Capital Assets

Capital assets at June 30 consisted of the following:

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

2015	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
Capital assets, not being depreciated						
Land and other		$ 229,964	$ 2,159	$ (64)	$ 288	$ 232,347
Construction in process		944,701	246,630	(173)	(64,376)	1,126,782
Total capital assets, not being depreciated		1,174,665	248,789	(237)	(64,088)	1,359,129
Capital assets, being depreciated						
Rail right-of-way and stations	5-40	1,834,080	213	(409)	726	1,834,610
Buildings	40	359,345	30	(1,140)	9,852	368,087
Transportation equipment	5-30	546,783	-	(18,222)	47,202	575,763
Furniture and other equipment	3-20	168,865	307	(3,074)	6,308	172,406
Total capital assets, being depreciated		2,909,073	550	(22,845)	64,088	2,950,866
Less accumulated depreciation for						
Rail right-of-way and stations		(673,874)	(47,541)	-	-	(721,415)
Buildings		(173,636)	(8,360)	1,140	-	(180,856)
Transportation equipment		(278,855)	(23,513)	18,069	-	(284,299)
Furniture and other equipment		(102,848)	(12,141)	3,074	-	(111,915)
Total accumulated depreciation		(1,229,213)	(91,555)	22,283	-	(1,298,485)
Total capital assets, being depreciated, net		1,679,860	(91,005)	(562)	64,088	1,652,381
Total capital assets, net		$ 2,854,525	$ 157,784	$ (799)	$ -	$ 3,011,510

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

5. Long-Term Debt

Long-Term Debt at June 30 consists of the following:

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	(19,349)			(111,533)	
Long-term debt, net	$ 685,783			$ 651,628	

2015	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Payroll Tax Bonds:					
2005 Revenue Refunding Bonds, Series A	$ 21,210	$ -	$ (3,830)	$ 17,380	$ 4,025
2007 Revenue Bonds, Series A	36,760	-	(1,430)	35,330	1,485
2009 Revenue Bonds, Series A and B	44,185	-	(1,445)	42,740	1,490
2012 Senior Lien Payroll Tax Bonds, Series A	91,240	-	(2,090)	89,150	2,165
Payroll Tax and Capital Grant Receipt Revenue Bonds:					
2013 Payroll Tax and Grant Receipt Revenue Bonds	325,000	-	-	325,000	-
Capital Grant Receipt Revenue Bonds:	-				
Capital Grant Receipt Revenue Bonds, Series 2005	22,540	-	(9,660)	12,880	10,150
2011 Capital Grant Receipt Revenue Bonds	142,380	-	-	142,380	-
Capital Leases:	-				
Other	146	-	(84)	62	34
	683,461	-	(18,539)	664,922	19,349
Add (deduct):					
Unamortized bond premium	48,824	-	(8,614)	40,210	
Current portion	(18,539)			(19,349)	
Long-term debt, net	$ 713,746			$ 685,783	

Total interest cost on all outstanding debt was $20,557 and $19,690 in fiscal years 2016 and 2015, respectively. During fiscal year 2016, $4,330 of interest cost was capitalized and $16,227 was charged to expense, while during fiscal year 2015, $16,987 of interest cost was capitalized and $2,703 was charged to expense.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

Description of Debt:	June 30, 2016 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			
2005 Revenue Refunding Bonds, Series A	$ -	$ 4,460	
2007 Revenue Bonds, Series A	1,584	2,277	
2009 Revenue Bonds, Series A and B	31,050	2,986	
2012 Senior Lien Payroll Tax Bonds, Series A	21,504	6,505	
2013 Payroll Tax and Grant Receipts Bonds- Interest	21,775	11,650	
2015 Revenue Bonds, Series A and B	206,428	2,563	
2016 Revenue Bonds, Series A	113,968	-	
	$ 396,309	$ 30,441	$ 323,999
Capital Grant Receipt Revenue Bonds - pledged: Section 5307, STP, and CMAQ grant receipts			
Capital Grant Receipt Revenue Bonds, Series 2005	$ 2,833	$ 10,504	
2011 Capital Grant Receipt Revenue Bonds	188,545	6,826	
	$ 191,378	$ 17,330	$ 31,887
Capital Grant Receipt Revenue Bonds - pledged: Section 5309 full funding grant agreement revenues			
2013 Payroll Tax and Grant Receipts Bonds - Principal	$ 325,000	$ -	$ 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, 2016 and 2015.

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, and 2016 Revenue Bonds Series A. 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, 2016 there were $23,440, in defeased bonds with scheduled maturities on September 1, 2016, 2017, 2018, 2019 and 2020. The 2005 Revenue bonds are subject to redemption prior to maturity at the option of TriMet on any date on or after September 1, 2016, at a price of par (100%) plus accrued interest thereon to the date of redemption.

Notes to Financial Statements

June 30, 2016
(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, 2016 there were $32,300, in defeased bonds with scheduled maturities annually on September 1, 2017 through 2031.

Future maturities of the 2007 Revenue Bonds, Series A, are as follows:

Fiscal year ending June 30:	Principal	Interest
2017	$ 1,545	$ 39
	$ 1,545	$ 39

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, 2016 there were $22,200, in defeased bonds with scheduled maturities annually on September 1, 2020 through 2029.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

2009 Revenue Bonds, Series A and B, continued

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

	Principal	Interest
Fiscal year ending June 30:		
2017	$ 1,540	$ 923
2018	1,600	864
2019	1,660	803
2020	1,720	744
2021	-	718
2022-2026	-	3,590
2027-2031	2,870	3,508
2032-2034	9,660	850
	$ 19,050	$ 12,000

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 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, 2016 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:

	Principal	Interest
Fiscal year ending June 30:		
2017	$ 2,265	$ 807
2018	2,380	691
2019	2,490	582
2020	2,605	467
2021	2,725	347
2022-2023	5,850	295
	$ 18,315	$ 3,189

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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

2015 Revenue Bonds, Series A and B, continued

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

	Principal	Interest
Fiscal year ending June 30:		
2017	$ 5,650	$ 6,026
2018	7,255	5,805
2019	7,565	5,488
2020	3,345	5,246
2021	5,115	5,078
2022-2026	29,410	21,566
2027-2031	34,670	13,518
2032-2036	19,950	6,748
2037-2041	21,630	2,361
	$ 134,590	$ 71,836

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:

	Principal	Interest
Fiscal year ending June 30:		
2017	$ -	$ 2,221
2018	355	2,753
2019	360	2,746
2020	365	2,735
2021	380	2,725
2022-2026	11,925	12,833
2027-2031	22,100	8,856
2032-2036	27,190	3,933
2037-2038	12,125	366
	$ 74,800	$ 39,168

Notes to Financial Statements

June 30, 2016
(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, beginning November 1, 2016 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:		
2017	$ 90,000	$ 10,300
2018	90,000	7,150
2019	90,000	3,500
2020	55,000	825
	$ 325,000	$ 21,775

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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

Capital Grant Receipt Revenue Bonds, Series 2005, continued

Future maturities of the Capital Grant Receipt Revenue Bonds, Series 2005, are as follows:

	Principal	Interest
Fiscal year ending June 30:		
2017	$ 1,335	$ 78
2018	1,395	26
	$ 2,730	$ 104

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:

	Principal	Interest
Fiscal year ending June 30:		
2017	$ 9,170	$ 6,686
2018	9,450	6,321
2019	9,900	5,857
2020	10,380	5,382
2021	10,850	4,878
2022-2026	62,885	15,538
2027-2028	29,745	1,503
	$ 142,380	$ 46,165

Notes to Financial Statements

June 30, 2016
(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, 2016, the per claims limit was $683 and the per occurrence limit was $1,366.

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. 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 liabilities include estimated claims that have been incurred but not reported and development of existing claims of $5,758 and $4,359 for 2016 and 2015, respectively. 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, 2016 and 2015:

	2016		2015	
	Industrial accident claims	Public liability	Industrial accident claims	Public liability
Liability at beginning of year	$ 5,646	$ 4,317	$ 7,571	$ 3,355
Current year claims	3,193	455	2,551	460
Changes in estimates for claims of prior periods	1,346	909	(1,400)	1,949
Payments of claims	(3,612)	(1,184)	(3,076)	(1,447)
Liability at end of year	$ 6,573	$ 4,497	$ 5,646	$ 4,317

Based on historical experience, the District has classified $4,502 and $4,462 of the industrial accident and public liability claims liabilities as current liabilities, at June 30, 2016 and 2015, respectively.

Notes to Financial Statements

June 30, 2016
(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:

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	

2015	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Uninsured claims liability:					
Industrial accident claims	$ 7,571	$ 2,551	$ (4,476)	$ 5,646	$ 2,829
Employee dental insurance	340	-	-	340	340
Other claims	2,902	491	-	3,393	3,393
Public liability	3,355	2,409	(1,447)	4,317	1,633
Total claims liability	14,168	5,451	(5,923)	13,696	8,195
Long-term employee sick leave	2,277	591	-	2,868	-
Rent payable	1,710	-	(227)	1,483	-
Unearned lease revenue	2,274	-	(25)	2,249	-
Total other liabilities	20,429	6,042	(6,175)	20,296	8,195
Deduct current portion	(7,957)			(8,195)	
Other long-term liabilities	$ 12,472			$ 12,101	

8. Lease Transactions

Office and equipment leases

The District leases office space under non-cancelable operating leases. Total costs for such leases were $1,208 and $1,059 in 2016 and 2015, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2017	$ 1,559
2018	1,327
2019	1,357
2020	1,327
2021	1,260
Thereafter	3,054
	$ 9,884

Notes to Financial Statements

June 30, 2016
(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. At June 30, 2016, final termination payments under one leasehold agreement for 12 light rail vehicles remains, and are scheduled for completion by 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, 2016, TriMet is not aware of any default, event of default or event of loss under any of the operative documents. TriMet's remaining obligation under the one remaining terminated lease-leaseback transaction is $5,051 to be paid by December 2016.

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, 2016
(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, 2016. As of June 30, 2016, 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:				
2017	$ -	$ -	$ -	$ -
2018	-	28	-	28
2019	780	-	-	780
2020	2,629	-	-	2,629
2021	2,534	-	-	2,534
2022-2026	-	110	1,024	1,134
2027-2031	-	135	-	135
2032-2036	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, 2016, 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, 2016
(dollars in thousands)
continued

Financial Statement Summary

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

	2016	2015
Assets:		
Prepaid lease expense - current	$ 5,051	$ 10,956
Prepaid lease expense	67,840	80,141
Long-term restricted lease deposit	-	35,376
Total assets	$ 72,891	$ 126,473
Liabilities:		
Unearned lease revenue - current	$ 5,051	$ 10,956
Unearned lease revenue	-	5,051
Long-term lease liability	55,914	65,727
Total liabilities	60,965	81,734
Deferred Inflows of Resources:		
Unamortized gain on leases	17,312	18,370
Total liabilities and deferred inflows of resources	$ 78,277	$ 100,104
Net leveraged lease revenue (expense)	$ 278	$ (206)

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, 2016 were $367,586.

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.

Notes to Financial Statements

June 30, 2016
(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. 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 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.

Basis of accounting

The Union DC Plan uses the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are earned.

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, 2016 and 2015, there were 831 and 672 active employees, respectively, covered by the Union DC Plan. District contributions to the Union DC Plan were $2,484 and $1,448 for the years ending June 30, 2016 and 2015, respectively. Employee contributions to the Union DC Plan were $1,562 and $754 for the years ending June 30, 2016 and 2015, respectively.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
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. 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 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.

Basis of accounting

The Management DC Plan uses the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are earned.

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, 2016 and 2015 there were 285 and 300 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were $2,113 and $1,929 for the years ending June 30, 2016 and 2015, respectively. Employee contributions to the Management DC Plan were $818 and $713 for the years ending June 30, 2016 and 2015, respectively.

Notes to Financial Statements

June 30, 2016
(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, 2016 and 2015, the District's vacation pay liability was $11,306 and $10,866, 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. 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:
.

	2016	2015	2014
Annual required contribution (ARC)	$ 76,628	$ 73,999	$ 94,145
Interest on net OPEB obligation	16,625	15,080	13,342
Adjustment to annual required contribution	(30,540)	(27,320)	(16,393)
Annual OPEB cost	62,713	61,759	91,094
Contributions made	(17,107)	(17,617)	(16,020)
Increase in net OPEB obligation	45,606	44,142	75,074
Net OPEB obligation - beginning of year	475,009	430,867	355,793
Net OPEB obligation - end of year	$ 520,615	$ 475,009	$ 430,867
Percentage of annual OPEB cost contributed	27%	29%	18%

Notes to Financial Statements

June 30, 2016
(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 2,453 and 2,285 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 $17,107 and $17,617 in fiscal year 2016 and 2015, 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	2016	2015	2014
Actuarial value of assets	$ 401	$ 401	$ 401
Actuarial accrued liability (AAL)	760,727	711,180	949,993
Unfunded AAL (UAAL)	$ 760,326	$ 710,779	$ 949,592
Funded ratio	0%	0%	0%
Covered payroll	$ 167,369	$ 154,966	$ 145,469
UAAL as a percentage of covered payroll	454%	459%	653%

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, 2016 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, 2016 there are 22 years of amortization remaining. Changes to the actuarial assumptions in the January 1, 2016 valuation were made to update health care claims costs and trend rates.

Notes to Financial Statements

June 30, 2016
(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 $2,977 and ($972) in pension expense for the Management DB Plan in the years ended June 30, 2016 and 2015, 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 contained in a plan document originally adopted on December 7, 1970, restated as of June 30, 1988, restated as of December 31, 2002, subsequently amended as of January 1, 2004, March 22, 2005, July 1, 2005, July 1, 2006 and restated as of January 1, 2008, and amended as of December 13, 2011 and June 7, 2012 and 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, 2016 and 2015:

	2016	2015
Active employees	129	141
Retirees and beneficiaries:		
Receiving benefits	250	234
Deferring benefits	-	-
Deferred Retirement benefits		
Terminated employees	91	96
Transfers to union plan	23	26
Disabled employees	3	3
Total Participants	496	500

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, 2016
(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 at June 30, 2016:

Investments by fair value level
As of June 30

		Fair Value Measurement Using		
Measured at Fair Value Level	**2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
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		
Cash	631	631		
	$ 64,355	$ 64,355	-	-
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			
	50,679			
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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
Continued

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.

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 are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
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, 2016 and 2015, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.3 percent and 1.9 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
Continued

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, 2016, 2015 and 2014:

	2016	2015	2014
Fixed income	14%	14%	14%
U.S. equity	24%	24%	24%
International equity	17%	17%	17%
Tactical asset allocation	15%	15%	15%
Absolute return	14%	14%	14%
Private real estate	7%	7%	7%
Private equity	2%	2%	2%
Private credit	7%	7%	7%
Total	100%	100%	100%

As of June 30, 2016, 2015 and 2014, the plan had investments of more than 5% of the total Plan fiduciary net position, as follows:

	2016	2015	2014
Ryan Labs Core Bond Fund	15.1%	16.6%	0.0%
Graham Tactical Trend	14.6%	0.0%	0.0%
State Street RAFI US 1000 Fund	11.1%	11.1%	13.9%
Vanguard Russell 1000 Index Fund	11.0%	10.4%	13.8%
Vanguard Total International Stock Fund	8.3%	8.6%	8.9%
RREEF America REIT II	7.9%	7.6%	2.5%
Capital Guardian International Fund	7.6%	8.4%	8.9%
AQR Enhanced Style Premia Fund, L.P.	7.2%	6.7%	0.0%
Millennium	7.0%	0.0%	0.0%
PIMCO All Asset Fund	0.0%	13.3%	14.7%
Aurora Offshore Class AA	0.0%	0.0%	7.4%

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

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

	2016	2015	2014
Total pension liability	$ 133,362	$ 129,132	$ 123,740
Plan fiduciary net position	114,997	111,100	107,119
Net pension liability	$ 18,365	$ 18,032	$ 16,621
Plan fiduciary net position as a percent of total pension liability	86.2%	86.0%	86.6%
Annual covered payroll	$ 12,722	$ 12,751	$ 13,142
Unfunded AAL as a percentage of covered payroll	144.4%	141.5%	126.6%

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 2.25 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. Significant changes to assumptions in the valuation dated June 30, 2016 include changes to use of an explicit administrative expense assumption of $100, reduction of the inflation increase assumptions to 2.5 percent, and the long-term expected return on plan assets was reduced from 6.5 percent to 6.3 percent to reflect updated economic expectations. Net pension liability has been measured and reported as of June 30, 2016.

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, 2016:

Long-Term Expected Real Rate of Return

Asset Class	
Fixed income	2.1%
U.S. large-mid cap equities	5.2%
U.S. small cap equities	6.1%
International equity	6.1%
Tactical asset allocation	4.0%
Absolute return	2.2%
Private real estate	4.0%
Private equity	9.1%
Private credit	4.3%

Notes to Financial Statements
June 30, 2016
(dollars in thousands)
continued

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.

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2016, 2015, and 2014:

Management DB Plan

	2016	2015	2014
Total pension liability			
Service cost	$ 1,224	$ 505	$ 793
Interest cost	8,327	7,931	8,454
Benefit payments	(4,502)	(4,458)	(3,892)
Changes of benefit terms	-	-	-
Change in assumptions	474	(2,178)	(531)
Experience (gain) loss	(1,293)	3,592	(3,002)
Net change in total pension liability	4,230	5,392	1,822
Total pension liability, beginning	129,132	123,740	121,918
Total pension liability, ending	133,362	129,132	123,740
Plan fiduciary net position			
Contributions	(7,036)	(6,559)	(5,602)
Expected investment income	(7,279)	(7,022)	(6,354)
Difference between actual and expected income	5,916	5,142	(7,720)
Benefit payments	4,502	4,458	3,892
Net change in plan fiduciary net position	(3,897)	(3,981)	(15,784)
Plan fiduciary net position, beginning	(111,100)	(107,119)	(91,335)
Plan fiduciary net position, ending	(114,997)	(111,100)	(107,119)
Net pension liability, ending	$ 18,365	$ 18,032	$ 16,621
Plan fiduciary net position as a percent of total pension liability	86%	86%	87%
Covered payroll	$ 12,722	$ 12,751	$ 13,142
Net pension liability as a percent of covered payroll	144%	141%	126%

Notes to Financial Statements

June 30, 2016
(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%)	$ 36,281
Current discount rate (6.3%)	18,365
1% increase (7.3%)	3,463

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, 2016, 2015 and 2014:

Deferred outflows	2016	2015	2014
Differences between projected and actual earnings on pension investments	$ 7,667	$ 5,100	$ 2,172
Changes in assumptions	195	-	34
Differences between expected and actual experience in the measurement of total pension liability	-	829	5
Total deferred outflows	$ 7,862	$ 5,929	$ 2,211
Deferred inflows			
Differences between projected and actual earnings on pension investments	$ (4,034)	$ (6,523)	$ (10,636)
Changes in assumptions	(532)	(503)	(1,371)
Differences between expected and actual experience in the measurement of total pension liability	-	-	(243)
Total deferred inflows	$ (4,566)	$ (7,026)	$ (12,250)

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

	Deferred outflows	Deferred inflows
2017	$ 2,363	$ (3,022)
2018	2,168	(1,544)
2019	2,168	-
2020	1,163	-
2021	-	-
Thereafter	-	-
	$ 7,862	$ (4,566)

Notes to Financial Statements

June 30, 2016
(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 $29,193 and $23,028 in pension expense for the Bargaining Unit DB Plan in the years ending June 30, 2016 and 2015, 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, 2016 and 2015:

	2016	2015
Active employees	1,580	1,706
Retirees and beneficiaries:		
Receiving benefits	1,701	1,611
Deferred Retirement benefits:		
Terminated employees	122	133
Transfers to management plan	64	64
Total Participants	3,467	3,514

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, 2016
(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 at June 30, 2016:

Investments by fair value level
As of June 30

		Fair Value Measurement Using		
Measured at Fair Value Level	**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		
Cash	1,554	1,554		
	293,537	293,537	-	-
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			
	179,487			
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.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
Continued

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 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.

Outstanding commitments and redemption limitations for each investment class are as follows:

Measured at Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private real estate	$ 44,186	$ -	Quarterly	45 days
Private equity	11,059	1,486	N/A	N/A
Private credit	8,964	3,541	N/A	N/A

Rate of Return

For the years ended June 30, 2016 and 2015, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.42 percent and 2.7 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
Continued

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, 2016 and 2015:

	2016	2015
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%

As of June 30, 2016, 2015 and 2014, the plan had the following investments of more than 5% of the total Plan fiduciary net position:

	2016	2015	2014
State Street RAFI US 1000 Index Fund	14.1%	13.6%	18.5%
Vanguard Russell 1000 Index Fund	14.0%	13.5%	15.2%
Vanguard Total International Stock Index Fund	11.0%	11.0%	7.9%
Capital Guardian International All Countries Equity Class Db	10.6%	11.4%	7.9%
AFL/CIO Housing Trust	10.1%	0.0%	0.0%
RREEF America REIT II	8.2%	6.8%	3.9%
AQR Enhanced Style Premia Fund, L.P.	6.0%	5.4%	0.0%
Millennium	5.9%	0.0%	0.0%
Graham Tactical Trend	5.3%	0.0%	0.0%
Aurora Offshore Class AA	1.2%	4.5%	6.4%
I Shares Russell 1000 Index E T F	0.4%	11.0%	3.3%
PIMCO All Asset Fund	0.0%	7.5%	9.4%
PIMCO Total Return Fund	0.0%	0.0%	15.0%

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

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	2016	2015	2014
Total pension liability	$ 656,437	$ 625,233	$ 618,228
Plan fiduciary net position	472,829	465,815	448,379
Net pension liability	$ 183,608	$ 159,418	$ 169,849
Plan fiduciary net position as a percent of total pension liability	72.0%	74.5%	72.5%
Annual covered payroll	$ 117,666	$ 116,556	$ 124,696
Unfunded AAL as a percentage of covered payroll	156.1%	136.9%	136.3%

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, inflation of 2.5 percent and annual salary increases of 2.75 percent and benefit multiplier increases of 2.75 percent annually for participants who retired prior to August 1, 2012 and 2.475 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. Significant changes to assumptions in the valuation dated June 30, 2016 include a reduction in the long term expected return on plan assets from 7.0 percent to 6.75 percent, implementation of the RP-2014 mortality tables, and reduction of the inflation assumption from 2.75 percent to 2.5 percent. Net pension liability has been measured and reported as of June 30, 2016.

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, 2016:

Long-Term Expected Real Rate of Return

Asset Class	
Fixed income	2.1%
U.S. large-mid cap equities	5.2%
U.S. small cap equities	6.1%
International equity	6.1%
Tactical asset allocation	4.0%
Absolute return	2.2%
Private real estate	4.0%
Private equity	9.1%
Private credit	4.3%

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

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.

Changes in net pension liability

The following table presents the changes in the net pension liability for the years ended June 30, 2016, 2015, and 2014:

Bargaining Unit DB Plan

	2016	2015	2014
Total pension liability			
Service cost	$ 10,703	$ 11,756	$ 11,406
Interest cost	43,372	43,025	42,870
Effect of plan changes	-	-	-
Changes of assumptions	18,776	(16,558)	29,476
Effect of economic/demographic gains	(8,967)	(541)	(11,294)
Benefit payments	(32,680)	(30,677)	(28,846)
Net change in total pension liability	31,204	7,005	43,612
Total pension liability, beginning	625,233	618,228	574,616
Total pension liability, ending	656,437	625,233	618,228
Plan fiduciary net position			
Contributions	(38,027)	(36,200)	(47,261)
Net investment income	(1,948)	(12,276)	(64,461)
Benefit payments	32,680	30,677	28,845
Administrative expense	281	363	487
Net change in plan fiduciary net position	(7,014)	(17,436)	(82,390)
Plan fiduciary net position, beginning	(465,815)	(448,379)	(365,989)
Plan fiduciary net position, ending	(472,829)	(465,815)	(448,379)
Net pension liability, ending	$ 183,608	$ 159,418	$ 169,849
Plan fiduciary net position as a percent of total pension liability	72%	75%	73%
Covered payroll	$ 117,666	$ 116,556	$ 124,696
Net pension liability as a percent of covered payroll	156%	137%	136%

Notes to Financial Statements
June 30, 2016
(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%)	$ 260,607
Current discount rate (6.75%)	183,608
1% increase (7.75%)	118,487

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, 2016, 2015 and 2014:

Deferred outflows	2016	2015	2014
Differences between projected and actual earnings on pension investments	$ 36,166	$ 19,740	$ 8,649
Changes in assumptions	34,537	27,115	34,713
Differences between expected and actual experience in the measurement of total pension liability	1,506	2,761	4,016
Total deferred outflows	$ 72,209	$ 49,616	$ 47,378
Deferred inflows			
Differences between projected and actual earnings on pension investments	$ (18,383)	$ (29,465)	$ (40,548)
Changes in assumptions	(15,920)	(13,492)	-
Differences between expected and actual experience in the measurement of total pension liability	(10,426)	(12,203)	(15,116)
Total deferred inflows	$ (44,729)	$ (55,160)	$ (55,664)

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

	Deferred outflows	Deferred inflows
2017	$ 22,614	$ (19,397)
2018	21,610	(15,614)
2019	18,078	(6,658)
2020	9,907	(3,060)
2021	-	-
Thereafter	-	-
	$ 72,209	$ (44,729)

Notes to Financial Statements

June 30, 2016
(dollars in thousands)
continued

14. Subsequent Events

Payroll Tax and Grant Receipt Revenue Bonds, Series 2013

In August 2016, the District exercised an early redemption of $100,000 of principal outstanding on the Series 2013 Payroll Tax and Grant Receipt Revenue Bonds. The remaining balance on the bonds is $225,000.

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, 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%
January 1, 2008	-	632,204	632,204	130,726	484%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Management DB Plan

	2016	2015	2014	2013	2012
Total pension liability					
Service cost	$ 1,224	$ 505	$ 793	$ 906	$ 1,095
Interest cost	8,327	7,931	8,454	7,903	7,370
Benefit payments	(4,502)	(4,458)	(3,892)	(3,519)	(3,134)
Changes of benefit terms	-	-	-	1,711	-
Change in assumptions	474	(2,178)	(531)	1,015	264
Experience (gain) loss	(1,293)	3,592	(3,002)	152	2,405
Net change in total pension liability	4,230	5,392	1,822	8,168	8,000
Total pension liability, beginning	129,132	123,740	121,918	113,750	105,750
Total pension liability, ending	133,362	129,132	123,740	121,918	113,750
Plan fiduciary net position					
Contributions	(7,036)	(6,559)	(5,602)	(9,776)	(3,008)
Expected investment income	(7,279)	(7,022)	(6,354)	(5,372)	(5,188)
Difference between actual and expected income	5,916	5,142	(7,720)	(4,728)	5,429
Benefit payments	4,502	4,458	3,892	3,519	3,134
Net change in plan fiduciary net position	(3,897)	(3,981)	(15,784)	(16,357)	367
Plan fiduciary net position, beginning	(111,100)	(107,119)	(91,335)	(74,978)	(75,345)
Plan fiduciary net position, ending	(114,997)	(111,100)	(107,119)	(91,335)	(74,978)
Net pension liability, ending	$ 18,365	$ 18,032	$ 16,621	$ 30,583	$ 38,772
Plan fiduciary net position as a percent of total pension liability	86%	86%	87%	75%	66%
Covered payroll	$ 12,722	$ 12,751	$ 13,142	$ 14,200	$ 14,869
Net pension liability as a percent of covered payroll	144%	141%	126%	215%	261%

Schedule of Changes in Net Pension Liability and Related Ratios

(dollars in thousands)

Bargaining Unit DB Plan

	2016	2015	2014	2013	2012
Total pension liability					
Service cost	$ 10,703	$ 11,756	$ 11,406	$ 11,122	$ 11,031
Interest cost	43,372	43,025	42,870	41,827	40,065
Effect of plan changes	-	-	-	-	(10,616)
Changes of assumptions	18,776	(16,558)	29,476	15,354	-
Effect of economic/demographic (gains) losses	(8,967)	(541)	(11,294)	(8,583)	7,781
Benefit payments	(32,680)	(30,677)	(28,846)	(27,373)	(23,864)
Net change in total pension liability	31,204	7,005	43,612	32,347	24,397
Total pension liability, beginning	625,233	618,228	574,616	542,269	517,872
Total pension liability, ending	656,437	625,233	618,228	574,616	542,269
Plan fiduciary net position					
Contributions	(38,027)	(36,200)	(47,261)	(70,380)	(18,824)
Net investment income	(1,948)	(12,276)	(64,461)	(42,349)	(792)
Benefit payments	32,680	30,677	28,846	27,373	23,864
Administrative expense	281	363	486	223	289
Net change in plan fiduciary net position	(7,014)	(17,436)	(82,390)	(85,133)	4,537
Plan fiduciary net position, beginning	(465,815)	(448,379)	(365,989)	(280,856)	(285,393)
Plan fiduciary net position, ending	(472,829)	(465,815)	(448,379)	(365,989)	(280,856)
Net pension liability, ending	$ 183,608	$ 159,418	$ 169,849	$ 208,627	$ 261,413
Plan fiduciary net position as a percent of total pension liability	72%	75%	73%	64%	52%
Covered payroll	$ 117,666	$ 116,556	$ 124,696	$ 125,143	$ 125,142
Net pension liability as a percent of covered payroll	156%	137%	136%	167%	209%

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, 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%
June 30, 2012	6,216	3,008	(3,208)	14,869	20%

Bargaining Unit DB Plan

Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
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%
June 30, 2012	32,224	35,853	3,629	125,142	29%

Schedules of Investment Returns

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

	2016	2015	2014	2013	2012
Management DB Plan	1.30%	1.87%	15.62%	13.10%	-0.02%
Bargaining Unit DB Plan	0.42%	2.73%	17.28%	14.06%	0.27%

Supplementary Information

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

For The Year Ended June 30, 2016
(dollars in thousands)

Budget basis	
Revenues	$ 750,723
Expenses	624,750
Revenues over expenses	125,973
Add budget activity not qualifying as revenues/ expenses under GAAP:	
Principal payments on long-term debt	19,349
Capital asset additions	133,678
Add (subtract) adjustments required by GAAP:	
Unfunded pension costs	12,892
Depreciation	(132,999)
Net leveraged lease revenue	278
Claims liability changes	(603)
Unfunded OPEB Costs	(45,606)
Subtract budget resources not qualifying as revenues under GAAP:	
Loss on asset deletion	148
Debt Issuance	(72,865)
Federal, state and local government contributions	(129,676)
GAAP basis loss before contributions presented in statement of revenues, expenses and changes in net position	$ (89,431)

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

June 30, 2016
(dollars in thousands)

Budget basis ending fund balance	$ 365,286
Reconciliation to GAAP basis:	
Net capital assets	3,044,386
Capital related debt	(718,452)
Other postemployment benefits	(520,615)
Net pension liability	(201,973)
Unamortized gain on pension investments	(49,295)
Unamortized loss on pension investments	80,070
Claims liability	(2,797)
Prepaid lease expense	67,840
Unamortized gain on leases	(17,312)
Long term lease liability	(55,914)
GAAP basis net position	$ 1,991,224

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

For The Year Ended June 30, 2016
(dollars in thousands)

GENERAL FUND

	Original budget	Final budget	Actual	Variance from final budget over (under)
Revenues				
Operating revenue	$ 134,698	$ 134,698	$ 136,661	$ 1,963
Tax revenue	312,712	312,712	323,999	11,287
Operating grant and other revenue	92,574	92,574	81,391	(11,183)
Capital program resources	71,130	71,130	8,431	(62,699)
Bond proceeds	98,362	98,362	72,865	(25,497)
Light rail program resources	153,452	153,452	32,725	(120,727)
Federal funds restricted for debt service	-	-	88,520	88,520
Other non-operating resources	4,397	4,397	6,131	1,734
Total revenues	867,325	867,325	750,723	(116,602)
Expenses				
Operating program:				
Office of the general manager	1,678	1,678	1,574	(104)
Public affairs	14,564	14,564	12,933	(1,631)
Safety and security	17,206	17,091	15,522	(1,569)
Information technology	9,761	9,761	9,748	(13)
Finance and administration	15,481	15,481	14,222	(1,259)
Labor relations and human resources	3,494	3,494	3,357	(137)
Legal services	2,257	2,257	1,907	(350)
Operations	340,801	339,747	328,208	(11,539)
Capital projects	10,508	10,508	8,777	(1,731)
OPEB and UAAL pension	51,120	51,120	50,096	(1,024)
Regional Funding Exchanges	3,021	3,021	3,021	-
Debt service	40,648	40,648	35,576	(5,072)
Pass-through requirements	4,397	8,897	6,131	(2,766)
Contingency	15,316	10,816	-	(10,816)
Total operating program	530,252	529,083	491,072	(38,011)
Capital programs				
Public affairs	5,760	5,760	2,117	(3,643)
Safety and security	6,500	6,615	2,364	(4,251)
Information technology	14,647	14,647	6,131	(8,516)
Finance and administration	24,859	24,859	16,477	(8,382)
Operations	56,052	57,106	50,652	(6,454)
Capital projects and facilities	20,079	20,079	11,017	(9,062)
Total capital programs	127,897	129,066	88,758	(40,308)
Light rail programs				
Portland to Milwaukie light rail	153,452	153,452	44,920	(108,532)
Total light rail programs	153,452	153,452	44,920	(108,532)
Total expenses	811,601	811,601	624,750	(186,851)
Revenues under expenses	55,724	55,724	125,973	70,249
Beginning fund balance	208,380	208,380	239,313	30,933
Ending fund balance	$ 264,104	$ 264,104	$ 365,286	$ 101,182

Schedule of Property Tax Levies and Collections
Last Five Fiscal Years

For The Year Ended June 30, 2016
(dollars in thousands)

Fiscal year ended June 30	Tax levy for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	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%	353	10,118	97%
2009	9,344	8,722	93%	386	9,108	97%
2008	9,514	8,969	94%	308	9,277	98%

Schedule of Property Tax Transactions and Outstanding Balances

For The Year Ended June 30, 2016
(dollars in thousands)

Tax year	Beginning balance	Levy extended by assessor	Discounts	Interest	Adjustments	Collections	Ending balance
2011-12	$ 43	$ -	$ -	$ 2	$ 1	$ (18)	$ 28
2010-11	34	-	-	-	4	(3)	35
2009-10	34	-	-	-	-	(2)	32
2008-09	3	-	-	-	-	(1)	2
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	-	-	-	-	-	-	-
	$ 120	$ -	$ -	$ 2	$ 5	$ (24)	$ 103

APPENDIX B

FORM OF BOND COUNSEL OPINION

(This Page Intentionally Left Blank)

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:

August 30, 2017

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

Subject: $76,015,000 Tri-County Metropolitan Transportation District of Oregon Capital Grant Receipt Revenue Refunding Bonds, Series 2017A

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 Refunding Bonds, Series 2017A in the aggregate principal amount of $76,015,000 (the "Series 2017A Bonds"). The Series 2017A Bonds are issued pursuant to Oregon Revised Statutes ("ORS") 287A.360 to 287A.375, and other applicable provisions of ORS Chapter 287A, ORS Chapter 267 and related provisions, TriMet Resolution No. 16-09-58 adopted September 28, 2016 (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, and the Second Supplemental Trust Agreement, dated as of August 1, 2017 (the "Second Supplemental Trust Agreement"), between TriMet and the Trustee. The 2005 Master Trust Agreement, the First Supplemental Trust Agreement and the Second 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.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Series 2017A Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

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 2017A 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 2017A Bonds constitute valid and legally binding special obligations of TriMet that are enforceable in accordance with their terms.

2. The Series 2017A 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 2017A 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 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the

adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. 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 2017A 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 2017A 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 2017A Bonds in order that, for federal income tax purposes, interest on the Series 2017A 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 2017A Bonds, restrictions on the investment of proceeds of the Series 2017A 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 2017A 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 2017A 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 2017A 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 2017A Bonds, and (ii) compliance by TriMet with the procedures and covenants set forth in the Tax Certificate.

4. Interest on the Series 2017A Bonds is exempt from Oregon personal income tax.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2017A Bonds or the ownership or disposition thereof. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Series 2017A Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Series 2017A 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 given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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 2017A Bonds and have not represented and are not representing any other party in connection with the Series 2017A Bonds. This opinion is given solely for the benefit of TriMet in connection with the Series 2017A 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,

(This Page Intentionally Left Blank)

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(This Page Intentionally Left Blank)

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$76,015,000
Tri-County Metropolitan Transportation District of Oregon
Capital Grant Receipt Revenue Refunding Bonds
Series 2017A

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 Refunding Bonds, Series 2017A (the "Series 2017 Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by TriMet for the benefit of the owners of the Series 2017 Bonds and to assist the underwriters of the Series 2017 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 2017 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 2017 Bonds, including persons holding Series 2017 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 2017 Bonds dated July 20, 2017.

"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, 2016 and 2015"; 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bondowner's Remedies Under This Certificate. The right of any Series 2017 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 2017 Bonds. Series 2017 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 2017 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 30th day of August, 2017.

Tri-County Metropolitan Transportation District of Oregon

____

Authorized Officer

APPENDIX D

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2017 Bonds. The Series 2017 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 2017 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 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017

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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Series 2017 Bonds. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 2017 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 2017 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 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Series 2017 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 2017 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 2017 Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee for DTC, references herein to the holders or registered owners of the Series 2017 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 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 2017 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.

(This Page Intentionally Left Blank)

APPENDIX E

2005 MASTER TRUST AGREEMENT, FIRST SUPPLEMENTAL TRUST AGREEMENT AND FORM OF SECOND SUPPLEMENTAL TRUST AGREEMENT

(This Page Intentionally Left Blank)

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

TABLE OF CONTENTS

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 Unied 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 toSection 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 toSection 11 of this Master Trust Agreement, and Bonds that have maturedand 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 withSection 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 Receiptsare 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 earlytermination 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 Section 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 the 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 thatany 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 Agreementqualifies 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 forpurposes 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 assumingthat any payments that are determined according to a formula provided in the Exchange Agreement areequal 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 Section 6.6.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, solong 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 shall 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 fomal 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 Exhibit A 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 states 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 only 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 date 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, instrumentality 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 from Series 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

TABLE OF CONTENTS

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

b e t w e e n t h e

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

Table of Contents

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

____
Authorized Officer

[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

____
Authorized Officer

Name:___________________________________

Title:____________________________________

[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.

(This Page Intentionally Left Blank)

(This Page Intentionally Left Blank)

TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON • CAPITAL GRANT RECEIPT REVENUE REFUNDING BONDS, SERIES 2017A

TRIMET

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com